Audited Consolidated Financial Statements and
Other Financial Information of

CORPORATION OF THE TOWN OF PRESCOTT

Year ended December 31, 2023

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Year ended December 31, 2023

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, 2023
- 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 remeasurement of gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

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

Basis for Opinion

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

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

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

Emphasis of Matter – Change in Accounting Policy

We draw attention to note 2 to the financial statements which indicates that the Entity has changed its accounting policy for Asset Retirement Obligations, as a result of the adoption of PS 3280 *Asset Retirement Obligations*, and has been applied using the prospective method.

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 20, 2025

CORPORATION OF THE TOWN OF PRESCOTT

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash and short-term deposits	$ 3,163,849	$ 1,007,823
Taxes receivable	778,498	619,891
User charges receivable	1,055,691	1,429,505
Accounts receivable	6,291,848	8,415,335
Inventory	12,790	20,068
Investments (note 10)	1,682,674	1,179,049
Investment in Rideau St. Lawrence Holdings Inc. (note 4)	2,053,046	1,988,521
	15,038,396	14,660,192
Financial liabilities:		
Accounts payable and accrued liabilities	4,522,258	3,348,850
Employee future benefit obligations (note 5)	27,700	29,438
Asset retirement obligations (note 7)	285,525	–
Deferred revenue (note 6)	453,840	434,046
Long-term liabilities (notes 6(a), 6(b), 8 and 9)	19,780,516	18,309,743
Total liabilities	25,069,839	22,122,077
Net debt	(10,031,443)	(7,461,885)
Non-financial assets:		
Tangible capital assets (note 17)	81,902,366	72,114,169
Inventories	37,368	28,036
Prepaid expenses	241,630	272,193
Total non-financial assets	82,181,364	72,414,398
Contingent liabilities (note 15)		
Commitments (note 16)		
Accumulated municipal equity (note 11)	$ 72,149,921	$ 64,952,513
Municipal equity is comprised of:		
Accumulated surplus (note 11)	$ 71,717,990	$ 64,952,513
Accumulated remeasurement gains	431,931	–
	$ 72,149,921	$ 64,952,513

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, 2023, with comparative information for 2022

	Budget 2023 (note 19)	Actual 2023	Actual 2022
Revenue:			
Property taxation	$ 6,158,166	$ 6,163,916	$ 5,873,195
Taxation from other governments	373,232	375,532	364,346
User charges	3,434,792	3,512,824	3,174,812
Government grants	2,088,527	2,219,782	2,243,604
Licenses and permits	221,056	222,787	103,922
Investment income	185,793	430,044	97,567
Penalties and interest on taxes	65,000	62,716	63,356
Provincial offenses	30,234	10,860	16,415
Other	461,449	659,102	781,376
Gain on sale of tangible capital assets	–	434,000	–
Net equity increase in investment in Rideau St. Lawrence Holdings Inc. (note 4)	57,100	120,315	52,774
Total revenue	13,075,349	14,211,878	12,771,367
Expenses (note 18):			
General government	1,220,511	1,381,877	1,230,294
Environmental services	3,571,159	3,490,027	3,387,106
Protection to persons and property	2,379,548	2,395,557	2,228,858
Health services	492,693	499,902	518,702
Social and family services	556,238	665,258	627,678
Transportation services	2,769,925	2,821,912	3,043,944
Recreation and culture services	1,829,428	1,793,205	1,597,115
Planning and development	455,776	724,014	889,458
Total expenses	13,275,278	13,771,752	13,523,155
Annual operating surplus (deficit)	(199,929)	440,126	(751,788)
Other:			
Grants and transfers related to capital:			
Deferred revenues earned	–	257,298	–
Government transfers	–	5,491,156	6,731,633
Other	–	752,363	1,488,019
	–	6,500,817	8,219,652
Annual surplus (deficit)	(199,929)	6,940,943	7,467,864
Accumulated municipal equity, beginning of year	64,952,513	64,952,513	57,484,649
Adjustment on adoption of financial instruments standard (note 20)	–	256,465	–
Accumulated municipal equity, beginning of year, as restated	64,952,513	65,208,978	57,484,649
Accumulated municipal equity, end of year (note 11)	$ 64,752,584	$ 72,149,921	$ 64,952,513

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, 2023, with comparative information for 2022

	Budget 2023 (note 19)	Actual 2023	Actual 2022
Annual surplus (deficit)	$ (199,929)	$ 6,940,943	$ 7,467,864
Acquisition of tangible capital assets	(1,638,106)	(11,934,541)	(12,072,730)
Amortization of tangible capital assets	1,973,300	2,113,246	1,901,353
Loss on sale of tangible capital assets	–	33,098	88,752
Acquisition of prepaid expenses	–	30,563	(39,791)
Change in inventories of supplies	–	(9,332)	9,592
Change in accumulated remeasurement gains	–	256,465	–
Change in net debt	135,265	(2,569,558)	(2,644,960)
Net debt, beginning of year	(7,461,885)	(7,461,885)	(4,816,925)
Net debt, end of year	$ (7,326,620)	$ (10,031,443)	$ (7,461,885)

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

CORPORATION OF THE TOWN OF PRESCOTT

Consolidated Statement of Remeasurement Gains and Loses

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

		2023
Accumulated remeasurement gains, beginning of year	$	–
Adjustment on adoption of financial instruments standard (note 20)		256,465
Accumulated remeasurement gains, beginning of year, as restated		256,465
Unrealized gains attributable to investments designated at fair value		174,926
Accumulated remeasurement gains, end of year	$	431,391

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, 2023, with comparative information for 2022

	2023	2022
Operating activities:		
Annual surplus	$ 6,940,943	$ 7,467,864
Item not involving cash:		
Amortization of tangible capital assets	2,113,246	1,901,353
Unrealized gain (loss) on investment	(174,926)	–
Loss on sale of tangible capital assets	33,098	88,752
Change in non-cash operating working capital:		
Decrease (increase) in taxes receivable	(158,607)	(53,596)
Decrease (increase) in user charges receivable	373,814	(830,589)
Decrease (increase)in accounts receivable	2,123,487	(7,556,366)
Decrease (increase)in inventories	7,278	(8,358)
Increase in accounts payable and accrued liabilities	1,173,408	1,382,941
Increase in asset retirement obligations	285,525	–
Decrease in employee future benefits obligations	(1,738)	(1,332)
Increase (decrease) in deferred revenue	19,794	(590,507)
Decrease (increase) in prepaid expenses	30,563	(39,791)
Decrease (increase) in inventories of supplies	(9,332)	9,592
	3,844,192	(7,688,006)
Net change in cash from operations	12,756,553	1,769,963
Capital activities:		
Acquisition of tangible capital assets	(11,934,541)	(12,072,730))
Investing activities:		
Increase (decrease) in investment in Rideau St. Lawrence Holdings Inc.	(64,525)	3,014
Reinvested investment income	(72,234)	(54,819)
	(136,759)	(51,805)
Financing activities:		
Debt principal repayments	(732,297)	(746,958)
Issuance of long-term debt	2,203,070	8,780,663
	1,470,773	8,033,705
Increase (decrease) in cash and short-term deposits	2,156,026	(2,320,867)
Cash and short-term deposits, beginning of year	1,007,823	3,328,690
Cash and short-term deposits, end of year	$ 3,163,849	$ 1,007,823

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

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.

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.

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.

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) Financial instruments:

On January 1, 2023, the Town adopted PS 3450 Financial Instruments which establishes accounting and reporting for all types of financial instruments, including derivatives, as disclosed in Note 20. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost.

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

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

1. Significant accounting policies (continued):

(k) Financial instruments (continued):

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

Long-term debt is recorded at amortized cost.

Establishing fair value:

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

Fair value hierarchy:

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

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

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

1. Significant accounting policies (continued):

(l) Foreign currency:

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

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

(m) 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.

(n) Asset retirement obligations:

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

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

1. Significant accounting policies (continued):

(n) Asset retirement obligations (continued):

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Under the prospective method, the discount rate and assumptions used on the initial recognition are those as of the date of adoption in the standard. Assumptions used in subsequent calculations are revised annually.

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

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

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

(o) 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.

(p) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Amounts subject to estimates include employee future benefits, asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from these estimates.

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:

	2023	2022
Property taxes	$ 958,677	$ 932,611
Amounts requisitioned and paid	$ 958,677	$ 932,611

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, 2023, there was $Nil (2022 - $Nil) drawn on the facility.

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% (2022 - 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.

	2023	2022
Financial Position		
Current assets	$ 1,794,405	$ 1,512,228
Capital assets	3,858,117	3,478,317
Net regulatory assets	362,398	409,712
	6,014,920	5,400,257
Current liabilities	2,964,728	3,234,335
Deferred tax liabilities	3,105	4,982
Long-term debt	994,041	172,419
	3,961,874	3,411,736
Net assets	$ 2,053,046	$ 1,988,521
Share capital	$ 1,184,486	$ 1,184,486
Accumulated earnings	893,664	812,083
Accumulated other comprehensive loss	(25,104)	(8,048)
Investment in government business enterprises	$ 2,053,046	$ 1,988,521

	2023	2022
Results of Operations		
Revenue	$ 5,920,951	$ 6,015,658
Operating expenses	(5,784,122)	(5,962,254)
Net earnings	136,829	53,404
Dividends paid during the year	(55,248)	(55,248)
	81,581	(1,844)
Accumulated earnings, beginning of year	812,083	813,927
Accumulated earnings, end of year	$ 893,664	$ 812,083

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, 2023 the Town's accrued benefit liability for life insurance benefits is estimated at $27,700 (2022 - $29,438).

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 funds of the Town are:

	2023	2022
Balance, beginning of year	$ 434,046	$ 150,239
Revenue:		
Contributions from developers	17,658	26,508
Ontario Community Infrastructure Funding	–	253,790
Interest on Community Infrastructure Funding	–	3,509
Canada Community Building Fund	283,340	267,803
	300,998	551,610
Utilization:		
Transfers for capital	(303,059)	(267,803)
Balance, end of year	$ 431,985	$ 434,046

Comprised as follows:

	2023	2022
Development charges	$ 148,645	$ 176,747
Ontario Community Infrastructure Funding	283,340	257,299
Balance, end of year	$ 431,985	$ 434,046

(b) The Town has other deferred revenue related to fundraising activities of $21,855 (2022 - $Nil).

7. Asset retirement obligations:

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

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

	2023
Liabilities for asset retirement obligation, beginning of year	$ –
Opening adjustment on adoption of PS 3280 *Asset Retirement Obligations* (note 20)	285,525
Accretion expense	–
Liabilities settled during the year	–
Balance, December 31, 2023	$ 285,525

8. Long-term liabilities:

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

	2023	2022
Ontario Project Infrastructure Corporation		
Maturity date 2023 and interest rate of 4.83%	$ –	$ 19,372
Maturity date 2023 and interest rate of 3.26%	–	25,337
Maturity date 2024 and interest rate of 5.61%	52,788	102,736
Maturity date 2025 and interest rate of 4.71%	349,608	512,577
Maturity date 2027 and interest rate of 4.87%	199,672	251,104
Maturity date 2028 and interest rate of 4.66%	149,621	-
Maturity date 2030 and interest rate of 1.51%	192,080	219,520
Maturity date 2036 and interest rate of 4.75%	3,213,163	3,397,763
Maturity date 2047 and interest rate of 3.70%	1,270,933	1,303,366
Maturity date 2050 and interest rate of 1.97%	3,511,111	3,644,444
Royal Bank of Canada, maturity 2023-2025, 0% interest	21,031	52,861
	$ 8,960,007	$ 9,529,080

(b) Principal payments are due as follows:

	Principal	Interest	Total
2024	$ 717,171	$ 299,878	$ 1,017,049
2025	668,378	271,710	940,088
2026	501,506	246,967	748,473
2027	483,559	227,912	711,471
2028	452,211	170,603	622,814
2029 and thereafter	6,137,182	1,468,563	7,605,745
	$ 8,960,007	$ 2,685,633	$ 11,645,640

(c) Interest expense on long term liabilities in 2023 amounted to $324,013 (2022 - $341,362).

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

9. 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, 2023, $10,820,509 (2022 - $8,780,663) of the facility was used.

10. Investments:

Investments, which consist primarily of Canadian equities, have a cost of $1,250,743 at December 31, 2023 (2022 - $1,179,049).

All of the above investments are valued as Level 2 investments. The investments are valued based on the degree to which the fair value is observable, as follows:

(i) Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities;

(ii) Level 2 Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

(iii) Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

11. Municipal equity:

	2023	2022
Investment in tangible capital assets:		
Tangible capital assets	$ 81,902,366	$ 72,114,169
Long-term liabilities	(8,960,006)	(9,529,080)
	72,942,360	62,585,089
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	(933,402)	(20,091)
Fire Truck – 2024 Delivery	(48,010)	(48,010)
New arena	(6,525,039)	(4,540,433)
Asset retirement obligation	(285,525)	-
Edward Street Overpass	–	(43,339)
Sidewalk plow	–	(163,223)
	(9,573,500)	(6,596,620)
Reserves set aside for specific purposes by Council:		
For capital expenses:		
Working capital	880,000	880,000
Business improvement	40,134	54,748
Elections	9,510	5,210
	929,644	939,958
For operating expenses:		
Fiscal policy	202,010	121,089
General government	93,579	74,102
Infrastructure	147,344	634,256
Municipal modernization	60,655	140,148
Protection services	92,743	102,789
Public Transit	36,777	5,520
Transportation services	118,921	94,836
Recreation and cultural	121,043	123,011
Library	28,768	55,717
Cemetery	36,940	29,920
Planning and development	211,610	142,143
Water and sewer	4,647,981	4,512,034
	5,798,371	6,035,565
Total reserves	6,728,015	6,975,523
Investment in Government Business Enterprises (note 4)	2,053,046	1,988,521
Total accumulated municipal equity	$ 72,149,921	$ 64,952,513

12. 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 (2022 - 31). 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, 2023. At that time, the plan reported a $4.2 billion actuarial deficit (2022 - $6.7 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 2023 was $198,256 (2022 - $183,158) and is included as an expense on the Consolidated Statement of Operations.

13. Trust funds:

Trust funds administered by the Town amounting to $122,926 (2022 - $121,152) 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.

14. 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.

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.

15. 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, 2023, management believes that the Town has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore, no amount has been accrued in the consolidated financial statements.

(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, 2023, 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.

16. 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, 2023 for five years. Payments for the water treatment plant were $386,855 (2022 - $435,468). Payments for the sewage treatment plant were $559,080 (2022 - $606,607).

(b) The Town has negotiated a long-term contract with the Ontario Provincial Police for the provision of policing services. The contract ended December 31, 2024 and was renewed effective January 1, 2025 for a ten year period. 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 $1,210,963 (2022 - $1,258,560).

(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 $201,639 (2022 - $185,553).

16. Commitments (continued):

(d) The Town has negotiated a contract for the collection and disposal of recycled materials, with Limerick Environmental which expired in January 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 $83,164 (2022 - $94,667).

(e) The estimated commitment to complete construction-in-progress and major repairs for the Edward Street Bridge at December 31, 2023 is approximately $1,006,681 (2022 - $Nil).

(f) The estimated commitment to complete construction-in-progress and major replacement costs for the Water Tower at December 31, 2023 is approximately $6,604,100 (2022 - $Nil).

(g) The estimated commitment to complete the new construction-in-progress and major equipment purchases for the Seymour Recreation Complex Outdoor Field at December 31, 2023 is approximately $1,093,580 (2022 - $Nil).

17. Tangible capital assets :

Cost	Balance at December 31, 2022	Asset Retirement Obligations	Transfers and additions	Disposals and adjustments	Balance at December 31, 2023
Land	$ 1,395,862	$ –	$ –	$ (33,098)	$ 1,362,764
Land improvements	3,285,011	–	–	–	3,285,011
Buildings	41,957,990	285,525	–	–	42,243,515
Machinery and equipment	4,315,650	–	387,117	(122,578)	4,580,189
Vehicles	2,327,186	–	105,137	(41,443)	2,390,880
Linear assets	20,465,815	–	4,038	–	20,469,853
Sewer infrastructure	7,542,336	–	–	–	7,542,336
Water infrastructure	7,215,210	–	–	–	7,215,210
Construction-in-progress	13,900,635	–	11,152,724	–	25,053,359
Total	$ 102,405,695	$ 285,525	$ 11,649,016	$ (197,119)	$ 114,143,117

17. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2022	Amortization and adjustments	Transfers, and disposals	Balance at December 31, 2023
Land improvements	$ 520,301	$ 84,082	$ –	$ 604,383
Buildings	13,699,244	1,047,588	–	14,746,832
Machinery and equipment	2,184,150	252,117	(122,578)	2,313,689
Vehicles	1,497,278	128,965	(41,443)	1,584,800
Linear assets	7,685,740	400,535	–	8,086,275
Sewer infrastructure	2,303,832	94,184	–	2,398,016
Water infrastructure	2,400,981	105,775	–	2,506,756
Total	$ 30,291,526	$ 2,113,246	$ (164,021)	$ 32,240,751

	Net book value December 31, 2022	Net book value December 31, 2023
Land	$ 1,395,862	$ 1,362,764
Land improvements	2,764,710	2,680,628
Buildings	28,258,746	27,496,683
Machinery and equipment	2,131,500	2,266,500
Vehicles	829,908	806,080
Linear assets	12,780,075	12,383,578
Sewer infrastructure	5,238,504	5,144,320
Water infrastructure	4,814,229	4,708,454
Construction-in-progress	13,900,635	25,053,359
Total	$ 72,114,169	$ 81,902,366

18. Segmented information:

The Town is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of 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.

18. Segmented information (continued):

2023	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									
Property Taxation	$ 6,163,916	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,163,916
Taxation other governments	375,532	-	-	-	-	-	-	-	375,532
User charges	12,564	3,026,642	91,205	-	6,600	2,877	372,936	-	3,512,824
Government transfers	1,692,574	51,412	39,319	-	147,295	248,673	13,044	27,465	2,219,782
Investment income	182,883	247,161	-	-	-	-	-	-	430,044
Licenses and permits	10,620	-	209,292	-	-	2,875	-	-	222,787
Net income Rideau St. Lawrence	120,315	-	-	-	-	-	-	-	120,315
Other	4,448	167,776	38,578	19,420	2,325	103,949	214,395	108,211	659,102
Penalties and interest on taxes	62,716	-	-	-	-	-	-	-	62,716
Provincial offenses	-	-	10,860	-	-	-	-	-	10,860
Gain on Sale	-	-	-	-	-	21,761	-	412,239	434,000
Other									
Capital other	-	1,716,176	-	-	-	556,001	4,228,640	-	6,500,817
Total revenue	8,625,568	5,209,167	389,254	19,420	156,220	936,136	4,829,015	547,915	20,712,695
Expenses									
Salaries and wages	651,442	290,658	529,846	-	82,051	1,232,667	456,582	259,482	3,502,728
Operating materials and services	534,628	2,234,216	1,578,290	311,542	559,129	1,087,151	980,047	464,532	7,749,535
External transfers to other	-	-	-	89,100	-	-	-	-	89,100
Debenture interest	-	156,016	71,217	-	24,078	18,146	47,686	-	317,143
Amortization	195,807	809,137	216,204	99,260	-	483,948	308,890	-	2,113,246
Total expenses	1,381,877	3,490,027	2,395,557	499,902	665,258	2,821,912	1,793,205	724,014	13,771,752
Excess of revenue over expenses (expenses over revenue) before taxatio	$ 7,243,691	$ 1,719,140	$ (2,006,303)	$ (480,482)	$ (509,038)	$ (1,885,776)	$ 3,035,810	$ (176,099)	$ 6,940,943

18. Segmented information (continued):

2022	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									
Property Taxation	$ 5,873,195	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,873,195
Taxation other governments	364,346	-	-	-	-	-	-	-	364,346
	-	-	-	-	-	-	-	-	
User charges	4,037	2,882,189	66,902	-	8,525	1,201	211,958	-	3,174,812
Government transfers	1,588,400	41,463	37,145	-	116,232	366,553	53,511	40,300	2,243,604
Investment income	42,748	54,819	-	-	-	-	-	-	97,567
Licenses and permits	10,158	-	91,689	-	-	2,075	-	-	103,922
Net income Rideau St. Lawrence	52,774	-	-	-	-	-	-	-	52,774
Other	17,090	341,021	53,294	20,481	215	77,685	199,849	71,741	781,376
Penalties and interest on taxes	63,356	-	-	-	-	-	-	-	63,356
Provincial offenses	-	-	16,415	-	-	-	-	-	16,415
Other									
Capital other	-	29,568	-	-	-	300,489	7,889,595	-	8,219,652
Total revenue	8,016,104	3,349,060	265,445	20,481	124,972	748,003	8,354,913	112,041	20,991,019
Expenses									
Salaries and wages	623,835	370,163	468,481	-	82,276	1,293,790	393,427	290,286	3,522,258
Operating materials and services	549,691	2,067,816	1,475,155	332,708	511,039	1,278,182	857,684	599,172	7,671,447
External transfers to other	-	-	-	86,734	-	-	-	-	86,734
Debenture interest	-	164,427	76,407	-	34,363	17,398	48,767	-	341,362
Amortization	56,768	784,700	208,815	99,260	-	454,574	297,237	-	1,901,354
Total expenses	1,230,294	3,387,106	2,228,858	518,702	627,678	3,043,944	1,597,115	889,458	13,523,155
Excess of revenue over expenses (expenses over revenue) before taxatior	$ 6,785,810	$ (38,046)	$ (1,963,413)	$ (498,221)	$ (502,706)	$ (2,295,941)	$ 6,757,798	$ (777,417)	$ 7,467,864

19. Budget figures:

Budget figures reported on the Consolidated Statement of Operations are based on the 2023 municipal and other local board operating budgets as approved by Council on March 21, 2023.

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.

	Budget 2023
Operational budget	
Revenue:	
Cash budget approved by Council	$ 13,540,540
Less: Transfer from reserves	(45,000)
Less: Deferred revenue	(253,791)
Less: Library funding consolidation	(166,400)
	$ 13,075,349
Expenses:	
Cash budget approved by Council	$ 13,540,540
Less: Transfers to reserves	(1,646,006)
Less: Library funding upon consolidation	(166,400)
Less: Principal payments	(736,906)
Add: Operational projects	325,750
Add: Amortization expense	1,973,300
Less: Capitalization of books budget	(15,000)
	$ 13,275,278

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

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

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

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

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

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

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

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

20. Change in accounting policies – adoption of new accounting standards (continued):

(b) (continued):

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

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

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

20. Change in accounting policies – adoption of new accounting standards (continued):

(b) (continued):

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

21. Financial instruments and risk management:

(a) Credit risk:

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

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

	Current	Past due	Gross receivables	Allowances	Net receivables
Taxes receivable	$ 408,563	$ 437,630	$ 846,193	$ (67,695)	$ 778,498
Accounts receivable	6,190,796	106,052	6,296,848	(5,000)	6,291,848
Total	$ 6,599,359	$ 543,682	$ 7,143,041	$ (72,695)	$ 7,070,346

(b) Market risk:

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

21. Financial instruments and risk management (continued):

(b) Market risk (continued):

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

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

(i) Currency risk:

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

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Town to cash flow interest rate risk.

The Town is exposed to this risk as it has municipal debt bearing interest at a fixed rate as described in note 8. As prevailing interest rates fluctuate, the market value of these debts will fluctuate. This risk is mitigated by the Town's intention to hold the debt to maturity.

(iii) Equity risk:

Equity risk arises when the fair value of equity funds changes due to a decrease in stock market index or other risk variables. The Town is exposed to this risk through the equities held in its investment portfolio. As at December 31, 2023, a 1% movement in the stock markets, with all other variables held constant, would have an estimated effect on the market values of the Town's mutual funds of $12,507 (2022 - $11,790).

(c) Liquidity risk:

Liquidity risk is the risk that the Township will not be able to meet all of its cash outflow obligations as they come due. The Township mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in notes 8 and 9.

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

CORPORATION OF THE TOWN OF PRESCOTT

Schedule A: Business Improvement Area Committee

Statement of Revenue and Expenses and Accumulated Surplus

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

	2023	2022
Revenue:		
Taxation	$ 30,447	$ 29,064
Expenses:		
Downtown	10,249	7,944
Contracted services	29,000	10,063
Advertising and promotion	5,565	8,536
Supplies	248	243
	45,062	26,786
Excess (deficiency) of revenue over expenses	(14,615)	2,278
Accumulated surplus, beginning of year	54,748	52,470
Accumulated surplus, end of year	$ 40,133	$ 54,748

CORPORATION OF THE TOWN OF PRESCOTT

Schedule B: Prescott Public Library Board

Statement of Revenue and Expenses and Accumulated Surplus

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

	2023	2022
Revenue:		
Government grants:		
Municipal Grant	$ 166,400	$ 160,954
Municipal Grant – one time IT transition	6,000	–
Province of Ontario operating grant	10,544	10,540
User charges – fees and service charges	5,847	2,733
Other income:		
Donations	2,790	938
Rentals and fines	645	210
	192,226	175,375
Expenses:		
Salaries and benefits	148,652	146,088
Supplies	28,662	1,435
Administration	16,036	6,394
Amortization of tangible capital assets	9,953	10,709
Programs	4,871	2,303
Rent and maintenance	2,716	6,621
Telephone	858	1,708
Periodicals and newspapers	382	1,107
	212,130	176,365
Annual deficit	(19,904)	(990)
Accumulated surplus, beginning of year	93,624	94,614
Accumulated surplus, end of year	$ 73,720	$ 93,624