

Financial statements of the

**United Counties of Prescott
and Russell**

December 31, 2019

United Counties of Prescott and Russell

December 31, 2019

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the
United Counties of Prescott and Russell

Opinion

We have audited the financial statements of the United Counties of Prescott and Russell (the "United Counties"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Counties as at December 31, 2019, and the results of its operations, change in its net financial assets and its cash flow for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (Canadian GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the United Counties 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 PSAS, 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 United Counties 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 United Counties or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the United Counties 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 United Counties 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 Board'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 United Counties 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.

We 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

April 22, 2020

United Counties of Prescott and Russell

Statement of operations year ended December 31, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Revenues			
Taxation and user charges	54,155,700	55,489,673	52,266,213
Transfer payments			
Government of Canada	4,464,800	4,592,367	5,709,779
Province of Ontario	47,121,400	44,880,799	42,419,888
Other	4,651,600	5,831,201	6,340,666
	110,393,500	110,794,040	106,736,546
Expenses (Schedule 5)			
General government	3,987,000	3,843,714	3,715,936
Protection to persons and property	2,785,300	3,014,294	2,423,574
Transportation services	20,513,200	20,509,753	20,833,782
Health services	17,463,200	16,645,738	16,443,599
Social and family services	48,123,200	44,081,822	44,934,901
Social housing	7,798,100	7,601,915	7,426,646
Recreation and cultural services	253,600	267,595	237,549
Planning and development	4,074,800	3,908,895	3,346,343
	104,998,400	99,873,726	99,362,330
Annual surplus	5,395,100	10,920,314	7,374,216
Accumulated surplus, beginning of year	127,590,042	127,590,042	120,215,826
Accumulated surplus, end of year (Schedule 3)	132,985,142	138,510,356	127,590,042

The accompanying notes are an integral part of the financial statements.

United Counties of Prescott and Russell

Statement of financial position
as at December 31, 2019

	2019	2018
	\$	\$
Assets		
Financial assets		
Cash	47,950,106	39,926,085
Accounts receivable	3,863,323	2,567,206
	51,813,429	42,493,291
Liabilities		
Accounts payable and accrued liabilities	10,706,147	11,622,053
Deferred revenues	3,635,026	1,557,269
Employee benefits (Note 3)	4,567,709	4,526,526
Debts (Note 4)	898,644	1,276,872
	19,807,526	18,982,720
Net financial assets	32,005,903	23,510,571
Contingencies and commitments (Notes 8 and 9)		
Non-financial assets		
Tangible capital assets (Schedules 1 and 2)	104,567,185	101,864,286
Inventories	290,568	385,273
Prepaid expenses	1,646,700	1,829,912
	106,504,453	104,079,471
Accumulated surplus (Schedule 3)	138,510,356	127,590,042

The accompanying notes are an integral part of the financial statements.

Approved by Council

_____, Warden

_____, Chief Executive Officer

_____, Treasurer

United Counties of Prescott and Russell

Statement of change in net financial assets

year ended December 31, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Annual surplus	5,395,100	10,920,314	7,374,216
Amortization of tangible capital assets	7,362,200	7,578,249	7,209,496
Loss (gain) on sale of tangible capital assets	-	296,636	(152,354)
Purchase of tangible capital assets	(11,868,000)	(10,718,248)	(13,614,200)
Proceeds from sale of tangible capital assets	-	140,464	1,603,570
Decrease of inventories	-	94,705	101,053
Decrease (increase) of prepaid expenses	-	183,212	(308,310)
Increase in net financial assets	889,300	8,495,332	2,213,471
Net financial assets, beginning of year	23,510,571	23,510,571	21,297,100
Net financial assets, end of year	24,399,871	32,005,903	23,510,571

The accompanying notes are an integral part of the financial statements.

United Counties of Prescott and Russell

Statement of cash flow year ended December 31, 2019

	2019	2018
	\$	\$
Operating activities		
Annual surplus	10,920,314	7,374,216
Change in non-cash assets and liabilities		
(Increase) decrease in accounts receivable	(1,296,117)	1,869,781
(Decrease) increase in accounts payable and accrued liabilities	(2,335,727)	1,746,222
Increase (decrease) in deferred revenues	2,077,757	(595,985)
Increase in employee benefits	41,183	50,773
Decrease in inventories	94,705	101,053
Decrease (increase) in prepaid expenses	183,212	(308,310)
	(1,234,987)	2,863,534
Non-cash operating items		
Amortization of tangible capital assets	7,578,249	7,209,496
Loss (gain) on sale of tangible capital assets	296,636	(152,354)
Contribution of tangible capital assets	-	(154,191)
	7,874,885	6,902,951
Net increase in cash from operating activities	17,560,212	17,140,701
Capital activities		
Purchase of tangible capital assets	(9,298,427)	(12,452,327)
Proceeds from sale of tangible capital assets	140,464	592,878
	(9,157,963)	(11,859,449)
Financing activities		
Debts principal repayment	(378,228)	(356,234)
Investing activities		
Collection of note receivable	-	503,869
Net increase in cash	8,024,021	5,428,887
Cash, beginning of year	39,926,085	34,497,198
Cash, end of year	47,950,106	39,926,085

Additional information is presented in Note 5.

The accompanying notes are an integral part of the financial statements.

United Counties of Prescott and Russell

Notes to the financial statements

December 31, 2019

1. Accounting policies

The financial statements of the United Counties of Prescott and Russell (the "United Counties") are the responsibility of management and are prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public sector accounting board (PSAB) of CPA Canada.

The focus of PSAB financial statements is on the financial position of the United Counties and the changes thereto. The statement of financial position reports assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets of the United Counties represent the difference between financial assets and liabilities. This information explains the United Counties' overall future revenue requirements and its ability to finance activities and meet its obligations.

Reporting entity

Financial statements

These financial statements reflect the assets, liabilities, operating revenues and expenses, reserves and reserve funds and changes in investment in tangible capital assets of the United Counties and exclude certain assets administered by the United Counties as discussed below.

Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for capital purposes and future operating.

Trust fund

The trust fund and its related operations administered by the United Counties are not consolidated by the United Counties but are reported separately on the trust fund's statement of operations and statement of financial position (see Note 6).

Basis of accounting

Accrual basis

Expenses and related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and responsibility is incurred.

Non-financial assets

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

United Counties of Prescott and Russell

Notes to the financial statements

December 31, 2019

1. Accounting policies (continued)

Basis of accounting (continued)

Tangible capital assets

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

Land improvements	20 years
Buildings	40 - 50 years
Leasehold improvements	Term of lease
Vehicles	3 - 10 years
Equipment	5 - 20 years
Roads	15 - 40 years
Bridges and culverts	50 years
Other	25 - 40 years

Assets under construction are not amortized until the TCA are available for productive use.

Lands are not amortized.

Contribution of tangible capital assets

TCA received as contributions are recorded in the statement of financial position at their fair value at the date of receipt, and that fair value is also recorded as revenue. Transfers of TCA to other organizations are recorded as an expense at the net book value as of the date of transfer.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all 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.

Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost. Cost is determined on the first in, first out basis. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Deferred revenues

Funds received for specific purposes are accounted for as deferred revenues until the United Counties discharge their obligation, which led to receipt of the funds.

United Counties of Prescott and Russell

Notes to the financial statements

December 31, 2019

1. Accounting policies (continued)

Basis of accounting (continued)

Government transfers

Government transfers are recognized as revenues in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current years sufficiently disclose information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the provision for doubtful accounts in respect of receivables, the useful lives of TCA, future employee benefits and certain accrued liabilities. Actual results could differ from these estimates.

2. Contributions to non-consolidated entities

The United Counties contributed \$1,432,049 (\$1,362,449 in 2018) to the Eastern Ontario Health Unit for the Public Health Program. The municipalities have financial responsibility for this program with the Ministry of Health for the net expenses incurred for the delivery of the services. The sponsoring municipalities are as follows:

City of Cornwall
United Counties of Prescott and Russell
United Counties of Stormont, Dundas and Glengarry

This is an ongoing responsibility for the participating municipalities.

United Counties of Prescott and Russell

Notes to the financial statements

December 31, 2019

3. Employee benefits

The United Counties provide certain employee benefits, which will be paid in future periods. Under the sick leave benefit plan, employees may become entitled to a cash payment when they leave the United Counties' employment.

	2019	2018
	\$	\$
Sick leave benefits payable	60,481	63,939
Vacation payable	1,547,192	1,477,174
Workplace Safety and Insurance Board provision	2,960,036	2,985,413
	4,567,709	4,526,526

Workplace Safety and Insurance Board (WSIB) provision

All full time, temporary and casual employees of the United Counties are covered for benefits in the event of a workplace injury under the *Workplace Safety and Insurance Act, 1997 Act* (the "Act"). As the United Counties are an employer included under Schedule 2 of the Act, it self-insures the entire risk of its own WSIB claims and is individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims.

An independent actuarial valuation of the cost related to the workplace injury from the employees of the United Counties was prepared as of December 31, 2017. The next valuation will be on December 31, 2021.

	2019	2018
	\$	\$
Accrued benefit obligations	2,343,151	2,237,822
Unamortized actuarial gain	616,885	747,591
Workplace Safety and Insurance Board provision	2,960,036	2,985,413

Other informations

Current period benefit costs	272,951	285,487
Interest	84,312	80,386
Amortization of actuarial gain	(130,706)	(130,706)
Total expenditure	226,557	235,167
Expected benefit payments	(251,934)	(237,305)
	(25,377)	(2,138)

United Counties of Prescott and Russell

Notes to the financial statements

December 31, 2019

3. Employee benefits (continued)

The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows :

	2019	2018
Discount rate	3.75%	3.75%
Claim count used for the current service cost	16	16

4. Debts

	2019	2018
	\$	\$
Mortgage, 1.716%, maturing in February 2021, payable in monthly instalments of \$3,258 including interest, secured by lands and buildings for social housing	45,122	83,088
Debentures, 6.089% to 8.100%, maturing between January 2020 and December 2024, payable in annual instalments of \$416,069 including interest, secured by lands and buildings for social housing	853,522	1,193,784
	898,644	1,276,872

The required instalments to be paid over the next years, assuming renewal at the same terms, are as follows:

	Principal
	\$
2020	302,617
2021	286,893
2022	226,526
2023	57,312
2024	25,296
	898,644

5. Additional information relating to the statement of cash flow

Non-cash transactions

During the year, TCA were acquired at an aggregate cost of \$10,718,248 (\$13,614,200 in 2018), of which \$1,986,579 (\$566,758 in 2018) were paid after year-end, Nil (\$1,010,692 in 2018) was part of a trade, \$8,731,669 (\$11,882,559 in 2018) were paid during the year and Nil (\$154,191 in 2018) was donated to the United Counties.

During the year, TCA were sold for \$140,464 (\$1,603,570 in 2018), of which \$140,464 (\$592,878 in 2018) were received during the year and Nil (\$1,010,692 in 2018) was part of a trade.

United Counties of Prescott and Russell

Notes to the financial statements

December 31, 2019

6. Trust fund

The Trust fund administered by the United Counties amounting to \$41,167 (\$40,916 in 2018), in the name of the residents of the Prescott & Russell Residence, has not been included in the statement of financial position nor have its operations been included in the statement of operations.

7. Pension agreements

The United Counties make contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 406 members (413 in 2018) of its staff and members of Council. 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.

For 2019, contributions to OMERS amounted to \$2,514,243 (\$2,470,619 in 2018) for current services and are included as an expense in the statement of operations.

8. Contingencies

Proceedings have been initiated against the United Counties by third parties. It is not possible at this time to determine the amount, if any, of any awards that may be made against the United Counties. Any amount awarded in excess of any applicable insurance proceeds as a result of these procedures will be charged to operations in the year incurred. No provision has been recorded.

9. Commitments

The United Counties lease some facilities and office equipment under operating lease agreements and have signed contracts for capital projects. Future payments aggregate \$14,774,568 and include the following amounts payable:

	\$
2020	3,556,356
2021	1,857,542
2022	1,572,005
2023	950,951
2024	847,335
After 2024	5,990,379
	14,774,568

10. Budget amounts

The operating budget approved by the United Counties for 2019 is reflected on the statement of operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expense amounts.

United Counties of Prescott and Russell

Notes to the financial statements

December 31, 2019

11. Contractual rights

Rental agreement

The United Counties has entered into an office rental agreement with the Province of Ontario. The agreement was signed in February 2017 and expires in August 2025. The total estimated amounts receivable in the next six years are \$2,178,650.

Sale of wood

The United Counties has entered into multiple stumpage sale agreements for timber from the Larose Forest. The agreements were signed between February 2013 and November 2018 and expire in March 2021. The total estimated amounts receivable in the next two years are \$354,296.

Sugarbush

The United Counties has entered into multiple sale agreements for sap from the Larose Forest. The agreements were signed between May 2014 and July 2017 and expire between May 2029 and May 2032. The total estimated amounts payable in the next thirteen years are \$110,723.

12. Reclassification

Certain corresponding figures have been reclassified to conform to the current year's presentation.

United Counties of Prescott and Russell

Tangible capital assets
year ended December 31, 2019

Schedule 1

	Lands	Land improve- ments	Buildings	Leasehold improve- ments	Vehicles	Equipments	Roads	Bridges and culverts	Other	Work in progress	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost												
Beginning of year	9,981,065	2,061,224	45,751,371	2,069,750	7,191,101	6,695,343	140,218,413	37,915,047	5,032,880	488,708	257,404,902	249,821,924
Acquisitions	246,287	72,747	-	489,547	1,038,502	681,824	5,749,499	-	92,205	2,347,637	10,718,248	13,614,200
Sales	(70,000)	(71,122)	(382,748)	-	(552,462)	(219,092)	(2,131,256)	-	-	-	(3,426,680)	(6,031,222)
Transfers	-	-	-	3,869	42,068	-	-	-	-	(45,937)	-	-
End of year	10,157,352	2,062,849	45,368,623	2,563,166	7,719,209	7,158,075	143,836,656	37,915,047	5,125,085	2,790,408	264,696,470	257,404,902
Accumulated amortization												
Beginning of year	-	640,877	38,530,795	1,728,181	4,802,180	4,406,093	84,362,926	19,621,999	1,447,565	-	155,540,616	152,911,126
Amortization	-	94,502	456,201	145,283	889,755	513,127	4,663,992	658,504	156,885	-	7,578,249	7,209,496
Accumulated amortization on sales	-	(55,737)	(143,531)	-	(489,125)	(188,730)	(2,112,457)	-	-	-	(2,989,580)	(4,580,006)
End of year	-	679,642	38,843,465	1,873,464	5,202,810	4,730,490	86,914,461	20,280,503	1,604,450	-	160,129,285	155,540,616
Net book value	10,157,352	1,383,207	6,525,158	689,702	2,516,399	2,427,585	56,922,195	17,634,544	3,520,635	2,790,408	104,567,185	101,864,286

United Counties of Prescott and Russell

Tangible capital assets by functions
year ended December 31, 2019

Schedule 2

	General government	Protection to persons and property	Transportation services	Health services	Social and Family services	Social housing	Recreational and cultural services	Planning and development	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Beginning of year	4,748,115	93,657	191,986,417	8,597,498	8,303,170	37,453,172	1,670,439	4,552,434	257,404,902	249,821,924
Acquisitions	561,896	-	7,124,971	343,016	2,153,592	24,412	-	510,361	10,718,248	13,614,200
Sales	(149,953)	(81,593)	(2,609,297)	(570,152)	-	-	-	(15,685)	(3,426,680)	(6,031,222)
Transfers	183,913	-	(75,164)	(122,249)	13,500	-	-	-	-	-
End of year	5,343,971	12,064	196,426,927	8,248,113	10,470,262	37,477,584	1,670,439	5,047,110	264,696,470	257,404,902
Accumulated amortization										
Beginning of year	3,020,629	58,301	109,448,571	3,786,861	5,330,659	31,383,273	1,431,378	1,080,944	155,540,616	152,911,126
Amortization	246,240	2,720	6,050,154	672,549	228,358	209,904	95,710	72,614	7,578,249	7,209,496
Accumulated amortization										
on sales	(149,953)	(48,957)	(2,538,075)	(236,910)	-	-	-	(15,685)	(2,989,580)	(4,580,006)
Transfers	172,210	-	(63,461)	(122,249)	13,500	-	-	-	-	-
End of year	3,289,126	12,064	112,897,189	4,100,251	5,572,517	31,593,177	1,527,088	1,137,873	160,129,285	155,540,616
Net book value	2,054,845	-	83,529,738	4,147,862	4,897,745	5,884,407	143,351	3,909,237	104,567,185	101,864,286

United Counties of Prescott and Russell

Accumulated surplus
year ended December 31, 2019

Schedule 3

	2019	2018
	\$	\$
Reserves		
Working capital	11,725,227	12,691,628
Administration	-	372,151
Human resources	462,072	462,072
Human resources - WSIB	150,000	150,000
Public housing	602,079	652,079
Ambulance service	4,752,757	3,753,589
Child care	554,937	554,937
Integrity commissioner	12,000	12,000
Economic development	60,000	30,000
Eastern Ontario Regional Network	173,200	160,000
Contingency	350,445	350,445
	18,842,717	19,188,901
Reserve funds		
Human resources - involuntary departures	600,000	600,000
Public Works department - equipment and buildings	1,885,423	1,446,500
Public Works department - linear assets	1,038,927	344,301
Public Works department - Highway 17	512,493	252,448
Public Housing	649,209	634,153
Larose Forest - operating	169,325	188,846
Prescott & Russell Residence - tangible capital assets	11,143,721	4,347,479
	15,999,098	7,813,727
	34,841,815	27,002,628
Invested in tangible capital assets	103,668,541	100,587,414
	138,510,356	127,590,042

The operating surplus for the year ended December 31, 2019, in the amount of \$5,596,890 (\$1,625,521 in 2018) was transferred to the following reserves and reserve funds:

Reserves		
Working capital	-	1,252,356
Reserve funds		
Public Works department - linear assets	575,990	-
Prescott & Russell Residence - tangible capital assets	5,020,900	373,165
	5,596,890	1,625,521

From this surplus, an amount of \$1,026,700 (\$25,000 in 2018) had already been engaged as of December 31, 2019 for projects, which were started but not completed, leaving an operating surplus of \$4,570,190 (\$1,600,521 in 2018).

United Counties of Prescott and Russell

Statement of change in reserves and reserve funds
year ended December 31, 2019

Schedule 4

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Revenues			
Interest and other	-	208,765	162,705
Net transfers to operations	280,900	7,630,422	1,901,789
Change in reserves and reserve funds	280,900	7,839,187	2,064,494
Reserves and reserve funds, beginning of year	27,002,628	27,002,628	24,938,134
Reserves and reserve funds, end of year	27,283,528	34,841,815	27,002,628

United Counties of Prescott and Russell

Statement of expenses by object
year ended December 31, 2019

Schedule 5

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Expenses			
Salaries, wages and benefits	39,485,900	37,712,057	37,336,044
Debt charges - interest	72,000	71,973	93,915
Materials	17,272,400	16,476,167	17,921,994
Contracted services	12,839,800	11,622,182	10,885,478
Rents and financial expenses	909,600	472,731	414,934
External transfers	27,056,500	25,940,367	25,500,469
Amortization of tangible capital assets	7,362,200	7,578,249	7,209,496
	104,998,400	99,873,726	99,362,330

United Counties of Prescott and Russell

Statement of amounts to be distributed - Provincial Offence Act
year ended December 31, 2019

Schedule 6

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Revenues			
Fines	1,760,000	2,024,642	1,760,065
Expenses			
Salaries, benefits and administrative charges	410,200	398,652	469,398
Materials, services and rents	917,900	939,441	718,771
	1,328,100	1,338,093	1,188,169
Annual surplus	431,900	686,549	571,896
Amounts distributed to municipalities	-	215,950	299,751
Balance payable to municipalities	431,900	470,599	272,145
	431,900	686,549	571,896

The amounts presented in this schedule reflect the revenues and expenses according to the agreement signed with the municipalities. The expenses do not include amortization of tangible capital assets.

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the
United Counties of Prescott and Russell

Opinion

We have audited the financial statements of the trust fund of the United Counties of Prescott and Russell (the "United Counties"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and change in net financial assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Counties as at December 31, 2019, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (Canadian GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the United Counties 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 PSAS, 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 United Counties 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 United Counties or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the United Counties 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 United Counties 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 Board'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 United Counties 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.

We 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

April 22, 2020

United Counties of Prescott and Russell Trust fund

Statement of operations and change in net financial assets
year ended December 31, 2019

Prescott & Russell Residence			
	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Revenues			
Residents	-	123,012	139,842
Interest earned	-	698	661
	-	123,710	140,503
Expenses			
Residents	-	123,459	152,096
Annual surplus (deficit)	-	251	(11,593)
Trust fund balance, beginning of year	40,916	40,916	52,509
Trust fund balance, end of year	40,916	41,167	40,916

The accompanying notes are an integral part of the financial statements.

United Counties of Prescott and Russell

Trust fund

Statement of financial position
As at December 31, 2019

Prescott & Russell Residence		
	2019	2018
	\$	\$
Assets		
Financial assets		
Cash	51,209	50,329
Liabilities		
Accounts payable	10,042	9,413
Net financial assets being trust fund balance	41,167	40,916

The accompanying notes are an integral part of the financial statements.

United Counties of Prescott and Russell

Trust fund

Notes to the financial statements
December 31, 2019

1. Purpose of the trust fund

The United Counties of Prescott and Russell are responsible to manage funds for some of the residents living at the Prescott & Russell Residence.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards.

Basis of accounting

Accrual basis

Expenses and related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and responsibility is incurred.

3. Statement of cash flow and of change in net financial assets not presented

The statements of cash flow and of change in net financial assets have not been prepared since the information is readily apparent from other financial statements and related notes.