

**CORPORATION OF THE  
CITY OF PEMBROKE**

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**Consolidated Financial Statements**  
For the Year Ended December 31, 2020

## MANAGEMENT REPORT

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the **Corporation of the City of Pembroke** are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

City 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 reporting or internal control matters prior to approval of the consolidated financial statements.

The consolidated financial statements have been audited by Dean ~ Sinclair, Chartered Professional Accountants, an independent external auditor appointed by the City. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.

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Chief Administrative Officer

October 19, 2021  
Pembroke, Ontario

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Treasurer

October 19, 2021  
Pembroke, Ontario

# CORPORATION OF THE CITY OF PEMBROKE

## Consolidated Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the  
**CORPORATION OF THE CITY OF PEMBROKE**

### **Opinion**

We have audited the consolidated financial statements of the **CORPORATION OF THE CITY OF PEMBROKE** (the City) which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the **CORPORATION OF THE CITY OF PEMBROKE** as at December 31, 2020 and the results of its consolidated operations, changes in net financial assets and 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 Consolidated Financial Statements* section of our report. We are independent of the City 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is responsible for assessing the City'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 City or to cease operations, or has no realistic alternative but to do so.

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

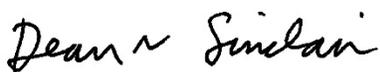
## **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 City'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 City'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 consolidated 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 the auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
October 19, 2021

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Statement of Financial Position**  
As At December 31, 2020

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	\$ 27,608,626	\$ 29,589,657
Investments (Note 3)	873,304	795,100
Taxes receivable	1,889,690	1,667,104
Water and sewer receivables	395,183	412,095
Accounts receivable	3,244,731	1,929,637
Inventories for resale	38,961	40,530
Investment in municipal electric utilities (Note 4)	13,443,534	13,028,708
	<b>\$ 47,494,029</b>	<b>\$ 47,462,831</b>
<b>LIABILITIES</b>		
Loan payable	\$ -	\$ 21,047
Accounts payable and accrued liabilities	5,181,723	5,544,840
Deferred revenue - general	37,184	44,279
Deferred revenue - obligatory (Schedule 3)	655,909	2,050,112
Long term liabilities (Note 5)	17,050,899	18,720,410
Employee benefits and post-employment liabilities (Note 6)	2,297,489	2,219,253
Landfill closure and post-closure liabilities (Note 8)	393,920	382,239
	<b>25,617,124</b>	<b>28,982,180</b>
<b>NET FINANCIAL ASSETS</b>	<b>21,876,905</b>	<b>18,480,651</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - net (Schedule 4)	124,737,816	119,760,473
Prepaid expenses	520,620	25,290
	<b>125,258,436</b>	<b>119,785,763</b>
<b>ACCUMULATED SURPLUS (Schedule 5)</b>	<b>\$147,135,341</b>	<b>\$138,266,414</b>

See accompanying notes and schedules.

6.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Statement of Operations**  
For the Year Ended December 31, 2020

	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	(Note 15)		
<b>REVENUES</b>			
Taxation and payments in lieu	\$ 22,839,018	\$ 22,999,648	\$ 22,534,120
User charges	12,177,085	11,628,581	11,491,291
Government transfers	3,466,080	5,917,470	4,646,924
Investment income	987,402	594,953	1,136,592
Penalties and interest	150,000	191,373	191,611
Deferred revenue earned - Schedule 3	-	2,464,740	2,499,963
Investment in municipal electric utilities	-	414,826	191,078
Gain on disposal/sale of tangible capital assets	-	24,398	25,094
Other	269,175	283,082	255,455
	<b>39,888,760</b>	<b>44,519,071</b>	<b>42,972,128</b>
<b>EXPENSES</b>			
General government	3,179,576	2,645,666	2,755,558
Protection to persons and property	8,342,805	8,490,829	8,683,535
Transportation services	4,314,954	6,102,798	5,326,790
Environmental services	7,287,143	9,992,863	10,249,580
Health services	1,360,091	1,378,370	1,363,289
Social and family services	2,487,469	2,365,077	2,448,296
Recreation and cultural services	4,142,306	3,834,663	4,288,180
Planning and development	779,526	839,878	808,729
	<b>31,893,870</b>	<b>35,650,144</b>	<b>35,923,957</b>
<b>ANNUAL SURPLUS</b>	<b>7,994,890</b>	<b>8,868,927</b>	<b>7,048,171</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>138,266,414</b>	<b>138,266,414</b>	<b>131,218,243</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$146,261,304</b>	<b>\$147,135,341</b>	<b>\$138,266,414</b>

See accompanying notes and schedules.

7.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Statement of Change in Net Financial Assets**  
For the Year Ended December 31, 2020

	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	(Note 15)		
<b>ANNUAL SURPLUS</b>	\$ 7,994,890	\$ 8,868,927	\$ 7,048,171
Amortization of tangible capital assets	-	5,758,747	5,669,784
Acquisition of tangible capital assets	(19,195,990)	(10,747,665)	(9,881,454)
Loss (gain) on sale of tangible capital assets	-	(24,398)	(25,094)
Proceeds on sale of tangible capital assets	-	35,973	246,500
Change in prepaid expenses	-	(495,330)	390,826
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(11,201,100)	3,396,254	3,448,733
<b>NET FINANCIAL ASSETS, beginning of year</b>	18,460,651	18,480,651	15,031,918
<b>NET FINANCIAL ASSETS, end of year</b>	\$ 7,259,551	\$ 21,876,905	\$ 18,480,651

See accompanying notes and schedules.

8.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Statement of Cash Flows**  
For the Year Ended December 31, 2020

	<b>2020</b>	<b>2019</b>
<b>CASH FROM (USED IN) OPERATING ACTIVITIES</b>		
Annual surplus	\$ 8,868,927	\$ 7,048,171
Adjustments for item not affecting cash		
Amortization of tangible capital assets	5,758,747	5,669,784
Gain on disposal of capital assets	(24,398)	(25,094)
Changes in non-cash working capital		
Taxes receivable	(222,586)	407,747
Water and sewer receivables	16,912	(4,163)
Accounts receivable	(1,315,094)	845,021
Inventories for resale	1,569	(2,632)
Prepaid expenses	(495,330)	390,826
Accounts payable and accrued liabilities	(363,117)	1,831,163
Deferred revenue - general	(7,095)	(45,364)
Deferred revenue - obligatory	(1,394,203)	(479,782)
Employee benefits and post-employment liabilities	78,236	22,823
Landfill closure and post closure liabilities	11,681	(1,028)
	<b>10,914,249</b>	<b>15,657,472</b>
<b>CASH FROM (USED IN) FINANCING ACTIVITIES</b>		
Loan payable	(21,047)	21,047
Proceeds from long term liabilities issued	61,563	-
Payments on long term liabilities	(1,731,074)	(1,737,168)
	<b>(1,690,558)</b>	<b>(1,716,121)</b>
<b>CASH FROM (USED IN) INVESTING ACTIVITIES</b>		
Investments	(78,204)	(54,642)
Investment in municipal electric utilities	(414,826)	(191,078)
	<b>(493,030)</b>	<b>(245,720)</b>
<b>CASH FROM (USED IN) CAPITAL ACTIVITIES</b>		
Proceeds from sale of tangible assets	35,973	246,500
Purchase of tangible assets	(10,747,665)	(9,881,454)
	<b>(10,711,692)</b>	<b>(9,634,954)</b>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(1,981,031)</b>	<b>4,060,677</b>
<b>CASH, beginning of year</b>	<b>29,589,657</b>	<b>25,528,980</b>
<b>CASH, end of year</b>	<b>\$ 27,608,626</b>	<b>\$ 29,589,657</b>

See accompanying notes and schedules.

9.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Schedule of Continuity of Reserves**  
For the Year Ended December 31, 2020

**SCHEDULE 1**

	BALANCE		REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year	
<b>Reserves</b>											
Contingencies	\$ -	\$ -	\$ 590,179	\$ -	\$ 590,179	\$ -	\$ -	\$ -	\$ -	\$ 590,179	
Protection services	388,820	-	172,000	28,529	200,529	33,218	-	-	33,218	556,131	
Transportation services	309,487	-	404,017	-	404,017	-	323,550	-	323,550	389,954	
Waterworks	2,752,496	-	219,147	-	219,147	-	801,800	-	801,800	2,169,843	
Pollution control projects	2,173,485	-	795,418	-	795,418	-	1,131,753	-	1,131,753	1,837,150	
Working funds	452,166	-	151,500	-	151,500	-	-	-	-	603,666	
Waste Management	3,025,746	18,491	155,593	-	174,084	-	-	-	-	3,199,830	
Other current purposes	984,118	-	118,760	-	118,760	-	-	-	-	1,102,878	
Other capital purposes	375,030	-	101,594	-	101,594	67,729	-	-	67,729	408,895	
	10,461,348	18,491	2,708,208	28,529	2,755,228	100,947	2,257,103	-	2,358,050	10,858,526	
<b>Reserve funds (Schedule 2)</b>	<b>9,132,194</b>	<b>110,220</b>	<b>1,814,443</b>	<b>4,162</b>	<b>1,928,825</b>	<b>-</b>	<b>1,251,453</b>	<b>-</b>	<b>1,251,453</b>	<b>9,809,566</b>	
<b>Total reserves and reserve funds</b>	<b>\$19,593,542</b>	<b>\$ 128,711</b>	<b>\$4,522,651</b>	<b>\$ 32,691</b>	<b>\$4,684,053</b>	<b>\$ 100,947</b>	<b>\$3,508,556</b>	<b>\$ -</b>	<b>\$3,609,503</b>	<b>\$20,668,092</b>	

See accompanying notes and schedules.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Statement of Continuity of Reserve Funds**  
For the Year Ended December 31, 2020

**SCHEDULE 2**

	BALANCE		REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest on Investments	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year	
<b>Reserve Funds</b>											
COVID-19 Safe Restart	\$ -	\$ -	\$ 567,759	\$ -	\$ 567,759	\$ -	\$ -	\$ -	\$ -	\$ 567,759	
Sick leave, disability	388,939	4,757	43,539	-	48,296	-	-	-	-	437,235	
Parking revenues	128,566	1,572	-	-	1,572	-	54,051	-	54,051	76,087	
Water purification	5,556,337	67,954	200,000	-	267,954	-	250,000	-	250,000	5,574,291	
Airport capital and contingencies	119,869	-	4,280	4,162	8,442	-	1,366	-	1,366	126,945	
Pollution control	1,358,463	16,614	92,400	-	109,014	-	300,000	-	300,000	1,167,477	
Other current purposes	2,089	26	-	-	26	-	-	-	-	2,115	
Other capital purposes	1,577,931	19,297	906,465	-	925,762	-	646,036	-	646,036	1,857,657	
	\$ 9,132,194	\$ 110,220	\$ 1,814,443	\$ 4,162	\$ 1,928,825	\$ -	\$ 1,251,453	\$ -	\$ 1,251,453	\$ 9,809,566	

See accompanying notes and schedules.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Schedule of Deferred Revenue - Obligatory**  
For the Year Ended December 31, 2020

**SCHEDULE 3**

	BALANCE		REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest on Investments	Other	From Operations	Government Transfers	Total	To Operations	To Capital	Other	Total	End of Year
Development charges	\$ 364,574	\$ 4,459	\$ 88,850	\$ -	\$ -	\$ 93,309	\$ 5,342	\$ 3,628	\$ -	\$ 8,970	\$ 448,913
Cash in lieu of parkland	34,127	417	6,800	-	-	7,217	-	-	-	-	41,344
Gasoline Tax - Province	175,942	2,151	-	-	107,559	109,710	120,000	-	-	120,000	165,652
Gasoline Tax - Federal	1,475,469	18,046	-	-	842,255	860,301	-	2,335,770	-	2,335,770	-
	\$2,050,112	\$ 25,073	\$ 95,650	\$ -	\$ 949,814	\$1,070,537	\$ 125,342	\$2,339,398	\$ -	\$2,464,740	\$ 655,909

See accompanying notes and schedules.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2020

SCHEDULE 4

BY ASSET CLASS

	GENERAL						INFRASTRUCTURE					TOTALS	
	Land	Land Improvements	Buildings & Improvements	Vehicles	Equipment	Cultural and Historical	Land	Plants & Facilities	Roads	Underground Networks and Other	Assets Under Construction	2020	2019
<b>Cost</b>													
Balance, beginning of year	\$ 2,664,303	\$ 5,610,457	\$26,980,906	\$ 3,857,715	\$ 5,439,823	\$ 122,638	\$ 983,401	\$48,617,046	\$72,837,489	\$53,520,937	\$ 6,183,245	\$226,817,960	\$218,354,338
Add: additions during year	-	145,866	484,219	36,720	304,133	-	-	19,531	2,294,109	2,077,767	5,385,320	10,747,665	9,881,454
Less: disposals during year	-	-	(3,724)	(241,599)	(39,136)	-	-	-	(363,143)	(532,198)	-	(1,179,800)	(1,417,832)
<b>Balance, end of year</b>	<b>2,664,303</b>	<b>5,756,323</b>	<b>27,461,401</b>	<b>3,652,836</b>	<b>5,704,820</b>	<b>122,638</b>	<b>983,401</b>	<b>48,636,577</b>	<b>74,768,455</b>	<b>55,066,506</b>	<b>11,568,565</b>	<b>236,385,825</b>	<b>226,817,960</b>
<b>Accumulated Amortization</b>													
Balance, beginning of year	-	3,609,062	10,781,015	1,689,503	3,424,876	-	-	25,214,160	42,941,022	19,397,849	-	107,057,487	102,584,129
Add: amortization during the year	-	184,054	596,516	222,556	278,588	-	-	1,475,352	1,735,674	1,266,007	-	5,758,747	5,669,784
Less: reduction on disposals	-	-	(3,724)	(231,727)	(39,136)	-	-	-	(363,141)	(530,497)	-	(1,168,225)	(1,196,426)
<b>Balance, end of year</b>	<b>-</b>	<b>3,793,116</b>	<b>11,373,807</b>	<b>1,680,332</b>	<b>3,664,328</b>	<b>-</b>	<b>-</b>	<b>26,689,512</b>	<b>44,313,555</b>	<b>20,133,359</b>	<b>-</b>	<b>111,648,009</b>	<b>107,057,487</b>
<b>Net book value of tangible capital assets</b>	<b>\$ 2,664,303</b>	<b>\$ 1,963,207</b>	<b>\$16,087,594</b>	<b>\$ 1,972,504</b>	<b>\$ 2,040,492</b>	<b>\$ 122,638</b>	<b>\$ 983,401</b>	<b>\$21,947,065</b>	<b>\$30,454,900</b>	<b>\$34,933,147</b>	<b>\$11,568,565</b>	<b>\$124,737,816</b>	<b>\$119,760,473</b>

BY FUNCTIONAL CLASSIFICATION

	Planning and Development	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Storm Sewer	Sanitary Sewer	Recreation	Waste Disposal	2020	2019
<b>Cost</b>													
Balance, beginning of year	\$ 15,387	\$ 4,232,148	\$ 6,815,275	\$ 7,285,444	\$86,099,010	\$ 3,617,521	\$37,311,941	\$12,957,921	\$45,823,006	\$16,605,037	\$ 6,055,270	\$226,817,960	\$218,354,338
Add: additions during year	-	39,469	-	132,804	4,310,127	882,531	2,573,756	-	2,307,514	288,117	213,347	10,747,665	9,881,454
Less: disposals during year	-	(20,217)	-	(218,048)	(676,187)	-	(236,944)	-	-	(3,724)	(24,680)	(1,179,800)	(1,417,832)
<b>Balance, end of year</b>	<b>15,387</b>	<b>4,251,400</b>	<b>6,815,275</b>	<b>7,200,200</b>	<b>89,732,950</b>	<b>4,500,052</b>	<b>39,648,753</b>	<b>12,957,921</b>	<b>48,130,520</b>	<b>16,889,430</b>	<b>6,243,937</b>	<b>236,385,825</b>	<b>226,817,960</b>
<b>Accumulated Amortization</b>													
Balance, beginning of year	15,387	1,290,817	1,102,054	1,029,415	46,294,288	1,683,965	19,229,668	3,767,534	18,777,018	11,322,624	2,544,717	107,057,487	102,584,129
Add: amortization during the year	-	109,922	220,436	255,858	2,181,031	79,680	700,216	218,489	1,389,922	434,507	168,686	5,758,747	5,669,784
Less: reduction on disposals	-	(20,217)	-	(218,048)	(676,187)	-	(235,241)	-	-	(3,724)	(14,808)	(1,168,225)	(1,196,426)
<b>Balance, end of year</b>	<b>15,387</b>	<b>1,380,522</b>	<b>1,322,490</b>	<b>1,067,225</b>	<b>47,799,132</b>	<b>1,763,645</b>	<b>19,694,643</b>	<b>3,986,023</b>	<b>20,166,940</b>	<b>11,753,407</b>	<b>2,698,595</b>	<b>111,648,009</b>	<b>107,057,487</b>
<b>Net book value of tangible capital assets</b>	<b>\$ -</b>	<b>\$ 2,870,878</b>	<b>\$ 5,492,785</b>	<b>\$ 6,132,975</b>	<b>\$ 41,933,818</b>	<b>\$ 2,736,407</b>	<b>\$19,954,110</b>	<b>\$ 8,971,898</b>	<b>\$27,963,580</b>	<b>\$ 5,136,023</b>	<b>\$ 3,545,342</b>	<b>\$124,737,816</b>	<b>\$119,760,473</b>

See accompanying notes and schedules.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Schedule of Accumulated Surplus**  
For the Year Ended December 31, 2020

**SCHEDULE 5**

	<b>2020</b>	<b>2019</b>
<b>RESERVE FUNDS - Schedule 2</b>		
COVID-19 Safe Restart	\$ 567,759	\$ -
Sick leave, disability	437,235	388,939
Parking revenues	76,087	128,566
Water purification	5,574,291	5,556,337
Airport capital and contingencies	126,945	119,869
Pollution control	1,167,477	1,358,463
Other current purposes	2,115	2,089
Other capital purposes	1,857,657	1,577,931
<b>Total</b>	<b>9,809,566</b>	<b>9,132,194</b>
<b>RESERVES - Schedule 1</b>		
Contingencies	590,179	-
Protection services	556,131	388,820
Transportation services	389,954	309,487
Waterworks	2,169,843	2,752,496
Pollution control projects	1,837,150	2,173,485
Working funds	603,666	452,166
Waste management	3,199,830	3,025,746
Other current purposes	1,102,878	984,118
Other capital purposes	408,895	375,030
<b>Total</b>	<b>10,858,526</b>	<b>10,461,348</b>
<b>Total - reserves and reserve funds</b>	<b>20,668,092</b>	<b>19,593,542</b>
<b>SURPLUSES</b>		
Invested in tangible capital assets	114,879,589	106,780,990
General revenue fund	805,634	1,493,644
Business Improvement Area	71,866	32,843
Landfill operations board	(41,965)	(61,821)
Equity in municipal electric utilities	13,443,534	13,028,708
Unfunded		
• Employment benefits and post-employment liabilities	(2,297,489)	(2,219,253)
• Landfill closure and post-closure liabilities	(393,920)	(382,239)
<b>Total surpluses</b>	<b>126,467,249</b>	<b>118,672,872</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$147,135,341</b>	<b>\$138,266,414</b>

See accompanying notes and schedules.

14.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Consolidated Schedule of Segmented Disclosure**  
For the Year Ended December 31, 2020

**SCHEDULE 6**

	General Government	Protection to Persons & Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation & Cultural Services	Planning & Develop- ment	2020	2019
<b>Operations</b>										
<b>Revenue</b>										
Taxation and payments in lieu	\$21,268,916	\$ -	\$ -	\$ 1,539,118	\$ -	\$ -	\$ -	\$ 191,614	\$22,999,648	\$22,534,120
User charges	187,708	149,172	176,846	10,432,584	-	-	619,703	62,568	11,628,581	11,491,291
Government transfers	2,428,071	451,290	1,576,108	866,923	-	-	579,186	15,892	5,917,470	4,646,924
Investment income	571,775	-	823	22,355	-	-	-	-	594,953	1,136,592
Penalties and interest	191,373	-	-	-	-	-	-	-	191,373	191,611
Deferred revenue earned – Schedule 3	-	-	1,587,209	872,189	-	-	5,342	-	2,464,740	2,499,963
Investment in municipal electric utilities	414,826	-	-	-	-	-	-	-	414,826	191,078
Gain on disposal of tangible capital assets	-	3,441	7,440	13,517	-	-	-	-	24,398	25,094
Other	11,040	42,304	14,771	214,273	-	-	625	69	283,082	255,455
	25,073,709	646,207	3,363,197	13,960,959	-	-	1,204,856	270,143	44,519,071	42,972,128
<b>Expenses</b>										
Salaries, wages and employee benefits	1,893,317	2,912,448	1,622,404	2,920,558	-	-	2,296,385	414,367	12,059,479	12,324,281
Interest on long term liabilities	-	251,338	95,364	266,362	-	116,785	-	-	729,849	806,645
Materials	550,746	406,751	1,129,736	1,936,515	-	-	888,663	213,927	5,126,338	5,951,462
Contracted services	178,536	4,342,837	1,319,468	1,982,385	-	-	209,048	64,976	8,097,250	7,136,671
Rents and financial expenses	-	5,250	-	-	-	-	-	-	5,250	5,161
External transfers	93,725	6,236	-	-	1,378,370	2,248,292	-	146,608	3,873,231	4,029,953
Amortization	109,922	476,294	2,260,711	2,477,313	-	-	434,507	-	5,758,747	5,669,784
Inter-functional adjustments	(180,580)	89,675	(324,885)	409,730	-	-	6,060	-	-	-
	2,645,666	8,490,829	6,102,798	9,992,863	1,378,370	2,365,077	3,834,663	839,878	35,650,144	35,923,957
<b>Net revenues (expenses)</b>	<b>\$22,428,043</b>	<b>(\$7,844,622)</b>	<b>(\$2,739,601)</b>	<b>\$3,968,096</b>	<b>(\$1,378,370)</b>	<b>(\$2,365,077)</b>	<b>(\$2,629,807)</b>	<b>(\$569,735)</b>	<b>\$ 8,868,927</b>	<b>\$ 7,048,171</b>

15. See accompanying notes.

# CORPORATION OF THE CITY OF PEMBROKE

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

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The **CITY OF PEMBROKE** is an incorporated municipality in the Province of Ontario. Its operations are guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the City of Pembroke are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

#### REPORTING ENTITY

(a) The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the City and include the activities of all committees of Council and the following boards which are under the control of Council:

- Pembroke Public Library Board
- Pembroke Business Improvement Area

The municipality is also a member of two non-controlled joint local boards which are accounted for using the proportionate consolidation method whereby the municipality's proportionate share of revenues, expenditures, assets and liabilities are included in the accounts after elimination of the proportionate share of inter-entity transactions and balances:

	<b>Proportionate Share</b>
• Ottawa Valley Waste Management Board	27.78%
• Pembroke and Area Airport Commission	20.521%

The City accounts for its ownership interest in municipal electric utilities by the modified equity method. Under the modified equity basis, the electric utilities accounting policies are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

#### (b) Accounting for School Board Transactions

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

1. **SUMMARY OF ACCOUNTING POLICIES (cont'd)**

**BASIS OF ACCOUNTING**

(a) **Accrual Basis of Accounting**

The consolidated financial statements have been prepared using 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; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(b) **Revenue Recognition**

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. Any supplementary billing adjustments made necessary by assessment appeals submitted by the ratepayers and changes to assessed value reflecting new construction are recognized in the year they are determined.

User charges and fees are recognized as revenue in the year the goods and services are provided.

Investment income is recognized as it is earned. Investment income earned on federal gas tax reserve funds is recorded as deferred revenue and included in Municipal revenues in the year that they are applied to qualifying capital expenditures.

Developer contributions are recognized when legal title of the tangible capital assets has been transferred to the City.

Government transfers are recognized as revenue in the year in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligible criteria have been met, and reasonable estimates of the amounts can be made.

(c) **Cash**

Cash is defined as cash on hand, cash on deposit and short-term deposits with a maturity date of less than 90 days, net of cheques outstanding at the reporting date.

(d) **Inventories for Resale**

Inventories for resale are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis.

(e) **Non-Financial Assets**

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

# CORPORATION OF THE CITY OF PEMBROKE

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

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### 1. SUMMARY OF ACCOUNTING POLICIES (cont'd)

#### (e) Non-Financial Assets (cont'd)

##### Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the 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:

<u>Assets</u>	<u>Useful Life-Years</u>
Land improvements	10-50
Buildings and improvements	10-50
Vehicles	5-25
Equipment	5-45
Plants and facilities	20-80
Roads	15-40
Underground and other networks	35-100

Annual amortization is prorated by month in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is in service.

The City has a capitalization threshold so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

Certain assets have been assigned a nominal value of one Canadian dollar because of the difficulty of determining a tenable valuation. The most significant such assets are the City's road allowances and most City lands.

##### Contributions of Tangible Capital Assets

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

##### 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.

1. **SUMMARY OF ACCOUNTING POLICIES (cont'd)**

(f) **Pension and Employee Benefits**

The City expenses its contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, when contributions are due.

Employee benefits include vacation entitlement, sick leave benefits and certain post-employment benefits. Vacation entitlements and sick leave benefits are accrued as entitlements are earned. Other post-employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service life of the employee groups.

(g) **Deferred Revenue - Obligatory**

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue - obligatory on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

(h) **Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates. Management makes accounting estimates when determining the estimated useful life of the Corporation's tangible capital assets, its allowance for doubtful accounts, the carrying value of its inventory, the accrued liabilities for employee benefits and solid waste landfill closure and post-closure care. Actual results could differ from those estimates.

(i) **Investments**

Investments are measured at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Investment premiums and discounts are amortized over the term of the respective investments.

(j) **Contaminated Sites Liability**

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 a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

2. **CASH**

Cash of \$10,465,475 (2019 - \$11,182,306) has been restricted to support obligatory funds, reserves and deferred revenue-obligatory.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2020

3. **INVESTMENTS**

	<b>2020</b>	<b>2019</b>
Cash on deposit	\$ 29,917	\$ 5,758
Fixed income securities	834,345	780,194
Mutual funds	9,042	9,148
	<b>\$ 873,304</b>	<b>\$ 795,100</b>

The fixed income securities have effective interest rates of 1.90% to 4.87% with maturity dates from January 15, 2021 to March 5, 2040. Fair market value of investments at December 31, 2020 is \$942,204 (2019 - \$811,304).

The investments are held by the Ottawa Valley Waste Management Board - \$792,040 (2019 - \$711,760) and Pembroke and Area Airport Commission - \$81,264 (2019 - \$83,340).

4. **INVESTMENT IN MUNICIPAL ELECTRIC UTILITIES**

In November 1998, the *Energy Competition Act, 1998* (Bill 35) was enacted to restructure the Ontario electricity industry and introduce competition in the electricity market. As a result of changes set out in the *Act*, the City acquired shares and debt of Ottawa River Power Corporation and Ottawa River Energy Solutions Inc. which are the successors to Pembroke Hydro Electric Commission, Beachburg Hydro System, Township of Killaloe, Hagarty & Richards Hydro Electric Commission and the Town of Mississippi Mills Public Utilities Commission.

The City's investment is comprised of the following:

	<b>2020</b>		<b>2019</b>	
	<b>Ottawa River Power Corporation</b>	<b>Ottawa River Energy Solutions Inc.</b>	<b>Total</b>	<b>Total</b>
5.37182% and 7.25% promissory notes, due May 1, 2022,	\$ 4,364,000	\$ 233,287	\$ 4,597,287	\$ 4,597,287
78.38% share of equity as at December 31, 2020.	7,412,970	1,433,277	8,846,247	8,431,421
	<b>\$11,776,970</b>	<b>\$ 1,666,564</b>	<b>\$13,443,534</b>	<b>\$13,028,708</b>

During the year the City of Pembroke received promissory note interest of \$234,462 (2019 - \$234,498) from Ottawa River Power Corporation and \$16,934 (2019 - \$16,913) from Ottawa River Energy Solutions Inc. and dividend payments of \$Nil (2019 - \$193,107) from Ottawa River Power Corporation and \$Nil (2019 - \$41,763) from Ottawa River Energy Solutions Inc.

Additional information in regard to the City's investment in municipal electrical utilities is presented below. The City owns 78.38% of the issued shares of both corporations.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2020

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4. **INVESTMENT IN MUNICIPAL ELECTRIC UTILITIES (cont'd)**

**OTTAWA RIVER POWER CORPORATION**

	<b>2020</b>	<b>2019</b>
<b>Financial Position</b>		
Current assets	\$ 9,304,856	\$ 9,340,911
Property, plant and equipment	14,068,302	13,642,017
Other non-current assets	960,144	959,892
Regulatory assets	67,238	287,349
<b>Total assets</b>	<b>24,400,540</b>	<b>24,230,169</b>
Current liabilities	4,956,507	6,524,326
Long term liabilities	8,879,995	6,997,164
Regulatory liabilities	1,106,307	1,720,538
<b>Total liabilities</b>	<b>14,942,809</b>	<b>15,242,028</b>
<b>Net assets</b>	<b>\$ 9,457,731</b>	<b>\$ 8,988,141</b>

	<b>2020</b>	<b>2019</b>
<b>Financial Activities</b>		
Service revenues (net of cost of sales)	\$ 5,182,364	\$ 7,309,182
Operating expenses	4,476,274	6,340,704
Amount in lieu of income taxes	179,558	253,208
<b>Net revenue for the year</b>	<b>526,532</b>	<b>715,270</b>
Actuarial loss on post-employment benefits	56,942	198,786
<b>Net revenue and other comprehensive income</b>	<b>\$ 469,590</b>	<b>\$ 516,484</b>

Ottawa River Power Corporation provides electricity and services to the City of Pembroke. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. A summary of amounts charged by the Corporation to the City are as follows:

	<b>2020</b>	<b>2019</b>
Electrical energy	\$ 875,341	\$ 953,013
Merchandising	44,420	44,512
	<b>\$ 919,761</b>	<b>\$ 997,525</b>

# CORPORATION OF THE CITY OF PEMBROKE

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

### 4. INVESTMENT IN MUNICIPAL ELECTRIC UTILITIES (cont'd)

#### OTTAWA RIVER ENERGY SOLUTIONS INC.

	2020	2019
<b>Financial Position</b>		
Current assets	\$ 901,724	\$ 1,346,810
Long term receivable	-	168,403
Equipment	1,406,967	1,374,685
<b>Total assets</b>	<b>2,308,691</b>	<b>2,889,898</b>
Current liabilities	101,840	479,578
Long term liabilities	274,177	558,519
Future income tax liability	104,048	82,835
<b>Total liabilities</b>	<b>480,065</b>	<b>1,120,932</b>
<b>Net assets</b>	<b>\$ 1,828,626</b>	<b>\$ 1,768,966</b>
<b>Financial Activities</b>		
Revenues	\$ 1,109,729	\$ 1,170,150
Expenses	1,028,856	1,094,777
Amount in lieu of income taxes	21,213	20,074
<b>Net revenue for the year</b>	<b>\$ 59,660</b>	<b>\$ 55,299</b>

Ottawa River Energy Solutions Inc. provides fibre services to the City of Pembroke. Included in corporate revenues is fibre revenue of \$51,240 (2019 - \$49,140) from the City. In addition, the Corporation has a promissory note due from the City in the amount of \$184,620 (2019 - \$361,043) as described in Note 5 to the financial statements.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2020

**5. LONG TERM LIABILITIES**

The balance of long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	<b>2020</b>	<b>2019</b>
City of Pembroke share of debentures issued by the Corporation of the Township of Laurentian Valley for capital costs of the Ottawa Valley Waste Management Board, maturing in 2022, payable in annual instalments of \$164,300 and with interest payable semi-annually at 7.23% per annum	\$ 328,600	\$ 492,900
City of Pembroke share of debentures issued by the Corporation of the Township of Laurentian Valley for capital costs of the Ottawa Valley Waste Management Board	-	12,317
Serial debentures payable, maturing in 2026, payable in semi-annual instalments of \$390,101 plus interest at 4.74% per annum	4,681,212	5,461,414
Serial debentures payable, maturing in 2020, payable in semi-annual instalments of \$50,000 plus interest at 3.78% per annum	-	100,000
Serial debentures payable, maturing in 2042, payable in semi-annual instalments of \$69,022 plus interest at 3.66% per annum	3,036,949	3,174,992
Serial debentures payable, maturing in 2045, payable in semi-annual instalments of \$80,664 plus interest at 3.44% per annum	3,952,517	4,113,845
4.55% promissory note payable to Ottawa River Energy Solutions, payable in blended monthly payments of \$15,767, due December 2021	184,620	361,043
City of Pembroke share of capital lease of the Ottawa Valley Waste Management Board	-	15,880
City of Pembroke share of capital lease of the Ottawa Valley Waste Management Board, due 2022, payable in semi-annual instalments of \$5,177 including interest at 1.99% per annum	15,117	25,021
Serial debentures payable, maturing in 2048, payable in semi-annual instalments of \$85,569 plus interest at 3.7% per annum	4,791,860	4,962,998
City of Pembroke share of debentures issued by Corporation of the Township of Laurentian Valley for capital costs of the Pembroke and Area Airport Commission, interest at 2.47% per annum, maturing in 2040, repayable in semi-annual instalments of \$1,539 plus interest	60,024	-
	<b>\$ 17,050,899</b>	<b>\$18,720,410</b>

**CORPORATION OF THE CITY OF PEMBROKE**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2020

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5. **LONG TERM LIABILITIES (cont'd)**

Principal payments are due on long term liabilities as follows:

2021	\$ 1,612,719
2022	1,423,191
2023	1,253,787
2024	1,253,787
2025	1,253,787
Thereafter	<u>10,253,628</u>
	<u>\$ 17,050,899</u>

The long-term liabilities issued in the name of the municipality have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

Total interest charges for City long term liabilities reported in the Consolidated Statement of Operations are \$729,849 (2019 - \$806,645).

6. **EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES**

	<b>2020</b>	<b>2019</b>
Workplace Safety and Insurance Board	\$ 22,170	\$ 26,813
Post-employment benefits	1,300,921	1,297,593
Accrued vacation pay	537,881	506,618
Sick leave	436,517	388,229
	<u>\$ 2,297,489</u>	<u>\$ 2,219,253</u>

(a) **SICK LEAVE BENEFITS**

Under certain sick leave benefit plans, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment. No payments were made to employees who left the municipality's employment during the current year. Reserves in the amount of \$437,235 (2019 - \$388,939) have been established to provide for these liabilities and are reported on the Consolidated Statement of Financial Position.

(b) **POST-EMPLOYMENT BENEFITS**

The Municipality has defined benefit plans providing various post-retirement extended health and dental benefits.

The liability and expense for post-retirement extended health and dental benefits were determined by an actuarial valuation performed as at December 31, 2020.

# CORPORATION OF THE CITY OF PEMBROKE

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

### 6. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES (cont'd)

Information about the City's benefit plan is as follows:

#### Accrued benefit liability

	2020	2019
Accrued benefit liability, beginning of year	\$ 1,297,593	\$ 1,295,878
Current service cost	67,093	65,075
Interest	36,833	36,475
Benefits paid during the year	(91,600)	(90,400)
Amortization of experience (gain) loss	(8,998)	(9,435)
Accrued benefit liability, end of year	\$ 1,300,921	\$ 1,297,593

#### Reconciliation of accrued benefit obligation

	2020	2019
Accrued benefit obligation, beginning of year	\$ 1,200,411	\$ 1,189,261
Benefits accrued during year	67,093	65,075
Benefits paid during year	(91,600)	(90,400)
Interest on accrued benefit obligation during year	36,833	36,475
Experience loss	109,821	-
Accrued benefit obligation, end of year	\$ 1,322,558	\$ 1,200,411
Discount rate	1.84 %	3.1%
Assumed health care trend rate	10.0 %	10.0%
Assumed dental trend rate	4.0 %	4.0%

### (c) WORKPLACE SAFETY & INSURANCE BOARD (WSIB)

As a Schedule 2 employer, the Municipality funds its obligations to the WSIB on a "pay as you go" basis. The future benefit costs recorded at the year end are based on calculations prepared by the WSIB. No independent actuarial valuation is considered necessary.

### 7. CONTAMINATED SITES LIABILITY

The City has adopted PS3260 Liability for Contaminated Sites. The City has not identified any financial liabilities as at December 31, 2020 (2019 - Nil) as a result of this standard.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2020

**8. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES**

The Ottawa Valley Waste Management Board has assumed liability for closure and post closure costs of a landfill site. These financial statements recognize a liability for the City of Pembroke's estimated proportionate share of these costs to the extent that the site has been used to date. Usage is measured as cumulative capacity used versus total estimated capacity available. Since costs are expected to be incurred in the future, they have been discounted at 5.23% which is the Board's average long-term borrowing rate, net of 2% inflation. The existing landfill site is expected to reach capacity in the year 2035. Estimated closure and post closure costs and related information as at December 31, 2020 are summarized as follows:

	<b>2020</b>		<b>2019</b>	
	<b>Total</b>	<b>City of Pembroke Share</b>	<b>Total</b>	<b>City of Pembroke Share</b>
Expected total expenditures	\$ 5,919,600	\$ 1,644,465	\$ 5,731,400	\$ 1,596,768
Amount remaining to be recognized	(4,501,600)	(1,250,545)	(4,359,400)	1,214,529
Liability to date	\$ 1,418,000	\$ 393,920	\$ 1,372,000	\$ 382,239
Remaining capacity of site in cubic metres	<u>550,400</u>		<u>568,500</u>	
Remaining useful life of site in years	<u>15</u>		<u>15</u>	
Years of post-closure care	<u>33</u>			

The Board has designated investments of \$2,851,116 (2019 - \$2,554,773) for settling closure and post-closure liabilities.

**9. EXPENDITURES BY OBJECT**

The Consolidated Statement of Operations presents the consolidated expenditures by function. The following classifies those same expenditures by object.

	<b>2020</b>	<b>2019</b>
Salaries, wages and employee benefits	\$ 12,059,479	\$ 12,138,579
Interest on long term liabilities	729,849	806,645
Transfers to external organizations	3,873,231	4,029,953
Materials, contracted services, rents and financial expenses	13,228,838	13,278,996
Amortization	5,758,747	5,669,784
	<u>\$ 35,650,144</u>	<u>\$ 35,923,957</u>

## **CORPORATION OF THE CITY OF PEMBROKE**

### **Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2020

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#### **10. PENSION AGREEMENT**

The Corporation of the City of Pembroke, on behalf of its eligible employees, is a participant in the Ontario Municipal Employees Retirement System (OMERS). OMERS is a defined benefit pension plan, fully funded by equal contributions from participating employers and employees, and by the investment earnings of the OMERS Fund. OMERS pensions are calculated using a defined benefit formula, taking into account length of service and average annual wage, that is designed to integrate with the pension payable from the Canada Pension Plan.

Because OMERS is a multi-employer pension plan, The Corporation of the City of Pembroke does not recognize any share of the pension plan deficit of \$7.655 billion (2019 – surplus of \$1.531 billion) based on the total fair market value of the plans's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed to OMERS for 2020 was \$819,108 (2019 - \$774,858) for current service and is included as an expenditure on the Consolidated Statement of Operations. At December 31, 2020 there is no liability for past service under this agreement.

#### **11. FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash, investments, taxes receivable, water and sewer receivables, accounts receivable, loan payable, accounts payable and accrued liabilities and long-term liabilities. The fair value of these financial instruments is approximately equal to their carrying value.

It is management's opinion that the Municipality is not exposed to significant interest or currency risks arising from these financial instruments. The City is subject to credit risk with respect to taxes receivable, water and sewer receivables and accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the City provides services may experience financial difficulty and be unable to fulfill their obligations. It is management's opinion that the large number and diversity of taxpayers and users minimizes the credit risk.

#### **12. CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The City has a contract with the Ontario Provincial Police (OPP) for policing services. The contract cost for 2020 was \$4,174,410. The contract expires December 31, 2022.

The City has a contract for the collection and transportation of garbage, recyclable material, source separated organics and yard waste effective April 1, 2015 and expiring March 28, 2025. The cost for 2020 was \$1,071,425

The City is committed to construction contracts with remaining estimated costs to completion of \$2,821,246 plus HST as at December 31, 2020.

#### **13. CONTINGENT LIABILITIES**

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. Management believes that the City has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the City's financial position. Any adjustments, arising from these matters, will be recorded in future years.

**CORPORATION OF THE CITY OF PEMBROKE**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2020

**14. JOINT LOCAL BOARDS**

The City is a member of two joint local boards as follows:

**Pembroke and Area Airport Commission**

The Pembroke and Area Airport Commission was established in 1968 under the *Municipal Act* and on June 25, 1992 was continued as a body corporation by special legislation of the Province of Ontario. The Commission's primary function is the management of the Pembroke and Area Airport.

The City's proportionate share of contributions to the Commission is 20.521% (2019 – 20.773%). The only transactions the City had with the Commission during the year was the annual municipal levy of \$18,284 (2019 - \$17,627).

Summary financial information for the year ended December 31, 2020 and the City's proportionate share are as follows:

	<b>Total</b>	<b>City's Share</b>
Net financial assets	\$ 312,750	\$ 64,179
Non-financial assets	3,864,591	793,052
<b>Accumulated surplus</b>	<b>\$ 4,177,341</b>	<b>\$ 857,231</b>
Revenue	\$ 408,451	\$ 83,817
Expenses	392,397	80,524
<b>Excess of expenses over revenue</b>	<b>\$ 16,054</b>	<b>\$ 3,293</b>

**Ottawa Valley Waste Management Board**

The Ottawa Valley Waste Management Board is a joint local board which was formed to direct the operation of the Ottawa Valley Waste Recovery Centre.

The City's proportionate share of contributions to the Board is 27.78% (2019 – 27.86%). The City had the following transactions with the Board:

	<b>2020</b>	<b>2019</b>
Tipping fees	\$ 639,465	\$ 624,424

These transactions are in the normal course of operations and measured at their exchange amount.

Summary financial information for the year ended December 31, 2020 and the City's proportionate share are as follows:

	<b>Total</b>	<b>City's Share</b>
Net financial assets	\$ 2,363,129	\$ 656,477
Non-financial assets	12,790,437	3,553,184
<b>Accumulated surplus</b>	<b>15,153,566</b>	<b>4,209,661</b>
Revenue	\$ 6,666,600	\$ 1,851,981
Expenses	5,350,543	1,486,381
<b>Excess of revenue over expenses</b>	<b>\$ 1,316,057</b>	<b>\$ 365,600</b>

# **CORPORATION OF THE CITY OF PEMBROKE**

## **Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2020

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### **15. BUDGET FIGURES**

The operating budget approved by City Council for 2020 is reflected on the Consolidated Statement of Operations. The budgets established for capital investments 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 expenditure amounts. As well, the City does not in some cases include tangible capital asset amounts in the annual budget as they do not require immediate funding. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements and are unaudited.

### **16. SEGMENTED DISCLOSURES**

The City of Pembroke provides a range of services to its ratepayers. For each segment as reported in Schedule 6, revenues and expenses represent amounts that are directly attributable to the segment. Amounts not directly attributable to a segment are reported in general government. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

### **17. OPERATIONS**

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies. The City's delivery of services has been altered but the overall effect of these events on the organization and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

### **18. COMPARATIVE FIGURES**

The 2019 comparative figures have been restated to adjust the amortization of the Library's tangible capital assets. This has resulted in a reduction to prior year amortization expense of \$13,105, a decrease in accumulated amortization and an increase of \$76,581 to net book value of tangible capital assets and the accumulated surplus for amounts invested in tangible capital assets as at December 31, 2019, and an increase of \$63,476 to the accumulated surplus for amounts invested in tangible capital assets as at January 1, 2019.