

**CORPORATION OF THE
CITY OF PEMBROKE**

Consolidated Financial Statements
For the Year Ended December 31, 2023

MANAGEMENT REPORT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

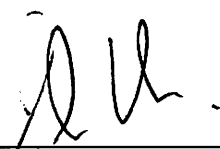
The accompanying consolidated financial statements of the **Corporation of the City of Pembroke (the City)** are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public 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 Baker Tilly REO LLP, 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.



Chief Administrative Officer

January 7, 2025
Pembroke, Ontario



Treasurer

January 7, 2025
Pembroke, Ontario

CORPORATION OF THE CITY OF PEMBROKE

Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

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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, 2023 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, 2023 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.

Baker Tilly REO LLP

Chartered Professional Accountants
Licensed Public Accountants

Pembroke, Ontario
January 7, 2025

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Statement of Financial Position
As At December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash (Note 3)	\$ 21,447,794	\$ 25,082,865
Investments (Note 4)	11,615,003	11,220,075
Taxes receivable	1,671,036	1,062,679
Water and sewer receivables	711,523	490,432
Accounts receivable	4,725,834	4,300,202
Inventories for resale	67,920	68,500
Investment in municipal electric utilities (Note 5)	14,038,939	13,864,216
	\$ 54,278,049	\$ 56,088,969
LIABILITIES		
Accounts payable and accrued liabilities	\$ 11,144,923	\$ 7,822,861
Deferred revenue – general	616,415	811,965
Deferred revenue – obligatory (Schedule 3)	1,501,382	2,190,003
Long term liabilities (Note 6)	12,820,775	14,093,865
Employee benefits and post-employment liabilities (Note 7)	1,829,026	1,777,715
Asset retirement obligations (Note 9)	2,173,609	-
Landfill closure and post-closure liabilities (Note 2)	-	625,500
	30,086,130	27,321,909
NET FINANCIAL ASSETS	24,191,919	28,767,060
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Schedule 4)	147,381,258	132,524,270
Prepaid expenses	588,589	524,412
	147,969,847	133,048,682
ACCUMULATED SURPLUS (Schedule 5)	\$ 172,161,766	\$ 161,815,742

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Statement of Operations
For the Year Ended December 31, 2023

	2023	2023	2022
	Budget	Actual	Actual
	(Note 16)		
REVENUES			
Taxation and payments in lieu	\$ 24,959,117	\$ 24,970,437	\$ 23,974,100
User charges	12,968,380	14,684,478	13,344,536
Government transfers	9,754,950	6,755,553	5,595,402
Investment income	984,035	1,902,521	1,320,088
Penalties and interest	150,000	187,998	119,206
Deferred revenue earned - Schedule 3	-	1,919,013	584,337
Investment in municipal electric utilities	-	174,723	425,464
(Loss) on disposal/sale of tangible capital assets	13,000	(115,886)	(297,763)
Other	481,846	341,667	513,831
	49,311,328	50,820,504	45,579,201
EXPENSES			
General government	2,918,549	3,073,042	2,755,000
Protection to persons and property	8,575,605	9,094,539	8,837,059
Transportation services	3,749,499	6,700,562	5,970,131
Environmental services	8,254,123	11,857,111	11,070,524
Health services	1,547,982	1,832,289	1,670,298
Social and family services	2,708,815	2,452,316	2,397,897
Recreation and cultural services	4,619,295	5,183,607	4,469,174
Planning and development	944,438	910,114	1,020,326
	33,318,306	41,103,580	38,190,409
ANNUAL SURPLUS	15,993,022	9,716,924	7,388,792
ACCUMULATED SURPLUS, beginning of year	161,815,742	161,815,742	154,426,950
Adjustment to opening accumulated surplus (Note 2)	-	629,100	-
ACCUMULATED SURPLUS, end of year	\$ 177,808,764	\$ 172,161,766	\$ 161,815,742

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2023

	2023	2023	2022
	Budget	Actual	Actual
	(Note 16)		
ANNUAL SURPLUS	\$ 15,993,022	\$ 9,716,924	\$ 7,388,792
Amortization of tangible capital assets	-	6,796,307	6,226,573
Acquisition of tangible capital assets	(39,400,000)	(21,928,210)	(13,893,984)
Loss on sale of tangible capital assets	-	115,886	297,763
Proceeds on sale of tangible capital assets	13,000	159,030	163,721
Adjustment to opening asset retirement obligation	-	629,100	-
Change in prepaid expenses	-	(64,178)	(45,145)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(23,393,978)	(4,575,141)	137,720
NET FINANCIAL ASSETS, beginning of year	28,767,060	28,767,060	28,629,340
NET FINANCIAL ASSETS, end of year	\$ 5,373,082	\$ 24,191,919	\$ 28,767,060

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023

	2023	2022
CASH FROM (USED IN) OPERATING ACTIVITIES		
Annual surplus	\$ 9,716,924	\$ 7,388,792
Adjustments for item not affecting cash		
Amortization of tangible capital assets	6,796,307	6,226,573
Loss on disposal of tangible capital assets	115,886	297,763
Changes in non-cash working capital		
Taxes receivable	(608,357)	320,837
Water and sewer receivables	(221,091)	(102,344)
Accounts receivable	(425,632)	(2,083,457)
Inventories for resale	580	(22,704)
Prepaid expenses	(64,177)	(45,145)
Accounts payable and accrued liabilities	3,322,061	2,230,945
Deferred revenue - general	(195,550)	753,293
Deferred revenue - obligatory	(688,621)	569,628
Employee benefits and post-employment liabilities	51,311	21,979
Asset retirement obligations	1,548,109	-
Landfill closure and post closure liabilities	-	185,602
Adjustment to opening asset retirement obligation	629,100	-
	19,976,850	15,741,762
CASH FROM (USED IN) FINANCING ACTIVITIES		
Payments on long term liabilities	(1,273,090)	(1,443,311)
CASH FROM (USED IN) INVESTING ACTIVITIES		
Investments	(394,928)	(10,287,891)
Investment in municipal electric utilities	(174,723)	(192,177)
	(569,651)	(10,480,068)
CASH FROM (USED IN) CAPITAL ACTIVITIES		
Proceeds from sale of tangible capital assets	159,030	163,721
Purchase of tangible capital assets	(21,928,210)	(13,893,984)
	(21,769,180)	(13,730,263)
(DECREASE) INCREASE IN CASH	(3,635,071)	(9,911,880)
CASH, beginning of year	25,082,865	34,994,745
CASH, end of year	\$ 21,447,794	\$ 25,082,865

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Schedule of Continuity of Reserves
For the Year Ended December 31, 2023

SCHEDULE 1

	BALANCE		REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year	
Reserves											
Contingencies	\$ 390,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 390,179	\$ 390,179	\$ -	
Protection services	730,808	-	242,660	-	242,660	2,420	55,000	-	57,420	916,048	
Transportation services	293,527	-	346,004	-	346,004	-	292,678	-	292,678	346,853	
Waterworks	2,276,667	-	92,086	-	92,086	-	-	-	-	2,368,753	
Pollution control projects	2,112,142	-	-	-	-	-	95,000	-	95,000	2,017,142	
Working funds	671,938	-	149,248	-	149,248	219,771	-	-	219,771	601,415	
Waste Management	4,457,337	63,608	177,228	-	240,836	143,393	-	-	143,393	4,554,780	
Other current purposes	922,778	-	-	-	-	15,000	90,000	-	105,000	817,778	
Other capital purposes	1,214,714	-	1,248,282	482,169	1,730,450	235,175	-	-	235,175	2,709,990	
	13,070,090	63,608	2,255,508	482,169	2,801,285	615,759	532,678	390,179	1,538,616	14,332,759	
Reserve funds (Schedule 2)	10,447,327	549,409	1,344,013	-	1,893,422	390,807	1,088,241	-	1,479,048	10,861,703	
Total reserves and reserve funds	\$ 23,517,417	\$ 613,017	\$ 3,599,521	\$ 482,169	\$ 4,694,707	\$ 1,006,566	\$ 1,620,919	\$ 390,179	\$ 3,017,664	\$ 25,194,461	

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Statement of Continuity of Reserve Funds
For the Year Ended December 31, 2023

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	
Reserve Funds											
COVID-19 Safe Restart	\$ 196,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,864	\$ -	\$ 107,864	\$ 88,731	
Sick leave, disability	456,865	24,865	15,869	-	40,734	-	-	-	-	497,599	
Parking revenues	110,770	6,029	15,000	-	21,029	-	26,000	-	-	105,799	
Waterworks	6,180,910	336,394	719,947	-	1,056,341	83,798	354,217	-	438,015	6,799,236	
Airport capital and contingencies	155,887	-	67,575	-	67,575	-	-	-	-	223,462	
Pollution control	1,087,165	59,169	100,000	-	159,169	110,539	213,840	-	324,379	921,955	
Other current purposes	2,191	119	-	-	119	-	-	-	-	2,310	
Other capital purposes	2,256,944	122,833	425,622	-	548,455	196,470	386,318	-	582,788	2,222,611	
	\$ 10,447,327	\$ 549,409	\$ 1,344,013	\$ -	\$ 1,893,422	\$ 390,807	\$ 1,088,239	\$ -	\$ 1,479,046	\$10,861,703	

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Schedule of Deferred Revenue - Obligatory
For the Year Ended December 31, 2023

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	\$ 336,775	\$ 18,329	\$ 71,145	\$ -	\$ -	\$ 89,474	\$ -	\$ 102,800	\$ -	\$ 102,800	\$ 323,449
Cash in lieu of parkland	53,538	2,914	2,450	-	-	5,364	-	-	-	-	58,902
Gasoline Tax - Province	145,909	7,941	-	-	118,783	126,724	116,000	-	-	116,000	156,633
Gasoline Tax - Federal	1,653,781	90,006	-	-	918,824	1,008,830	-	1,700,213	-	1,700,213	962,398
	\$2,190,003	\$ 119,190	\$ 73,595	\$ -	\$ 1,037,607	\$ 1,230,392	\$ 116,000	\$ 1,803,013	\$ -	\$ 1,919,013	\$1,501,382

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

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	2023	2022
Cost													
Balance , beginning of year	\$2,764,419	\$5,932,126	\$27,199,071	\$3,160,600	\$6,119,529	\$ 122,638	\$ 983,401	\$47,660,717	\$81,753,138	\$68,935,238	\$8,566,330	\$253,197,207	\$241,691,612
Add: additions during year	1,787,340	371,569	582,478	17,553	964,287	-	-	1,403,985	2,401,607	3,670,767	11,624,729	22,824,315	13,893,984
Less: disposals during year	(2)	(46,181)	-	(177,323)	(828,511)	(1)	-	-	(1,304,976)	(422,627)	(896,105)	(3,675,726)	(2,388,389)
Balance , end of year	4,551,757	6,257,514	27,781,549	3,000,830	6,255,305	122,637	983,401	49,064,702	82,849,769	72,183,378	19,294,954	272,345,796	253,197,207
Accumulated Amortization													
Balance , beginning of year	-	4,129,321	12,272,627	1,484,296	3,978,752	-	-	29,354,504	47,117,459	22,335,978	-	120,672,937	116,373,269
Add: amortization during the year	123,327	171,074	596,785	210,014	356,217	-	-	1,520,987	2,199,404	1,618,499	-	6,796,307	6,226,573
Less: reduction on disposals	-	(29,290)	-	(283,033)	(646,508)	-	-	-	(1,130,717)	(415,158)	-	(2,504,706)	(1,926,905)
Balance , end of year	123,327	4,271,105	12,869,412	1,411,277	3,688,461	-	-	30,875,491	48,186,146	23,539,319	-	124,964,538	120,672,937
Net book value of tangible	\$4,428,430	\$1,986,409	\$14,912,137	\$1,589,553	\$2,566,843	\$ 122,637	\$ 983,401	\$18,189,211	\$34,663,623	\$48,644,059	\$19,294,954	\$147,381,258	\$132,524,270

BY FUNCTIONAL CLASSIFICATION

	Planning and Development	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Storm Sewer	Sanitary Sewer	Recreation	Waste Disposal	2023	2022
Cost													
Balance , beginning of year	\$ -	\$ 4,351,930	\$ 6,815,275	\$ 7,406,392	\$ 92,205,386	\$ 6,362,632	\$ 42,902,696	\$ 13,874,233	\$ 55,960,224	\$ 17,381,595	\$ 5,936,844	\$253,197,207	\$241,691,612
Add: additions during year	-	345,033	-	24,421	9,513,423	69,221	1,074,008	834,281	7,494,344	1,216,522	2,253,062	22,824,315	13,893,984
Less: disposals during year	-	(478,465)	-	(34,725)	(1,813,687)	(63,208)	(139,006)	(130)	(592,894)	(367,740)	(185,871)	(3,675,726)	(2,388,389)
Balance , end of year	-	4,218,498	6,815,275	7,396,088	99,905,122	6,368,645	43,837,698	14,708,384	62,861,674	18,230,377	8,004,035	272,345,796	253,197,207
Accumulated Amortization													
Balance , beginning of year	-	1,540,444	1,763,362	1,538,341	51,046,909	1,624,565	20,984,312	4,437,779	22,976,069	12,240,549	2,520,607	120,672,937	116,373,269
Add: amortization during the year	-	123,272	220,436	281,757	2,748,516	155,074	820,278	230,530	1,481,436	454,068	280,941	6,796,307	6,226,573
Less: reduction on disposals	-	(478,463)	-	(34,725)	(1,559,146)	(46,316)	(135,032)	(130)	(117,261)	(27,550)	(106,083)	(2,504,706)	(1,926,905)
Balance , end of year	-	1,185,253	1,983,798	1,785,373	52,236,279	1,733,323	21,669,558	4,668,179	24,340,244	12,667,067	2,695,466	124,964,538	120,672,937
Net book value of tangible capital assets	\$ -	\$ 3,033,245	\$ 4,831,477	\$ 5,610,715	\$ 47,668,843	\$ 4,635,322	\$ 22,168,140	\$ 10,040,205	\$ 38,521,430	\$ 5,563,310	\$ 5,308,569	\$147,381,258	\$132,524,270

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Schedule of Accumulated Surplus
For the Year Ended December 31, 2023

SCHEDULE 5

	2023	2022
RESERVE FUNDS - Schedule 2		
COVID-19 Safe Restart	\$ 88,730	\$ 196,595
Sick leave, disability	497,599	456,865
Parking revenues	105,799	110,770
Water purification	6,799,236	6,180,910
Airport capital and contingencies	223,462	155,887
Pollution control	921,955	1,087,165
Other current purposes	2,310	2,191
Other capital purposes	2,222,611	2,256,944
Total	10,861,702	10,447,327
RESERVES - Schedule 1		
Contingencies	-	390,179
Protection services	916,048	730,808
Transportation services	346,853	293,527
Waterworks	2,368,753	2,276,667
Pollution control projects	2,017,142	2,112,142
Working funds	601,415	671,938
Waste management	4,554,780	4,457,337
Other current purposes	817,778	922,778
Other capital purposes	2,709,990	1,214,714
Total	14,332,759	13,070,090
Total - reserves and reserve funds	25,194,461	23,517,417
SURPLUSES		
Invested in tangible capital assets	136,257,314	125,756,439
General revenue fund	722,633	1,124,998
Landfill operations board	(48,946)	(44,113)
Equity in municipal electric utilities	14,038,939	13,864,216
Unfunded		
• Employment benefits and post-employment liabilities	(1,829,026)	(1,777,715)
• Asset retirement obligations	(2,173,609)	(625,500)
Total surpluses	146,967,305	138,298,325
ACCUMULATED SURPLUS	\$ 172,161,766	\$ 161,815,742

See accompanying notes and schedules.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2023

SCHEDULE 6

	General Government	Protection to Persons & Property	Transpor- tation Services	Environ- mental Services	Health Services	Social and Family Services	Recreation & Cultural Services	Planning & Develop- ment	2023	2022
Operations										
Revenue										
Taxation and payments in lieu	\$23,203,545	\$ -	\$ -	\$ 1,563,416	\$ -	\$ -	\$ -	\$ 203,476	\$24,970,437	\$23,974,100
User charges	182,293	268,809	558,120	12,516,581	-	-	1,101,966	56,709	14,684,478	13,344,536
Government transfers	1,612,785	457,064	2,218,765	1,842,132	-	-	619,179	5,628	6,755,553	5,595,402
Investment income	1,788,166	-	6,045	108,310	-	-	-	-	1,902,521	1,320,088
Penalties and interest	187,998	-	-	-	-	-	-	-	187,998	119,206
Deferred revenue earned – Schedule 3	-	-	1,899,003	20,000	-	-	-	-	1,919,003	584,337
Investment in municipal electric utilities	174,723	-	-	-	-	-	-	-	174,723	425,464
Gain on disposal of tangible capital assets	39,528	(16,892)	(150,760)	12,238	-	-	-	-	(115,886)	(297,763)
Other	17,463	52,854	7,118	241,380	-	-	22,771	81	341,667	513,831
	27,206,501	761,835	4,538,291	16,304,057	-	-	1,743,916	265,894	50,820,494	45,579,201
Expenses										
Salaries, wages and employee benefits	1,909,170	3,229,785	1,514,414	3,702,579	-	-	3,072,581	468,459	13,896,988	12,997,965
Interest on long term liabilities	-	222,397	70,879	166,424	-	65,283	-	-	524,983	581,796
Materials	789,880	622,563	1,744,089	2,776,895	-	-	1,266,691	314,642	7,514,760	6,046,787
Contracted services	243,845	4,403,317	539,558	2,308,424	-	-	385,211	50,317	7,930,672	8,145,518
Rents and financial expenses	-	18,030	-	-	-	-	-	5,700	23,730	24,570
External transfers	119,586	6,237	-	-	1,832,289	2,387,033	-	70,996	4,416,141	4,167,200
Amortization	123,322	502,194	2,903,540	2,813,184	-	-	454,066	-	6,796,306	6,226,573
Inter-functional adjustments	(112,761)	90,016	(71,918)	89,605	-	-	5,058	-	-	-
	3,073,042	9,094,539	6,700,562	11,857,111	1,832,289	2,452,316	5,183,607	910,114	41,103,580	38,190,409
Net revenues (expenses)	\$24,133,459	\$ (8,332,704)	\$ (2,162,271)	\$ 4,446,946	\$(1,832,289)	\$(2,452,316)	\$(3,493,691)	\$ (644,220)	\$ 9,716,914	\$ 7,388,792

15. See accompanying notes.

CORPORATION OF THE CITY OF PEMBROKE
Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2023

SCHEDULE 6 PRIOR PERIOD COMPARATIVES

	General Government	Protection to Persons & Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation & Cultural Services	Planning & Development	2022
Operations									
Revenue									
Taxation and payments in lieu	\$22,221,813	\$ -	\$ -	\$ 1,556,069	\$ -	\$ -	\$ -	\$ 196,218	\$23,974,100
User charges	199,814	226,195	223,234	11,645,614	-	-	1,001,346	48,333	13,344,536
Government transfers	1,610,792	431,458	1,981,462	950,936	-	-	547,749	73,005	5,595,402
Investment income	1,253,760	-	4,356	61,972	-	-	-	-	1,320,088
Penalties and interest	119,206	-	-	-	-	-	-	-	119,206
Deferred revenue earned – Schedule 3	-	-	241,687	338,900	-	-	-	3,750	584,337
Investment in municipal electric utilities	425,464	-	-	-	-	-	-	-	425,464
Gain on disposal of tangible capital assets	(167,316)	850	(67,016)	(65,131)	-	-	850	-	(297,763)
Other	7,710	60,333	6,241	403,925	-	-	32,811	2,811	513,831
	25,671,243	718,836	2,389,964	14,892,285	-	-	1,582,756	324,117	45,579,201
Expenses									
Salaries, wages and employee benefits	1,954,121	2,997,999	1,779,737	3,224,104	-	-	2,661,744	380,260	12,997,965
Interest on long term liabilities	-	231,812	74,491	193,372	-	82,121	-	-	581,796
Materials	535,978	507,390	1,316,600	2,171,117	-	-	1,115,580	400,122	6,046,787
Contracted services	244,390	4,522,518	550,291	2,308,424	-	-	256,362	143,501	8,145,518
Rents and financial expenses	-	18,670	-	-	-	-	-	5,900	24,570
External transfers	84,346	6,237	-	-	1,670,298	2,315,776	-	90,543	4,167,200
Amortization	127,993	485,350	2,586,950	2,813,184	-	-	428,790	-	6,226,573
Inter-functional adjustments	(191,828)	67,083	(337,938)	455,985	-	-	6,698	-	-
	2,755,000	8,837,059	5,970,131	11,070,524	1,670,298	2,397,897	4,469,174	1,020,326	38,190,409
Net revenues (expenses)	\$22,916,243	\$ (8,118,223)	\$ (3,480,167)	\$ 3,821,761	\$ (1,670,298)	\$ (2,397,897)	\$ (2,886,418)	\$ (696,209)	\$ 7,388,792

16. See accompanying notes.

CORPORATION OF THE CITY OF PEMBROKE

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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 (the City) 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:

	Proportionate Share
• Ottawa Valley Waste Management Board	27.96%
• Pembroke and Area Airport Commission	20.187%

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**

Taxation and payments in lieu are recognized in the year in which transactions or events occurred that gave rise to the revenue on an accrual basis. 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 and investment in municipal electric utilities 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.

Penalties and interest are recognized in the year in which they are earned.

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, 2023

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 (including landfill)	15
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) Financial Instruments

Financial instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument:

<u>Financial Instrument</u>	<u>Measurement</u>
Cash	Amortized cost
Investments	Fair value
Accounts receivable	Amortized cost
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long term liabilities	Amortized cost

For financial assets and financial liabilities measured at amortized cost, interest is to be recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

(h) 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.

(i) 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 City’s tangible capital assets, its allowance for doubtful accounts, the carrying value of its inventory for resale, the accrued liabilities for employee benefits, capital grant revenue accruals, capital construction holdbacks, landfill closure liabilities and asset retirement obligations. Actual results could differ from those estimates.

CORPORATION OF THE CITY OF PEMBROKE

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)

(j) 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.

(k) 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.

(l) Asset Retirement Obligations

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

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

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

The liability for the removal of asbestos in several of the buildings owned by the City has been recognized based on estimated discounted future expenses. The liability for the decommissioning of fuel storage tanks has been recognized based on estimated discounted future expenses. Under the prospective method, the assumptions used on initial recognition are those as of the date of the legal obligation. Assumptions used in the subsequent calculations are revised yearly.

The tangible capital assets affected by the obligations are amortized in accordance with the accounting policies outlined in note 1(e). The liability associated with settlement of the obligations are amortized in accordance with the estimated useful life of the related assets where a reasonable estimation can be made.

2. CHANGE IN ACCOUNTING POLICY

PS 3280 Asset Retirement Obligations

Effective January 1, 2023 the City adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement, and disclosure of a liability for asset retirement obligations under PS 3280 Asset Retirement Obligations. The new standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings by public sector entities.

CORPORATION OF THE CITY OF PEMBROKE
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

2. CHANGE IN ACCOUNTING POLICY (cont'd)

Under the new standard, a liability for an asset retirement obligation is recognized as the best estimate of the amount required to retire a tangible capital asset when certain criteria are met as described in Note 1.

Pursuant to the recommendations of PS 3280, the change was applied prospectively using the prospective method and prior periods have not been restated. In accordance with the new accounting standard, the Ottawa Valley Waste Management Board recalculated their asset retirement obligation on January 1, 2023 on a prospective basis resulting in an adjustment of \$629,100 to opening accumulated surplus and the removal of landfill closure and post closure liabilities of \$625,500 with the difference of \$3,600 adjusted through general surplus.

PS 3450 Financial Instruments

On January 1, 2023, the City adopted PS 3450. PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in Consolidated Statement of Remeasurement Gains and Losses.

In accordance with PS 3450 Financial Instruments, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements. The Consolidated Statement of Remeasurement Gains and Losses has not been included in these Consolidated Financial Statements as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

PS 2601 Foreign Currency Translation

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

PS 1201 Financial Statement Presentation

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Consolidated Statement of Remeasurement Gains and Losses separate from the Consolidated Statement of Operations.

PS 3041 Portfolio Investments

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

CORPORATION OF THE CITY OF PEMBROKE
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

3. **CASH**

Cash of \$1,711,078 (2022 - \$2,382,601) has been restricted to support reserve funds, reserves and deferred revenue-obligatory.

4. **INVESTMENTS**

	2023	2022
Cash on deposit	\$ -	\$ 1,794
Guaranteed investment certificates	10,652,006	10,254,729
Fixed income securities	957,513	948,265
Mutual funds	5,484	15,287
	\$11,615,003	\$11,220,075

Guaranteed investment certificates and have effective interest rates of 3.74% to 4.06% with maturity dates from May 6, 2024 to May 6, 2027. Fixed income securities have effective interest rates of 2.29% to 6.25% with maturity dates from June 3, 2024 to March 5, 2040.

Investments are held by the City of Pembroke - \$10,652,006 (2022 - \$10,254,729), Ottawa Valley Waste Management Board - \$918,694 (2022 - \$871,372) and Pembroke and Area Airport Commission - \$44,303 (2022 - \$93,974). Fair market value of investments at December 31, 2023 is \$11,663,472 (2022 - \$11,200,099).

Guaranteed investment certificates of \$10,652,006 (2022 - \$10,254,729) have been restricted to support reserve funds, reserves and deferred revenue-obligatory.

5. **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.

CORPORATION OF THE CITY OF PEMBROKE
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

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

The City's investment is comprised of the following:

			2023	2022
	Ottawa River Power Corporation	Ottawa River Energy Solutions Inc.	Total	Total
3.49% promissory note, due May 1, 2032	\$ 4,364,000	\$ -	\$ 4,364,000	\$ 4,364,000
78.38% share of equity as at December 31, 2022.	7,997,759	1,677,180	9,674,939	9,500,216
	\$12,361,759	\$ 1,677,180	\$14,038,939	\$13,864,216

During the year the City of Pembroke received promissory note interest of \$152,304 (2022 - \$152,304) from Ottawa River Power Corporation and \$Nil (2022 - \$2,819) from Ottawa River Energy Solutions Inc. and dividend payments of \$167,998 (2022 - \$112,211) from Ottawa River Power Corporation.

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.

OTTAWA RIVER POWER CORPORATION

	2023	2022
Financial Position		
Current assets	\$ 9,810,144	\$ 8,561,381
Property, plant and equipment	17,046,441	16,024,988
Other non-current assets	601,468	755,284
Regulatory assets	375,550	81,754
Total assets	27,833,603	25,423,407
Current liabilities	6,764,639	4,223,354
Long term liabilities	9,498,314	9,291,978
Regulatory liabilities	1,366,824	1,768,615
Total liabilities	17,629,777	15,283,947
Net assets	\$ 10,203,826	\$ 10,139,460

CORPORATION OF THE CITY OF PEMBROKE

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

5. INVESTMENT IN MUNICIPAL ELECTRIC UTILITIES (cont'd)

	2023	2022
Financial Activities		
Service revenues (net of cost of sales)	\$ 6,869,532	\$ 5,767,499
Operating expenses	(5,728,632)	(5,409,333)
Amount in lieu of income taxes	(115,876)	(198,113)
Net income before under noted items	1,025,024	160,053
Net movement in regulatory balances	(695,587)	385,930
Actuarial gain (loss) on post-employment benefits	(17,367)	73,277
Total income and other comprehensive income	\$ 312,070	\$ 619,260

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:

	2023	2022
Electrical energy	\$ 825,727	\$ 740,010
Merchandising	47,070	45,978
	\$ 872,797	\$ 785,988

OTTAWA RIVER ENERGY SOLUTIONS INC.

	2023	2022
Financial Position		
Current assets	\$ 1,083,316	\$ 863,099
Equipment	1,413,991	1,418,280
Total assets	2,497,307	2,281,379
Current liabilities	161,556	160,849
Future income tax liability	195,945	139,276
Total liabilities	357,501	300,125
Net assets	\$ 2,139,806	\$ 1,981,254

CORPORATION OF THE CITY OF PEMBROKE

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

5. INVESTMENT IN MUNICIPAL ELECTRIC UTILITIES (cont'd)

Financial Activities

Revenues	\$ 1,274,423	\$ 1,180,038
Expenses	(1,058,614)	(1,057,106)
Amount in lieu of income taxes	(57,257)	(32,392)
Net revenue for the year	\$ 158,552	\$ 90,540

Ottawa River Energy Solutions Inc. provides fibre services to the City of Pembroke. Included in corporate revenues is fibre revenue of \$54,250 (2022 - \$51,240) from the City.

6. LONG TERM LIABILITIES

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

	2023	2022
<u>Ontario Infrastructure debentures</u>		
Serial debentures payable, maturing in 2026, payable in semi-annual instalments of \$390,101 plus interest at 4.74% per annum	2,340,606	3,120,808
Serial debentures payable, maturing in 2042, payable in semi-annual instalments of \$69,022 plus interest at 3.66% per annum	2,622,819	2,760,863
Serial debentures payable, maturing in 2045, payable in semi-annual instalments of \$80,664 plus interest at 3.44% per annum	3,468,536	3,629,863
Serial debentures payable, maturing in 2048, payable in semi-annual instalments of \$85,569 plus interest at 3.7% per annum	4,278,447	4,449,584
<u>Shared debentures</u>		
City of Pembroke share of debentures, maturing in 2026, bearing interest at 1.34% per annum, issued by the Corporation of the Township of Laurentian Valley for capital costs of the Ottawa Valley Waste Management Board	60,404	79,549
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	49,963	53,198
	\$ 12,820,775	\$ 14,093,865

CORPORATION OF THE CITY OF PEMBROKE
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

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

Principal payments are due on long term liabilities as follows:

2024	\$ 1,273,503
2025	1,273,769
2026	1,274,037
2027	473,548
2028	473,548
Thereafter	<u>8,052,370</u>
	<u>\$ 12,820,775</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 \$524,983 (2022 - \$581,796).

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

	2023	2022
Post-employment benefits	\$ 1,331,427	\$ 1,320,851
Sick leave	497,599	456,864
	<u>\$ 1,829,026</u>	<u>\$ 1,777,715</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 \$497,599 (2022 - \$456,865) 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, 2023.

CORPORATION OF THE CITY OF PEMBROKE

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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

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

Accrued benefit liability

	2023	2022
Accrued benefit liability, beginning of year	\$ 1,320,851	\$ 1,310,694
Current service cost	84,446	82,920
Interest	24,500	24,339
Benefits paid during the year	(99,900)	(98,700)
Amortization of experience (gain) loss	1,531	1,598
Accrued benefit liability, end of year	\$ 1,331,428	\$ 1,320,851

Reconciliation of accrued benefit obligation

	2023	2022
Accrued benefit obligation, beginning of year	\$ 1,339,226	\$ 1,330,667
Benefits accrued during year	84,446	82,920
Benefits paid during year	(99,900)	(98,700)
Interest on accrued benefit obligation during year	24,500	24,339
Experience gain	(195,791)	-
Accrued benefit obligation, end of year	\$ 1,152,481	\$ 1,339,226
Discount rate	4.25 %	1.84%
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.

8. CONTAMINATED SITES LIABILITY

The City has adopted PS3260 Liability for Contaminated Sites. The City has not identified any financial liabilities as at December 31, 2023 (2022 - \$Nil) as a result of this standard.

9. **ASSET RETIREMENT OBLIGATIONS**

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the prospective basis at the date of adoption. Under the prospective method of adoption, the assumptions used to estimate the City's asset retirement obligations are applied as of the date of the legal obligation.

The City removed the accrued landfill obligation that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 on January 1, 2023. The liability represents the required closure and post-closure care costs for the landfill site owned by the City. On January 1, 2023, the City recognized an additional asset retirement obligation relating to several buildings owned by the City that contain asbestos and underground fuel tanks.

The City's asset retirement obligations (AROs) consist of several obligations as follows:

(a) **LANDFILL**

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 4.54% which is the Board's average long-term borrowing rate, net of 3.9% inflation. The existing landfill site is expected to reach capacity in the year 2036. The years of post-closure care is estimated at 32. The Board has designated investments of \$3,285,745 (2022 - \$3,134,430) for settling closure and post-closure liabilities.

(b) **ASBESTOS AND OTHER OBLIGATIONS**

The City owns several buildings that are known to have asbestos and underground fuel storage tanks, which represents a health hazard upon demolition/decommission and there is a legal obligation to remove it. The City recognized an obligation relating to the removal and post-removal care of the asbestos and decommissioning of fuel storage tanks as estimated at January 1, 2023. These costs were not discounted due to uncertainty surrounding the expected timing of cash outflows. The transition and recognition of AROs involved an accompanying increase to the building capital assets and no adjustment of prior year balances.

CORPORATION OF THE CITY OF PEMBROKE
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

9. **ASSET RETIREMENT OBLIGATIONS (cont'd)**

	Landfill	Asbestos and Other removal	Total
Balance, January 1, 2023	\$ 1,787,340	\$ 288,460	\$ 2,075,800
Accretion expense	85,005	12,804	97,809
Balance, December 31, 2023	\$ 1,872,345	\$ 301,264	\$ 2,173,609

10. **EXPENDITURES BY OBJECT**

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

	2023	2022
Salaries, wages and employee benefits	\$ 13,896,988	\$ 12,997,965
Interest on long term liabilities	524,983	581,796
Transfers to external organizations	4,416,141	4,167,200
Materials, contracted services, rents and financial expenses	15,469,161	14,216,875
Amortization	6,796,307	6,226,573
	\$ 41,103,580	\$ 38,190,409

11. **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 \$7.6 billion (2022 – deficit of \$6.1 billion) based on the total fair market value of the plan’s assets, as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed to OMERS for 2023 was \$871,074 (2022 - \$799,902) for current service and is included as an expenditure on the Consolidated Statement of Operations. At December 31, 2023 there is no liability for past service under this agreement.

CORPORATION OF THE CITY OF PEMBROKE

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

12. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash, investments, taxes receivable, water and sewer receivables, accounts receivable, 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.

13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The City has a contract with the Ontario Provincial Police (OPP) for policing services. The contract cost is based on services utilized and for 2023 was \$4,309,299. The contract expires December 31, 2027.

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 contract cost is based on services utilized and for 2023 was \$1,184,339.

The City is committed to construction contracts with remaining estimated costs to completion of \$2,308,060 plus HST as at December 31, 2023.

14. CONTINGENT LIABILITIES

The City is the subject of a legal proceeding related to an unfulfilled obligation of a lease agreement. Management believes that the ultimate settlement amount, if any, cannot be reasonably determined at this time. In addition, 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, 2023

15. 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 20.187% (2022 – 20.266%). The only transactions the City had with the Commission during the year was the annual municipal levy of \$20,822 (2022 - \$129,544).

Summary financial information for the year ended December 31, 2023 and the City's proportionate share are as follows:

	Total	City's Share
Net financial assets	\$ 837,886	\$ 169,144
Non-financial assets	4,242,583	856,450
Accumulated surplus	5,080,469	1,025,594
Revenue	2,092,610	422,435
Expenses	(1,796,590)	(362,678)
Excess of expenses over revenue	\$ 296,020	\$ 59,757

CORPORATION OF THE CITY OF PEMBROKE

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

15. JOINT LOCAL BOARDS (cont'd)

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 27.96% (2022 – 27.80%). The City had the following transactions with the Board:

	2023	2022
Tipping fees	\$ 653,316	\$ 647,080

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

Summary financial information for the year ended December 31, 2023 and the City's proportionate share are as follows:

	Total	City's Share
Net financial assets	\$ 1,323,662	\$ 370,096
Non-financial assets	18,657,811	5,216,724
Accumulated surplus	19,981,473	5,586,820
Revenue	6,451,355	1,803,799
Expenses	(6,704,310)	(1,874,525)
Excess (deficit) of revenue over expenses	\$ (252,055)	\$ (70,726)

16. BUDGET FIGURES

The operating budget approved by City Council for 2023 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.

CORPORATION OF THE CITY OF PEMBROKE

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

17. 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.

The activities that are included in each functional line of services are as follows:

- General government consists of the Mayor and Council, the Chief Administrative Officer and administrative services which include the Treasurer and Clerk.
- Protection to persons and property consists of Fire, Police, By-law Enforcement, Animal Control and Building Departments
- Transportation services include engineering, storm sewer, road, and sidewalk construction and maintenance, street lighting and winter control as well as the City's share of the Pembroke and Area Airport Commission.
- Environmental services consist of waterworks and sanitary operations, wastewater treatment, solid waste disposal and recycling and the City's share of the Ottawa Valley Waste Management Board.
- Health services include paramedic and health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- Social and family services include social assistance, long-term care and childcare services. Social assistance services determine, issue and monitor clients' eligibility for financial, social and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Childcare services provide subsidized childcare spaces and provide funding for wage subsidy, pay equity, and special needs.
- Recreation and culture services is comprised primarily of parks services and the operations of recreational facilities and the Pembroke Public Library.
- Planning and development consists of planning and zoning and economic development which includes the Pembroke Business Improvement Area.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.