# CORPORATION OF THE
# CITY OF PEMBROKE

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**Consolidated Financial Statements**
For the Year Ended December 31, 2025

# 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 MNP 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

Pembroke, Ontario
November 3, 2026

Treasurer

Pembroke, Ontario
November 3, 2026

# CORPORATION OF THE CITY OF PEMBROKE

# Consolidated Financial Statements

INDEX - 2025


INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF OPERATIONS

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED SCHEDULE OF CONTINUITY OF RESERVES - SCHEDULE 1

CONSOLIDATED SCHEDULE OF CONTINUITY OF RESERVE FUNDS - SCHEDULE 2

CONSOLIDATED SCHEDULE OF DEFERRED REVENUE - OBLIGATORY - SCHEDULE 3

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS - SCHEDULE 4

CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS - SCHEDULE 5

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE - SCHEDULE 6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LOCAL BOARDS - FINANCIAL STATEMENTS

(a) PEMBROKE PUBLIC LIBRARY BOARD

(b) PEMBROKE BUSINESS IMPROVEMENT AREA

# INDEPENDENT AUDITOR'S REPORT

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

**Qualified 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, 2025 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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, 2025 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 (PSAS).

**Basis for Qualified Opinion**
The scope of our audit did not extend to an examination of the Municipal Accommodations Tax (MAT) revenue records of the contributing businesses that provide short-term accommodations. Our verification of MAT revenue and MAT receivable was limited to the amounts recorded in the records of the Municipality and we were not able to determine whether any adjustments might be necessary to taxation and payments in lieu revenue, annual surplus, financial assets and the accumulated surplus.

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.

**Other Matter**
The financial statements of the Corporation of the City of Pembroke for the year ended December 31, 2024 were audited by Baker Tilly REO LLP, prior to its merger with MNP LLP. Baker Tilly REO LLP expressed an unmodified opinion on those statements on December 16, 2025 as described in the Basis for Opinion paragraph.

**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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Pembroke, Ontario
November 3, 2026

# CORPORATION OF THE CITY OF PEMBROKE
**Consolidated Statement of Financial Position**
As At December 31, 2025

| | 2025 | 2024 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash (Note 2) | $ 33,524,084 | $ 24,646,382 |
| Investments (Note 3) | 6,007,610 | 8,969,065 |
| Taxes receivable | 3,047,541 | 2,019,472 |
| Water and sewer receivables | 818,385 | 776,732 |
| Accounts receivable | 3,494,636 | 7,877,488 |
| Inventories for resale | 68,935 | 68,899 |
| Investment in municipal electric utilities (Note 4) | 14,705,441 | 14,468,144 |
| | $ 61,666,632 | $ 58,826,182 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 9,182,043 | $ 11,241,669 |
| Construction loan (Note 5) | 7,693,470 | 6,197,110 |
| Deferred revenue – general | 1,391,912 | 821,625 |
| Deferred revenue – obligatory (Schedule 3) | 991,600 | 801,485 |
| Long term liabilities (Note 6) | 10,272,289 | 11,546,625 |
| Employee benefits and post-employment liabilities (Note 7) | 2,096,720 | 1,915,553 |
| Asset retirement obligations (Note 8) | 3,010,224 | 2,211,478 |
| | $ 34,638,258 | $ 34,735,545 |
| **NET FINANCIAL ASSETS** | $ 27,028,374 | $ 24,090,637 |
| **NON-FINANCIAL ASSETS** | | |
| Tangible capital assets - net (Schedule 4) | $ 162,476,498 | $ 158,018,127 |
| Prepaid expenses | 614,838 | 650,926 |
| | $ 163,091,336 | $ 158,669,053 |
| **ACCUMULATED SURPLUS** (Schedule 5) | $ 190,119,710 | $ 182,759,690 |

See accompanying notes and schedules.

## CORPORATION OF THE CITY OF PEMBROKE
**Consolidated Statement of Operations**
For the Year Ended December 31, 2025

| | 2025 Budget (Note 16) | 2025 Actual | 2024 Actual |
|---|---|---|---|
| **REVENUES** | | | |
| Taxation and payments in lieu | $ 29,633,161 | $ 29,850,107 | $ 27,035,587 |
| User charges | 15,294,557 | 16,597,887 | 15,506,325 |
| Government transfers | 7,537,338 | 4,352,450 | 6,533,259 |
| Investment income | 853,975 | 1,548,826 | 1,826,079 |
| Deferred revenue earned - Schedule 3 | - | 950,353 | 1,936,513 |
| Penalties and interest | 235,000 | 345,283 | 274,146 |
| Gain (loss) on disposal/sale of tangible capital assets | 76,000 | 278,726 | 42,534 |
| Investment in municipal electric utilities | - | 237,297 | 429,205 |
| Other | 93,700 | 234,480 | 488,870 |
| | $ 53,723,731 | $ 54,395,409 | $ 54,072,518 |
| **EXPENSES** | | | |
| Environmental services | $ 10,388,055 | $ 13,681,985 | $ 12,440,398 |
| General government | 3,505,831 | 3,243,114 | 3,500,200 |
| Health services | 2,290,973 | 2,258,243 | 2,302,287 |
| Planning and development | 1,369,085 | 1,322,155 | 967,739 |
| Protection to persons and property | 9,427,697 | 10,465,831 | 9,471,522 |
| Recreation and cultural services | 5,691,131 | 6,064,861 | 5,344,997 |
| Social and family services | 2,575,118 | 1,830,944 | 2,503,298 |
| Transportation services | 4,676,133 | 8,168,256 | 6,944,15 |
| | $ 39,924,023 | $ 47,035,389 | $ 43,474,594 |
| **ANNUAL SURPLUS** | $ 13,799,708 | $ 7,360,020 | $ 10,597,924 |
| **ACCUMULATED SURPLUS**, beginning of year | $ 182,759,690 | $ 182,759,690 | $ 172,161,766 |
| **ACCUMULATED SURPLUS**, end of year | $ 196,559,398 | $ 190,119,710 | $ 182,759,690 |

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, 2025

| | 2025 Budget (Note 16) | 2025 Actual | 2024 Actual |
|---|---|---|---|
| **ANNUAL SURPLUS** | $ 13,799,708 | $ 7,360,020 | $ 10,597,924 |
| Amortization of tangible capital assets | - | 7,982,913 | 7,336,982 |
| Acquisition of tangible capital assets | (22,400,000) | (12,566,713) | (18,163,084) |
| Gain on sale of tangible capital assets | (76,000) | (278,726) | (42,534) |
| Proceeds on sale of tangible capital assets | - | 404,155 | 123,946 |
| Adjustment to opening asset retirement obligation | - | - | 107,821 |
| Change in prepaid expenses | - | 36,088 | (62,337) |
| **(DECREASE) INCREASE IN NET FINANCIAL ASSETS** | $ (8,676,292) | $ 2,937,737 | $ (101,282) |
| **NET FINANCIAL ASSETS,** beginning of year | $ 24,090,637 | $ 24,090,637 | $ 24,191,919 |
| **NET FINANCIAL ASSETS,** end of year | $ 15,414,345 | $ 27,028,374 | $ 24,090,637 |

See accompanying notes and schedules.

## CORPORATION OF THE CITY OF PEMBROKE
**Consolidated Statement of Cash Flows**
For the Year Ended December 31, 2025

| | 2025 | 2024 |
|---|---|---|
| **CASH FROM (USED IN) OPERATING ACTIVITIES** | | |
| Annual surplus | $ 7,360,020 | $ 10,597,924 |
| Adjustments for item not affecting cash | | |
| Amortization of tangible capital assets | 7,982,913 | 7,336,982 |
| Gain on disposal of tangible capital assets | (278,726) | (42,534) |
| Changes in non-cash working capital | | |
| Taxes receivable | (1,028,069) | (348,436) |
| Water and sewer receivables | (41,653) | (65,209) |
| Accounts receivable | 4,382,853 | (3,151,654) |
| Inventories for resale | (36) | (979) |
| Prepaid expenses | 36,088 | (62,337) |
| Accounts payable and accrued liabilities | (2,059,627) | 96,746 |
| Deferred revenue - general | 570,287 | 205,210 |
| Deferred revenue - obligatory | 190,115 | (699,897) |
| Employee benefits and post-employment liabilities | 181,167 | 86,527 |
| Asset retirement obligations | 798,746 | 145,690 |
| | $ 18,094,078 | $ 14,098,033 |
| **CASH FROM (USED IN) FINANCING ACTIVITIES** | | |
| Construction loan advances | $ 1,496,360 | $ 6,197,110 |
| Payments on long term liabilities | (1,274,336) | (1,274,150) |
| | $ 222,024 | $ 4,922,960 |
| **CASH FROM (USED IN) INVESTING ACTIVITIES** | | |
| Investments | $ 2,961,455 | $ 2,645,938 |
| Investment in municipal electric utilities | (237,297) | (429,205) |
| | $ 2,724,158 | $ 2,216,733 |
| **CASH FROM (USED IN) CAPITAL ACTIVITIES** | | |
| Proceeds from sale of tangible capital assets | $ 404,155 | $ 123,946 |
| Purchase of tangible capital assets | (12,566,713) | (18,163,084) |
| | $ (12,162,558) | $ (18,039,138) |
| **INCREASE (DECREASE) IN CASH** | $ 8,877,702 | $ 3,198,588 |
| **CASH,** beginning of year | $ 24,646,382 | $ 21,447,794 |
| **CASH**, end of year | $ 33,524,084 | $ 24,646,382 |

See accompanying notes and schedules.

# CORPORATION OF THE CITY OF PEMBROKE
**Consolidated Schedule of Continuity of Reserves**
For the Year Ended December 31, 2025

**SCHEDULE 1**

| | BALANCE | REVENUES | | | TRANSFERS | | | BALANCE |
|---|---|---|---|---|---|---|---|---|
| | **Opening** | **Interest** | **Transfers In** | **Total** | **To Operations** | **To Capital** | **Total** | **Ending** |
| **Reserves** | | | | | | | | |
| Protection services | $ 1,075,382 | $ 2,860 | $ 263,000 | $ 265,860 | $ 2,243 | $ 154,162 | $ 156,405 | $ 1,184,837 |
| Transportation services | 317,687 | 5,105 | 429,700 | 434,805 | - | 50,402 | 50,402 | 702,090 |
| Waterworks | 1,895,655 | 61,834 | 255,280 | 317,114 | 126,933 | - | 126,933 | 2,085,836 |
| Pollution control projects | 1,767,142 | 60,143 | - | 60,143 | - | 144,211 | 144,211 | 1,683,074 |
| Working funds | 666,081 | - | 1,073,970 | 1,073,970 | 213,915 | - | 213,915 | 1,526,136 |
| Waste management | 5,334,929 | - | 297,692 | 297,692 | - | - | - | 5,632,620 |
| Other current purposes | 802,778 | - | 929,128 | 929,128 | 69,538 | 246,901 | 316,439 | 1,415,467 |
| Other capital purposes | 3,632,918 | 40,030 | 966,517 | 1,006,547 | 107,220 | 363,158 | 470,378 | 4,169,087 |
| | $ 15,492,572 | 169,972 | 4,215,286 | 4,385,258 | 519,849 | 958,834 | 1,478,683 | 18,399,147 |
| **Reserve funds** (Schedule 2) | $ 7,457,805 | 251,951 | 2,492,447 | 2,744,398 | 484,428 | 709,102 | 1,193,530 | 9,008,673 |
| **Total reserves and reserve funds** | $ 22,950,377 | $ 421,923 | $ 6,707,732 | $ 7,129,656 | $ 1,004,277 | $ 1,667,936 | $ 2,672,213 | $27,407,820 |

See accompanying notes.

# CORPORATION OF THE CITY OF PEMBROKE

**Consolidated Statement of Continuity of Reserve Funds**

For the Year Ended December 31, 2025

**SCHEDULE 2**

| | BALANCE | REVENUES | | | TRANSFERS | | | BALANCE |
|---|---|---|---|---|---|---|---|---|
| | **Opening** | **Interest** | **Transfers In** | **Total** | **To Operations** | **To Capital** | **Total** | **Ending** |
| **Reserve Funds** | | | | | | | | |
| Sick leave, disability | $ 528,292 | $ 17,980 | $ 112,194 | $ 130,174 | $ - | $ - | $ - | $ 658,466 |
| Parking revenues | 131,349 | 4,470 | 20,000 | 24,470 | - | 13,855 | 13,855 | 141,964 |
| Waterworks | 3,384,221 | 120,986 | 1,612,168 | 1,733,154 | 433,059 | 328,825 | 761,844 | 4,355,491 |
| Airport capital and contingencies | 221,103 | - | 40,466 | 40,466 | - | - | - | 261,569 |
| Pollution control | 1,066,329 | 36,291 | 100,000 | 136,291 | - | 14,356 | 14,356 | 1,188,264 |
| Other current purposes | 2,431 | 83 | 198,897 | 198,980 | 25,000 | - | 25,000 | 176,411 |
| Other capital purposes | 2,124,080 | 72,141 | 408,722 | 480,863 | 26,369 | 352,066 | 378,435 | 2,226,508 |
| | $ 7,457,805 | $ 251,951 | $ 2,492,447 | $ 2,744,398 | $ 484,428 | $ 709,102 | $ 1,193,530 | $ 9,008,673 |

See accompanying notes.

# CORPORATION OF THE CITY OF PEMBROKE

**Consolidated Schedule of Deferred Revenue - Obligatory**

For the Year Ended December 31, 2025

**SCHEDULE 3**

| | BALANCE | REVENUES | | | | TRANSFERS | | | BALANCE |
|---|---|---|---|---|---|---|---|---|---|
| | Beginning Opening | Interest Earned | Operations | Government Transfers | Total | To Operations | To Capital | Total | Ending |
| Development charges | $ 436,460 | $ 14,855 | 46,211 | $ - | $ 61,066 | $ - | $ 94,365 | $ 94,365 | $ 403,161 |
| Cash in lieu of parkland | 76,842 | 2,615 | 7,350 | - | 9,965 | - | - | - | 86,807 |
| Gasoline Tax - Province | 151,106 | 5,143 | - | 118,783 | 123,926 | 100,000 | 4,503 | 104,503 | 170,529 |
| Gasoline Tax - Federal | 137,077 | 4,665 | - | 940,846 | 945,511 | - | 751,485 | 751,485 | 331,103 |
| | $ 801,485 | $ 27,278 | $ 53,561 | $ 1,059,629 | $ 1,140,468 | $ 100,000 | $ 850,353 | $ 950,353 | $ 991,600 |

See accompanying notes.

# CORPORATION OF THE CITY OF PEMBROKE
## Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2025

**SCHEDULE 4**

**BY ASSET CLASS**

| | GENERAL | | | | | | INFRASTRUCTURE | | | | | TOTALS | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land & Landfill | Land Improv-ments | Buildings & Improve-ments | Vehicles | Equipment | Cultural and Historical | Land | Plants & Facilities | Roads | Underground Networks and Other | Assets Under Construction | 2025 | 2024 |
| **Cost** | | | | | | | | | | | | | |
| **Balance,** beginning of year | $ 4,443,936 | $ 7,196,462 | $28,213,417 | $ 3,049,763 | $ 6,066,316 | $ 122,637 | $ 983,401 | $51,358,744 | $88,086,945 | $81,406,438 | $18,084,182 | $ 289,012,241 | $ 272,345,796 |
| Add: additions during year | 736,851 | - | 385,508 | 73,256 | 229,498 | - | - | 1,295,179 | 4,572,616 | 11,736,803 | 7,056,168 | 26,085,879 | 27,249,495 |
| Less: disposals & adjustments to | (38,396) | 39 | (150,726) | (117,259) | (228,543) | - | - | - | (813,434) | (202,086) | - | (1,550,405) | (1,388,818) |
| constructed assets in use | - | - | - | - | - | - | - | - | - | - | (13,519,166) | (13,519,166) | (9,086,411) |
| asset retirement obligation | - | - | - | - | - | - | - | - | - | - | - | - | (107,821) |
| **Balance**, end of year | 5,142,391 | 7,196,501 | 28,448,199 | 3,005,760 | 6,067,271 | 122,637 | 983,401 | 52,653,923 | 91,846,127 | 92,941,155 | 11,621,184 | $300,028,549 | 289,012,241 |
| **Accumulated Amortization** | | | | | | | | | | | | | |
| **Balance**, beginning of year | 325,886 | 4,425,789 | 13,494,970 | 1,560,263 | 3,488,038 | - | - | 32,384,982 | 50,332,054 | 24,982,132 | - | 130,994,114 | 124,964,538 |
| Add: amortization & adjustments | 181,210 | 198,333 | 647,432 | 202,004 | 368,772 | - | - | 1,552,600 | 2,157,672 | 2,661,341 | - | 7,969,364 | 7,336,981 |
| Less: reduction on disposals | - | - | (124,257) | (86,605) | (199,646) | - | - | - | (805,102) | (195,817) | - | (1,411,427) | (1,307,405) |
| **Balance**, end of year | 507,096 | 4,624,122 | 14,018,145 | 1,675,662 | 3,657,164 | - | - | 33,937,582 | 51,684,624 | 27,447,656 | - | 137,552,051 | 130,994,114 |
| **Net book value of tangible capital assets** | $ 4,635,295 | $ 2,572,379 | $ 14,430,054 | $ 1,330,098 | $ 2,410,107 | $ 122,637 | $ 983,401 | $ 18,716,341 | $ 40,161,503 | $ 65,493,499 | $ 11,621,184 | $ 162,476,498 | $ 158,018,127 |

See accompanying notes.

# CORPORATION OF THE CITY OF PEMBROKE
## Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2025

**SCHEDULE 4**

**BY FUNCTIONAL CLASSIFICATION**

| | Government | General Police | Fire | Roads | Other Transpor-tation | Water Supply | Storm Sewer | Sanitary Sewer | Recreation | Waste Disposal | 2025 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | |
| **Balance,** beginning of year | $ 4,585,960 | $6,815,275 | $ 7,498,501 | $104,152,567 | $ 6,385,482 | $49,810,283 | $16,041,566 | $65,430,914 | $20,819,796 | $ 7,471,897 | $289,012,241 | $272,345,796 |
| Add: additions during year | 55,820 | - | 156,405 | 8,465,606 | 5,561 | 4,546,458 | 326,261 | 9,625,805 | 2,115,494 | 788,469 | 26,085,879 | 27,249,495 |
| Less: disposals & adjustments | (32,722) | (28,128) | (175,670) | (797,511) | (71,260) | (111,980) | (23,806) | (43,710) | (181,963) | (83,655) | (1,550,405) | (1,388,818) |
| constructed assets placed in use | - | - | - | (1,665,267) | - | (896,158) | (96,521) | (9,475,875) | (1,352,991) | (32,354) | (13,519,166) | (9,086,411) |
| asset retirement obligation | - | - | - | - | - | - | - | - | - | - | - | (107,821) |
| **Balance**, end of year | 4,609,058 | 6,787,147 | 7,479,236 | 110,155,395 | 6,319,783 | 53,348,603 | 16,247,500 | 65,537,134 | 21,400,336 | 8,144,357 | $300,028,549 | 289,012,241 |
| **Accumulated Amortization** | | | | | | | | | | | | |
| **Balance**, beginning of year | 1,314,002 | 2,203,990 | 2,033,660 | 54,482,095 | 1,904,916 | 22,050,954 | 4,907,022 | 26,472,588 | 12,948,338 | 2,676,549 | 130,994,114 | 124,964,538 |
| Add: amortization & adjustments | 182,202 | 217,141 | 282,947 | 3,140,905 | 134,940 | 878,772 | 254,260 | 1,965,427 | 560,537 | 352,233 | 7,969,364 | 7,336,981 |
| Less: reduction on disposals | (27,846) | (28,128) | (164,836) | (770,472) | (31,628) | (111,980) | (15,474) | (43,710) | (151,495) | (65,858) | (1,411,427) | (1,307,405) |
| **Balance**, end of year | 1,468,358 | 2,393,003 | 2,151,771 | 56,852,528 | 2,008,228 | 22,817,746 | 5,145,808 | 28,394,305 | 13,357,380 | 2,962,924 | 137,552,051 | 130,994,114 |
| **Net book value of tangible capital assets** | $ 3,140,700 | $ 4,394,144 | $ 5,327,465 | $53,302,867 | $ 4,311,555 | $30,530,857 | $11,101,692 | $37,142,829 | $ 8,042,956 | $ 5,181,433 | $ 162,476,498 | $158,018,127 |

See accompanying notes.

## CORPORATION OF THE CITY OF PEMBROKE
**Consolidated Schedule of Accumulated Surplus**
For the Year Ended December 31, 2025

**SCHEDULE 5**

| | 2025 | 2024 |
|---|---|---|
| **RESERVE FUNDS** - Schedule 2 | | |
| Sick leave, disability | $ 658,466 | $ 528,292 |
| Parking revenues | 141,964 | 131,349 |
| Water purification | 4,355,491 | 3,384,221 |
| Airport capital and contingencies | 261,569 | 221,103 |
| Pollution control | 1,188,264 | 1,066,329 |
| Other current purposes | 176,411 | 2,431 |
| Other capital purposes | 2,226,508 | 2,124,080 |
| **Total** | 9,008,673 | 7,457,805 |
| **RESERVES** - Schedule 1 | | |
| Protection services | 1,184,837 | 1,075,382 |
| Transportation services | 702,090 | 317,687 |
| Waterworks | 2,085,836 | 1,895,655 |
| Pollution control projects | 1,683,074 | 1,767,142 |
| Working funds | 1,526,136 | 666,081 |
| Waste management | 5,632,620 | 5,334,929 |
| Other current purposes | 1,415,467 | 802,778 |
| Other capital purposes | 4,169,087 | 3,632,918 |
| **Total** | 18,399,147 | 15,492,572 |
| **Total - reserves and reserve funds** | 27,407,820 | 22,950,377 |
| **SURPLUSES** | | |
| Invested in tangible capital assets | 152,188,200 | 148,488,434 |
| General revenue fund | 925,193 | 979,766 |
| Equity in municipal electric utilities | 14,705,441 | 14,468,144 |
| Unfunded | | |
| • Employment benefits and post-employment liabilities | (2,096,720) | (1,915,553) |
| • Asset retirement obligations | (3,010,224) | (2,211,478) |
| **Total surpluses** | 162,711,890 | 159,809,313 |
| **ACCUMULATED SURPLUS** | $ 190,119,710 | $ 182,759,690 |

See accompanying notes.

# CORPORATION OF THE CITY OF PEMBROKE
**Consolidated Schedule of Segmented Disclosure**
For the Year Ended December 31, 2025

**SCHEDULE 6**

| | General Government | Protection to Persons & Property | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation & Cultural Services | Planning & Development | 2025 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operations** | | | | | | | | | | |
| **Revenue** | | | | | | | | | | |
| Taxation and payments in lieu | $27,687,442 | $ - | $ - | $1,949,637 | $ - | $ - | $ - | $ 213,028 | $29,850,107 | $27,035,587 |
| User charges | 221,902 | 271,682 | 344,238 | 14,294,397 | - | - | 1,349,699 | 115,969 | 16,597,887 | 15,506,325 |
| Government transfers | 1,713,326 | 406,759 | 116,942 | 1,511,316 | - | - | 576,169 | 27,938 | 4,352,450 | 6,533,259 |
| Investment income | 1,350,176 | - | 7,205 | 191,445 | - | - | - | - | 1,548,826 | 1,826,079 |
| Penalties and interest | 345,283 | - | - | - | - | - | - | - | 345,283 | 274,146 |
| Deferred revenue earned – Schedule 3 | - | - | 855,988 | 94,364 | - | - | - | - | 950,352 | 1,936,513 |
| Investment in municipal electric utilities | 237,297 | - | - | - | - | - | - | - | 237,297 | 429,205 |
| Gain (loss) on disposal of tangible capital assets | 176,654 | 3,340 | 19,164 | 78,636 | - | - | 932 | - | 278,726 | 42,534 |
| Other | 26,130 | 57,063 | 6,581 | 90,757 | - | - | 53,950 | - | 234,481 | 488,870 |
| | 31,758,210 | 738,844 | 1,350,118 | 18,210,552 | - | - | 1,980,750 | 356,935 | 54,395,409 | 54,072,518 |
| **Expenses** | | | | | | | | | | |
| Salaries, wages and employee benefits | 1,861,888 | 3,664,104 | 1,880,946 | 3,823,948 | - | - | 3,618,287 | 595,909 | 15,445,082 | 14,703,163 |
| Interest on long term liabilities | - | 203,602 | 63,646 | 118,580 | - | 28,808 | - | - | 414,636 | 470,600 |
| Materials | 980,388 | 712,223 | 2,279,987 | 2,747,876 | - | - | 1,385,036 | 675,044 | 8,780,554 | 7,744,241 |
| Contracted services | 308,202 | 5,261,557 | 695,177 | 3,120,918 | - | - | 486,370 | 13,386 | 9,885,610 | 7,929,593 |
| Rents, financial expenses and accretion | 1,269 | 31,540 | 10,132 | 304,247 | - | - | 6,053 | 9,960 | 363,201 | 306,143 |
| External transfers | 77,610 | (505) | - | - | 2,258,243 | 1,802,136 | 11,475 | 14,436 | 4,163,395 | 4,983,872 |
| Amortization | 177,568 | 500,087 | 3,310,661 | 3,442,569 | - | - | 542,910 | 9,116 | 7,982,911 | 7,336,982 |
| Inter-functional adjustments | (163,811) | 93,223 | (72,293) | 123,847 | - | - | 14,730 | 4,304 | - | - |
| | 3,243,114 | 10,465,831 | 8,168,256 | 13,681,985 | 2,258,243 | 1,830,944 | 6,064,861 | 1,322,155 | 47,035,389 | 43,474,594 |
| **Net revenues (expenses)** | $28,515,096 | $(9,726,987) | $(6,818,138) | $4,528,567 | $(2,258,243) | $(1,830,944) | $(4,084,111) | $(965,220) | $7,360,020 | $ 10,597,924 |

17. See accompanying notes.

# CORPORATION OF THE CITY OF PEMBROKE
**Consolidated Schedule of Segmented Disclosure**
For the Year Ended December 31, 2025

**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 | 2024 |
|---|---|---|---|---|---|---|---|---|---|
| **Operations** | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| Taxation and payments in lieu | $25,256,704 | $ - | $ - | $1,572,961 | $ - | $ - | $ - | $ 205,922 | $27,035,587 |
| User charges | 175,702 | 436,125 | 319,090 | 13,473,512 | | | 1,006,874 | 95,022 | 15,506,325 |
| Government transfers | 1,638,782 | 360,840 | 1,787,885 | 1,647,863 | | | 990,889 | 107,000 | 6,533,259 |
| Investment income | 1,613,073 | - | 6,288 | 206,718 | - | - | - | - | 1,826,079 |
| Penalties and interest | 274,146 | - | - | - | - | - | - | - | 274,146 |
| Deferred revenue earned – Schedule 3 | - | - | 1,925,263 | 11,250 | - | - | - | - | 1,936,513 |
| Investment in municipal electric utilities | 429,205 | - | - | - | - | - | - | - | 429,205 |
| Gain (loss) on disposal of tangible capital assets | 1,250 | - | 455 | 53,479 | - | - | (12,650) | - | 42,534 |
| Other | 22,644 | 56,793 | 7,022 | 361,320 | - | - | 41,091 | - | 488,870 |
| | 29,411,506 | 853,758 | 4,046,003 | 17,327,103 | - | - | 2,026,204 | 407,944 | 54,072,518 |
| **Expenses** | | | | | | | | | |
| Salaries, wages and employee benefits | 2,148,544 | 3,400,451 | 1,658,785 | 3,879,494 | - | - | 3,092,938 | 522,951 | 14,703,163 |
| Interest on long term liabilities | - | 213,537 | 67,431 | 142,891 | - | 46,741 | - | - | 470,600 |
| Materials | 908,782 | 613,532 | 1,708,742 | 2,805,127 | - | - | 1,336,794 | 371,264 | 7,744,241 |
| Contracted services | 219,822 | 4,640,967 | 583,252 | 2,047,883 | - | - | 412,881 | 24,788 | 7,929,593 |
| Rents, financial expenses and accretion | 1,397 | 20,980 | 4,008 | 265,729 | - | - | 7,399 | 6,630 | 306,143 |
| External transfers | 179,225 | 8,000 | - | - | 2,302,287 | 2,456,557 | - | 37,803 | 4,983,872 |
| Amortization | 186,674 | 499,732 | 2,994,419 | 3,175,723 | - | - | 480,434 | - | 7,336,982 |
| Inter-functional adjustments | (144,244) | 74,323 | (72,484) | 123,551 | - | - | 14,551 | 4,303 | - |
| | 3,500,200 | 9,471,522 | 6,944,153 | 12,440,398 | 2,302,287 | 2,503,298 | 5,344,997 | 967,739 | 43,474,594 |
| **Net revenues (expenses)** | $25,911,306 | $(8,617,764) | $(2,898,150) | $4,886,705 | $(2,302,287) | $(2,503,298) | $(3,318,793) | $(559,795) | $10,597,924 |

18. See accompanying notes.

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 | 28.050% |
| • Pembroke and Area Airport Commission | 19.693% |

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.

| | **Ownership Share** |
|---|---|
| • Ottawa River Energy Solutions Incorporated | 78.38% |
| • Ottawa River and Power Corporation | 78.38% |

(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 obligatory 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.

(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.

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 over their useful lives at the following rates and methods:

| | | |
|---|---|---|
| Land (including landfill) | 15 years | Straight-line method |
| Land improvements | 10-50 years | Straight-line method |
| Buildings and improvements | 10-50 years | Straight-line method |
| Vehicles | 5-25 years | Straight-line method |
| Equipment | 5-45 years | Straight-line method |
| Plants and facilities | 20-80 years | Straight-line method |
| Roads | 15-40 years | Straight-line method |
| Underground and other networks | 35-100 years | Straight-line method |
| Airport – Equipment & Vehicles | 30% | Declining balance method |

Annual amortization is pro-rated 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:

| Financial Instrument | Measurement |
|---|---|
| Cash | Amortized cost |
| Investments in guaranteed investment certificates | Amortized cost |
| Investments in fixed income securities & mutual funds | Cost |
| 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 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.

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

(j) **Investments**

Investments in guaranteed investment certificates 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.

Portfolio investments in fixed income securities and mutual funds are recorded at their historic cost.

(k) **Investments in Municipal Electric Utilities**

Investments in Municipal Electric Utilities include investments in Ottawa River Power Corporation and Ottawa River Energy Solution Inc. and are recorded using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the municipal electric utilities' accounting principles are not adjusted to conform with those of the City. Thus, the City aggregates the net assets and net income of the Municipal Electric Utilities by adjusting the investment shown in the consolidated statement of financial position and by presenting the net income as a separate item on the statement of operations.

(l) **Non-Controlling Investments in Governmental Units**

Investments in governmental units, include investments in the Ottawa Valley Waste Management Board (OVWMB) and the Pembroke and Area Airport Commission. These investments are recorded using the proportionate consolidation method. Under which the City includes its proportionate share of the assets, liabilities and accumulated surplus / deficit of the related government units, in its consolidated statements on a line-by-line basis. After elimination of inter-unit transactions.

(l) **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.

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

### (m) 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. CASH

Cash of $5,382,960 (2024 – $502,596) has been restricted to support reserve funds, reserves and deferred revenue-obligatory.

## 3. INVESTMENTS

| | 2025 | 2024 |
|---|---|---|
| Guaranteed investment certificates | $ 4,617,312 | $ 7,756,694 |
| Fixed income securities | 1,335,128 | 1,193,745 |
| Mutual funds | 55,169 | 18,626 |
| | $ 6,007,610 | $ 8,969,065 |

Guaranteed investment certificates and have effective interest rates of 3.94% to 4.06% with maturity dates from May 6, 2026 to May 6, 2027.

Investments are held by the City of Pembroke - $4,617,312 (2024 - $7,756,694), Ottawa Valley Waste Management Board - $1,170,872 (2024 - $1,049,989) and Pembroke and Area Airport Commission - $219,426 (2024 - $162,382). Fair market value of investments at December 31, 2025 is $6,169,571 (2024 - $9,057,361).

Guaranteed investment certificates of $4,617,312 (2024 - $7,756,694) have been restricted to support reserve funds, reserves and deferred revenue-obligatory.

## 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:

| | | | 2025 | 2024 |
|---|---|---|---|---|
| | 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, 2025. | 8,393,348 | 1,948,093 | 10,341,441 | 10,104,144 |
| | $ 12,757,348 | $ 1,948,093 | $14,705,441 | $14,468,144 |

During the year the City of Pembroke received promissory note interest of $152,304 (2024 - $152,304) from Ottawa River Power Corporation and dividend payments of $31,351 (2024 - $45,522) from Ottawa River Energy Solutions Inc. and $Nil (2024 - $Nil) 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.

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

### OTTAWA RIVER POWER CORPORATION

| | 2025 | 2024 |
|---|---|---|
| **Financial Position** | | |
| Current assets | $ 11,273,900 | $ 10,760,731 |
| Property, plant and equipment | 20,262,022 | 18,506,745 |
| Other non-current assets | 296,456 | 361,543 |
| Regulatory assets | 308,682 | 1,080,604 |
| Total assets | 32,141,060 | 30,709,623 |
| Current liabilities | 8,576,467 | 6,217,738 |
| Long term liabilities | 10,410,327 | 9,628,900 |
| Regulatory liabilities | 2,445,246 | 4,378,728 |
| Total liabilities | 21,432,040 | 20,225,366 |
| Net assets | $ 10,709,020 | $ 10,484,257 |
| **Financial Activities** | | |
| Service revenues (net of cost of sales) | $ 5,449,614 | $ 8,640,606 |
| Operating expenses | (6,162,213) | (5,936,186) |
| Amount in lieu of income taxes | (165,899) | (113,664) |
| Net income before under noted items | (878,498) | 2,590,756 |
| Net movement in regulatory balances | 1,161,560 | (2,306,850) |
| Actuarial gain (loss) on post-employment benefits | (58,299) | (3,475) |
| Total income and other comprehensive income | $ 224,763 | $ 280,431 |

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:

| | 2025 | 2024 |
|---|---|---|
| Electrical energy | $ 895,635 | $ 936,143 |
| Merchandising | - | 52,482 |
| | $ 895,635 | $ 988,625 |

At December 31, 2025, Ottawa River Power Corporation accounts payable and accrued liabilities include $146 (2024 - $424) due to the City of Pembroke and accounts receivable include $105,105 (2024 - $88,461) due from the City of Pembroke.

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

### OTTAWA RIVER ENERGY SOLUTIONS INC.

| | 2025 | 2024 |
|---|---|---|
| **Financial Position** | | |
| Current assets | $ 1,272,865 | $ 1,195,336 |
| Equipment | 1,408,549 | 1,445,471 |
| Total assets | 2,681,414 | 2,640,807 |
| Current liabilities | 195,855 | 211,873 |
| Total liabilities | 195,855 | 211,573 |
| Net assets | $ 2,485,559 | $ 2,423,934 |
| **Financial Activities** | | |
| Revenues | $ 1,131,004 | $ 1,156,461 |
| Expenses | (976,591) | (994,837) |
| Income taxes | (57,788) | (70,071) |
| Net revenue for the year | $ 96,625 | $ 91,553 |

Ottawa River Energy Solutions Inc. provides fibre services to the City of Pembroke. Included in corporate revenues is fibre revenue of $69,720 (2024 - $65,130) from the City.

The City is a landlord pursuant to a solar site lease agreement with Ottawa River Energy Solutions and earns rents equal to 15% of the revenue generated from the solar power facilities. Included in Ottawa River Energy Solutions statement of net income is solar revenues and expenses of $4,573 and $686 (2024 - $7,347 and $1,102).

Ottawa River Energy Solutions also incurred $106,741 (2024 - $122,204) of recoverable revenue from the City, primarily relating to streetlight contracting.

During the course of the audit of Ottawa River Energy Solutions, it was determined that there were timing differences related to the recognition of revenue and expenditures. The timing differences were corrected through restatement of the affected line items for the year ended December 31, 2024. Accordingly, the affected line items in the 2024 comparatives above have been restated for these changes.

## 5. CONSTRUCTION LOAN

Construction loan consists of temporary advances from Ontario Infrastructure Lands Corporation (OILC) to finance approved ongoing capital expenditures. The advances bear interest at a floating rate per annum as determined by OILC based on OILC's cost of funds plus OILC's prevailing spread assigned to the borrower sector for program delivery costs and risks. Interest only payments are due monthly. The total interest paid in 2025 was $216,726 (2024 - $201,129). Under the Agreement with OILC, advances up to $9,500,000 are approved and the repayment of advances will be satisfied with purchase by OILC of City issued debentures at completion of the capital project for which the borrowing was approved.

## 6. LONG TERM LIABILITIES

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

| | 2025 | 2024 |
|---|---|---|
| Ontario Infrastructure debentures | | |
| Serial debentures payable, maturing in 2026, payable in semi-annual instalments of $390,101 plus interest at 4.74% per annum | $ 780,202 | $ 1,560,404 |
| Serial debentures payable, maturing in 2042, payable in semi-annual instalments of $69,022 plus interest at 3.66% per annum | 2,346,733 | 2,484,776 |
| Serial debentures payable, maturing in 2045, payable in semi-annual instalments of $80,664 plus interest at 3.44% per annum | 3,145,881 | 3,307,208 |
| Serial debentures payable, maturing in 2048, payable in semi-annual instalments of $85,569 plus interest at 3.7% per annum | 3,936,171 | 4,107,309 |
| Shared debentures | | |
| 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 | 20,470 | 40,900 |
| 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 | 42,832 | 46,028 |
| | $ 10,272,289 | $ 11,546,625 |

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

Principal payments are due on long term liabilities as follows:

| | |
|---|---|
| 2026 | 1,274,134 |
| 2027 | 473,462 |
| 2028 | 473,462 |
| 2029 | 473,462 |
| Thereafter | 7,577,769 |
| | $ 10,272,289 |

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 $414,636 (2024 - $470,600).

## 7. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES

| | 2025 | 2024 |
|---|---|---|
| Post-employment benefits | $ 1,438,254 | $ 1,387,262 |
| Sick leave | 658,466 | 528,291 |
| | $ 2,096,720 | $ 1,915,553 |

### (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 $658,466 (2024 - $528,291) 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.

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

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

**Accrued benefit liability**

| | 2025 | 2024 |
|---|---|---|
| Accrued benefit liability, beginning of year | $ 1,387,262 | $ 1,331,428 |
| Current service cost | 80,706 | 77,416 |
| Interest | 52,176 | 49,403 |
| Benefits paid during the year | (68,961) | (57,530) |
| Amortization of experience gain | (12,929) | (13,455) |
| Accrued benefit liability, end of year | $ 1,438,254 | $ 1,387,262 |

**Reconciliation of accrued benefit obligation**

| | 2025 | 2024 |
|---|---|---|
| Accrued benefit obligation, beginning of year | $ 1,221,770 | $ 1,152,481 |
| Benefits accrued during year | 80,706 | 77,416 |
| Benefits paid during year | (68,961) | (57,530) |
| Interest on accrued benefit obligation during year | 52,175 | 49,403 |
| Accrued benefit obligation, end of year | $ 1,285,690 | $ 1,221,770 |
| Discount rate | 4.25 % | 4.25% |
| 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. ASSET RETIREMENT OBLIGATIONS

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 3.74% which is the Board's average long-term borrowing rate, net of 2.1% inflation. The existing landfill site is expected to reach capacity in the year 2037. The years of post-closure care is estimated at 57. The Ottawa Valley Waste Management Board has designated investments with a fair market value of $4,713,172 (2024 - $4,009,189) for settling closure and post-closure liabilities. The Cities portion of these investments is $1,322,045 (2024 - $1,130,992)

### (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.

| | Landfill | Asbestos and Other removal | 2025 | 2024 |
|---|---|---|---|---|
| Balance, beginning of year | $1,905,978 | $ 305,500 | $ 2,211,478 | $2,173,609 |
| Change in estimate | 723,226 | (33,565) | 689,661 | (39,535) |
| Accretion expense | 98,331 | 10,754 | 109,085 | 77,404 |
| Balance, end of year | $ 2,727,535 | $ 282,689 | $ 3,010,224 | $ 2,211,478 |

## 9. EXPENDITURES BY OBJECT

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

| | 2025 | 2024 |
|---|---|---|
| Salaries, wages and employee benefits | $ 15,445,082 | $ 14,703,163 |
| Interest on long term liabilities | 414,636 | 470,600 |
| Transfers to external organizations | 4,163,395 | 4,983,872 |
| Materials, contracted services, rents and financial expenses | 19,029,365 | 15,979,977 |
| Amortization | 7,982,913 | 7,336,982 |
| | $ 47,035,389 | $ 43,474,594 |

## 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 funding deficit of $1.3 billion (2024 – deficit of $2.9 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 2025 was $1,007,557 (2024 - $900,240) for current service and is included as an expenditure on the Consolidated Statement of Operations. At December 31, 2025 there is no liability for past service under this agreement.

## 11. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the City assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The City is exposed to the following risks in respect of certain of the financial instruments held:

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debt, obligations under capital leases, contributions to the pension plan, and accounts payable

(b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The City reduces its exposure to credit risk by creating an allowance for bad debts when applicable. The City monitors and assesses the collectability of accounts receivable based on past experience to derive a net realizable value. The City has a significant number of customers which minimizes concentration of credit risk.

(c) Market risk

The City is exposed to certain market risks including changes in pricing of investments. The value of mutual funds changes with stock market conditions, which are affected by market conditions and a general economic outlook. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The value of fixed income securities will generally rise if interest rates fall and conversely fall when rates rise. These risks are generally outside the control of the City but are mitigated by the City's investment policies, which prescribe the asset mix of investments including the amount of foreign content and credit ratings of bond issuers.

Unless otherwise noted, it is management’s opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

## 12. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The City has a contract with the Ontario Provincial Police (OPP) for policing services. The contract is based on estimated annual services required and expires December 31, 2027. Expected costs associated with this contract for 2026 are $5,930,236.

The City has a contract with Miller Waste for the collection and transportation of garbage, recyclable material, source separated organics and yard waste effective April 1, 2015 and expiring March 31, 2027. The contract cost is based on services utilized and is estimated to be similar to costs incurred in 2025, which were $1,241,406.

The City has a contract with the County of Renfrew for the Cities portion of shared services. The contract is based on expected actual expenses of the County, which for 2026 are estimated at $4,582,975.

The City is committed to construction contracts with remaining estimated costs to completion of $2,727,599 plus HST as at December 31, 2025.

## 13. 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.

## 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 19.693% (2024 – 19.797%). The only transactions the City had with the Commission during the year was the annual municipal levy of $22,394 (2024 - $21,440).

Summary financial information for the year ended December 31, 2025 and the City's proportionate share are as follows:

| | Total | City's Share |
|---|---|---|
| Net financial assets | $ 1,141,481 | $ 224,792 |
| Non-financial assets | 4,160,547 | 1,633,939 |
| Accumulated surplus | 5,302,028 | 1,858,731 |
| Revenue | 699,135 | 137,681 |
| Expenses | (665,768) | (136,415) |
| Excess of revenue over expenses | $ 33,367 | $ 1,266 |

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 28.05% (2024 – 28.21%). The City had the following transactions with the Board:

| | 2025 | 2024 |
|---|---|---|
| Tipping fees | $ 635,865 | $ 684,740 |

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

Summary financial information for the year ended December 31, 2025 and the City's proportionate share are as follows:

| | Total | City's Share |
|---|---|---|
| Net financial assets | $ 1,632,078 | $ 457,798 |
| Non-financial assets | 18,622,524 | 5,223,618 |
| Accumulated surplus | 20,254,602 | 5,681,416 |
| Revenue | 4,967,318 | 1,393,333 |
| Expenses | (5,731,757) | (1,641,388) |
| Excess of revenue over expenses | $ (764,439) | $ (189,207) |

16. **BUDGET FIGURES**

The operating budget approved by City Council for 2025 is reflected on the Consolidated Statement of Operations and the Consolidated Statement of Change in Net Financial Assets. 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.

## 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.