



TOWN OF PETAWAWA

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petawawa.ca

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **CORPORATION OF THE TOWN OF PETAWAWA** (the Town) is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's consolidated financial position as at December 31, 2023 and the results of its consolidated operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through regular meetings. The Town Council meets regularly with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Town Council with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Welch LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Chief Administrative Officer

February 10, 2025
Town of Petawawa, Canada

Treasurer

February 10, 2025
Town of Petawawa, Canada

Page

Independent Auditor's Report.....	1 - 2
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Operations.....	4
Consolidated Statement of Change in Net Financial Assets.....	5
Consolidated Statement of Cash Flows.....	6
Consolidated Schedule of Tangible Capital Assets.....	7
Consolidated Schedule of Segmented Disclosure.....	8
Notes to the Consolidated Financial Statements.....	9 - 21

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of

CORPORATION OF THE TOWN OF PETAWAWA

Opinion

We have audited the consolidated financial statements of the Corporation of the Town of Petawawa (the Town), 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 consolidated financial position of the Town 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 Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 consolidated 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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.

Welch LLP – Chartered Professional Accountants
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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 Town'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 Town'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 our auditor's report. However, future events or conditions may cause the Town 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 Town 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.

Welch LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
February 10, 2025

Welch LLP

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CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
FINANCIAL ASSETS		
Cash	\$ 20,732,124	\$ 18,433,528
Investments (Note 3)	1,401,429	1,414,164
Taxes receivable (Note 4)	1,215,281	1,076,996
Accounts receivable	5,867,929	4,805,296
Inventories for resale	<u>30,264</u>	<u>23,900</u>
	<u>29,247,027</u>	<u>25,753,884</u>
LIABILITIES		
Accounts payable and accrued liabilities	5,410,004	4,723,950
Deferred revenue - general	51,042	79,042
Deferred revenue - obligatory (Note 5)	1,797,303	1,125,600
Asset retirement obligations (Note 6)	2,856,284	2,734,253
Long-term debt (Note 7)	<u>162,694</u>	<u>195,434</u>
	<u>10,277,327</u>	<u>8,858,279</u>
NET FINANCIAL ASSETS	<u>18,969,700</u>	<u>16,895,605</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	111,999,785	104,551,563
Prepaid expenses	<u>270,360</u>	<u>220,987</u>
	<u>112,270,145</u>	<u>104,772,550</u>
ACCUMULATED SURPLUS (Note 10)	<u>\$131,239,845</u>	<u>\$121,668,155</u>

(See accompanying notes and schedules)

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CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget 2023</u>	<u>Actual 2023</u>	<u>Actual 2022</u>
REVENUE			
Property taxation	\$ 7,718,478	\$ 7,775,609	\$ 7,235,801
Payment in lieu of taxes	6,087,089	11,140,886	5,052,738
User and frontage charges	9,928,514	10,815,735	10,237,458
Provincial and other government transfers	1,844,979	2,796,502	3,263,175
Canada community building funding	568,788	43,454	1,095,021
Development contributions and development charges	1,683,998	470,569	612,874
Investment income	174,015	1,005,619	510,467
Penalties and interest	145,000	152,130	141,695
Fees, service charges, donations and miscellaneous	679,875	764,138	653,657
(Loss) gain on disposal of tangible capital assets	-	(13,452)	8,482
	<u>28,830,736</u>	<u>34,951,190</u>	<u>28,811,368</u>
EXPENSES			
General government	2,024,808	1,870,066	1,746,406
Protection to persons and property	3,337,587	3,446,417	3,107,444
Transportation services	3,176,523	5,965,076	5,431,294
Environmental services	7,111,101	8,640,727	8,327,144
Recreation and cultural services	3,968,839	4,816,777	3,977,193
Planning and development	856,484	640,437	481,346
	<u>20,475,342</u>	<u>25,379,500</u>	<u>23,070,827</u>
EXCESS OF REVENUE OVER EXPENSES	8,355,394	9,571,690	5,740,541
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>121,668,155</u>	<u>121,668,155</u>	<u>115,927,614</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$130,023,549</u>	<u>\$131,239,845</u>	<u>\$121,668,155</u>

(See accompanying notes and schedules)

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CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget</u> <u>2023</u>	<u>Actual</u> <u>2023</u>	<u>Actual</u> <u>2022</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 8,355,394	\$ 9,571,690	\$ 5,740,541
Acquisition of tangible capital assets	(13,438,181)	(7,463,607)	(5,688,625)
Loss (gain) on disposal of tangible capital assets	-	13,452	(8,482)
Proceeds on sale of tangible capital assets	-	106,089	66,321
Amortization of tangible capital assets	-	4,351,211	4,231,274
Construction in progress	-	(4,455,367)	(3,416,019)
Changes in level of prepaid expenses	-	(49,373)	(43,432)
	<u>(13,438,181)</u>	<u>(7,497,595)</u>	<u>(4,858,963)</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(5,082,787)	2,074,095	881,578
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>16,895,605</u>	<u>16,895,605</u>	<u>16,014,027</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 11,812,818</u>	<u>\$ 18,969,700</u>	<u>\$ 16,895,605</u>

(See accompanying notes and schedules)

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CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 9,571,690	\$ 5,740,541
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	4,351,211	4,231,274
Accretion of asset retirement obligation	122,031	125,170
Loss (gain) on disposal of tangible capital assets	<u>13,452</u>	<u>(8,482)</u>
	14,058,384	10,088,503
Change in the level of:		
Taxes receivable	(138,285)	(188,203)
Accounts receivable	(1,062,633)	(2,321,151)
Inventories for resale	(6,364)	(11,934)
Prepaid expenses	(49,373)	(43,432)
Accounts payable and accrued liabilities	686,054	(438,978)
Deferred revenue - general	(28,000)	(121,030)
Deferred revenue - obligatory	<u>671,703</u>	<u>(693,694)</u>
	<u>14,131,486</u>	<u>6,270,081</u>
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(7,463,607)	(5,688,625)
Proceeds from sale of tangible capital assets	106,089	66,321
Construction in progress	<u>(4,455,367)</u>	<u>(3,416,019)</u>
	<u>(11,812,885)</u>	<u>(9,038,323)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repayment of long-term liabilities	<u>(32,740)</u>	<u>(218,351)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from (acquisition of) investments	<u>12,735</u>	<u>(58,047)</u>
NET CHANGE IN CASH	2,298,596	(3,044,640)
CASH, BEGINNING OF YEAR	<u>18,433,528</u>	<u>21,478,168</u>
CASH, END OF YEAR	<u>\$ 20,732,124</u>	<u>\$ 18,433,528</u>

(See accompanying notes and schedules)

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CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2023
SCHEDULE 1

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Linear Assets</u>	<u>2023</u>	<u>2022</u>
COST								
Balance, beginning of year	\$ 4,765,313	\$ 5,076,478	\$ 44,476,071	\$ 7,917,179	\$ 5,435,286	\$114,559,385	\$182,229,712	\$174,034,976
Acquisition of tangible capital assets	-	649,242	527,927	565,170	635,508	5,085,760	7,463,607	5,688,625
Disposal of tangible capital assets	-	-	(50,525)	(204,734)	(264,476)	(330,625)	(850,360)	(909,908)
Construction in progress	-	60,664	4,170,871	-	-	223,832	4,455,367	3,416,019
Balance, end of year	<u>4,765,313</u>	<u>5,786,384</u>	<u>49,124,344</u>	<u>8,277,615</u>	<u>5,806,318</u>	<u>119,538,352</u>	<u>193,298,326</u>	<u>182,229,712</u>
ACCUMULATED AMORTIZATION								
Balance, beginning of year	174,368	2,829,102	23,247,519	6,101,845	2,866,499	42,458,816	77,678,149	74,298,944
Annual amortization	174,239	213,677	524,172	378,274	310,194	2,750,655	4,351,211	4,231,274
Accumulated amortization on disposals	-	-	(47,866)	(204,734)	(153,612)	(324,607)	(730,819)	(852,069)
Balance, end of year	<u>348,607</u>	<u>3,042,779</u>	<u>23,723,825</u>	<u>6,275,385</u>	<u>3,023,081</u>	<u>44,884,864</u>	<u>81,298,541</u>	<u>77,678,149</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 4,416,706</u>	<u>\$ 2,743,605</u>	<u>\$ 25,400,519</u>	<u>\$ 2,002,230</u>	<u>\$ 2,783,237</u>	<u>\$ 74,653,488</u>	<u>\$111,999,785</u>	<u>\$104,551,563</u>
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 4,590,945</u>	<u>\$ 2,247,376</u>	<u>\$ 21,228,552</u>	<u>\$ 1,815,334</u>	<u>\$ 2,568,787</u>	<u>\$ 72,100,569</u>	<u>\$104,551,563</u>	

(See accompanying notes)

CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
YEAR ENDED DECEMBER 31, 2023
SCHEDULE 2

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	Total
REVENUE							
Property taxation	\$ 7,775,609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,775,609
Payment in lieu of taxes	11,140,886	-	-	-	-	-	11,140,886
User and frontage charges	-	49,407	593,893	9,518,181	654,254	-	10,815,735
Provincial and other government transfers	208,000	12,215	1,067,658	1,408,125	100,504	-	2,796,502
Canada community building funding	-	-	43,454	-	-	-	43,454
Developer contributions and development charges	33,730	7,157	-	62,268	367,414	-	470,569
Investment income	830,126	-	9,783	154,789	10,921	-	1,005,619
Penalties and interest	152,130	-	-	-	-	-	152,130
Fees, service charges, donations and miscellaneous	204,584	289,358	13,153	39,125	161,392	56,526	764,138
Gain (loss) on disposal of tangible capital assets	-	-	16,757	(30,209)	-	-	(13,452)
	<u>20,345,065</u>	<u>358,137</u>	<u>1,744,698</u>	<u>11,152,279</u>	<u>1,294,485</u>	<u>56,526</u>	<u>34,951,190</u>
EXPENSES							
Salaries, wages and benefits	1,197,134	791,816	1,316,915	1,465,331	2,466,980	371,637	7,609,813
Materials, supplies and contracted services	569,362	2,485,218	2,511,623	5,515,559	1,880,824	263,954	13,226,540
Donations and grants	64,356	-	-	-	-	-	64,356
Interest expense	-	-	1,915	1,335	-	-	3,250
Taxation adjustments	2,299	-	-	-	-	-	2,299
Accretion of asset retirement obligation	-	-	-	122,031	-	-	122,031
	<u>1,833,151</u>	<u>3,277,034</u>	<u>3,830,453</u>	<u>7,104,256</u>	<u>4,347,804</u>	<u>635,591</u>	<u>21,028,289</u>
NET REVENUE (EXPENSES) BEFORE AMORTIZATION	18,511,914	(2,918,897)	(2,085,755)	4,048,023	(3,053,319)	(579,065)	13,922,901
Amortization expense	<u>36,915</u>	<u>169,383</u>	<u>2,134,623</u>	<u>1,536,471</u>	<u>468,973</u>	<u>4,846</u>	<u>4,351,211</u>
NET REVENUE (EXPENSES)	<u>\$ 18,474,999</u>	<u>\$ (3,088,280)</u>	<u>\$ (4,220,378)</u>	<u>\$ 2,511,552</u>	<u>\$ (3,522,292)</u>	<u>\$ (583,911)</u>	<u>\$ 9,571,690</u>

(See accompanying notes)

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

The Town of Petawawa is an incorporated municipality in the Province of Ontario. The Town conducts its operations as described by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Petawawa are the representations of management, prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Town and include the activities of all committees of Council and the following boards which are under the control of Council:

Petawawa Public Library Board

In addition, the Town is a member of two joint local boards. These financial statements include, based on the Town's share of total municipal contributions, the Town's proportionate share of the assets, liabilities, revenues and expenses of the following joint local boards:

	<u>% Share</u>
Pembroke and Area Airport Commission	30.27
Ottawa Valley Waste Management Board	40.63

Inter-organizational transactions and balances have been eliminated in the preparation of these financial statements.

Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned, measurable and collection is reasonably assured. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired and collection is reasonably assured.

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions which include asset retirement obligations and the estimated useful life of tangible capital assets are based on management's best information and judgement. Actual results could be materially different from those estimates.

Investments

Investments are valued at the lower of amortized cost and market value. Investment premiums and discounts are being amortized over the term of the respective investment. 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.

Inventories for resale

Concession, gas and jet fuel inventories for resale are valued at the lower of cost and net realizable value with cost being determined substantially on a first in, first out basis for concession inventories and most recent invoice cost for gas and jet fuel inventories.

Deferred revenue - obligatory

Deferred revenue - obligatory consists of user charges and government funding received with respect to services and expenses which have yet to be provided and/or incurred. Deferred revenue - obligatory will be recognized as income in the year the related services are provided or expenses incurred.

Asset retirement obligations

PS3280, Asset Retirement Obligations defines which activities would be included in a liability for retirement of tangible capital assets, establishes when to recognize and how to measure a liability for asset retirements, and provides the related financial statement presentation and disclosure requirements. This new standard has effectively replaced PS3270, Solid Waste Landfill Closure and Post-Closure Liability. This standard is applicable for fiscal years beginning on or after April 1, 2022.

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Asset retirement obligations - (cont'd)

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, 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 best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Revenue recognition

Revenues from property taxation, payment in lieu of taxes and penalties and interest are recognized in the period in which they are levied and the taxable event has occurred and collection is reasonably assured. User charges are recognized as the service is provided and collection is reasonably assured. Frontage charges, gas tax funding and provincial and other government transfers are recognized when the related expenditure is incurred. Revenue from the sale of assets and concessions are recognized at the point of sale. Developer contributions are recognized when legal title of the tangible capital asset has been transferred to the Town. Investment income is recognized as it is earned. Fees, service charges, donations, and miscellaneous are recognized when collection is reasonably assured.

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

i) Tangible capital assets

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

	<u>Years</u>
Land improvements	15-75
Buildings	20-80
Machinery and equipment	5-25
Vehicles	5-25
Linear assets	10-75

Annual amortization is charged in the year of acquisition for all non-linear assets and streetlights. Annual amortization is charged in the year following acquisition for all linear assets except streetlights. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-financial assets (cont'd)

v) Methods used for determining the costs

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. The Canada-wide Consumer Price Index was used to deflate the replacement or reproduction cost to estimate historical cost in the year of acquisition.

NOTE 2 CHANGES IN ACCOUNTING POLICY - ADOPTION OF NEW ACCOUNTING STANDARDS

PS 3450 Financial instruments

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments. Portfolio investments in equity instruments are required to be measured at their fair value as quoted in the active market. All other financial instruments will generally be measured at cost or amortized cost. The Town adopted PS 3450 Financial Instruments beginning January 1, 2023 prospectively.

Given that the Town's financial instruments were already measured at cost or amortized cost and the Town does not have any portfolio investments quoted in an active market, the adoption of this standard does not give rise to any numerical changes in the Town's financial statements. The disclosure requirements arising from this standard have been presented in Note 3.

PS 3280 Asset retirement obligations (ARO)

PS 3280 Asset Retirement Obligations (ARO) establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2022 on a modified retroactive basis with prior period restatement.

In the past, the Town has reported its obligations related to its landfill site applying PS 3270 which has been replaced by PS 3280. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the landfill site. When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the landfill site and amortized over the site's estimated useful life.

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 2 CHANGES IN ACCOUNTING POLICY - ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd)

PS 3280 Asset retirement obligations (ARO) (cont'd)

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

As a result of applying this accounting standard, an asset retirement obligation of \$2,856,284 (2022 - \$2,734,353) was recognized as a liability in the Consolidated Statement of Financial Position. These obligations represent estimated retirement costs of the landfill site. The Town has restated the prior period based on a simplified approach, using the ARO liabilities, ARO assets and the associated ARO accumulated amortization, amortization expense and accretion expense (for discounted ARO liabilities) for the period January 1, 2023 to December 31, 2023 as a proxy for January 1, 2022 to December 31, 2022 information. The adoption of PS 3280 ARO was applied to the comparative period as follows:

As at December 31, 2022

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Consolidated Statement of Financial Position			
Tangible capital assets including ARO	\$ 102,116,848	\$ 2,434,715	\$ 104,551,563
Provision for landfill closure and post-closure care costs	\$ 914,850	\$ (914,850)	\$ -
Asset retirement obligation liability	\$ -	\$ 2,734,253	\$ 2,734,253
Accumulated surplus at end of year	\$ 121,052,843	\$ 615,312	\$ 121,668,155
Consolidated Statement of Operations			
Expenses - environmental services	\$ 8,303,636	\$ 23,508	\$ 8,327,144
Total expenses	\$ 23,047,319	\$ 23,508	\$ 23,070,827
Excess of revenue over expenses	\$ 5,764,049	\$ (23,508)	\$ 5,740,541

NOTE 3 INVESTMENTS

Investments held by the Ottawa Valley Waste Management Board consist of a variety of fixed income securities and an investment savings account. The fixed income securities have effective interest rates of 2.29% to 6.25% with maturity dates from June 3, 2024 to March 5, 2040. The Town's share of the fair market value of these investments at December 31, 2023 is \$1,405,729 (2022 - \$1,248,836).

Investments held by the Pembroke and Area Airport Commission comprise of money market funds, income funds, bonds and a high interest savings account. The Town's share of the fair market value of these investments at December 31, 2023 is \$66,123 (2022 - \$136,052).

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 4 TAXES RECEIVABLE

Taxes receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Current year taxes	\$ 801,969	\$ 737,579
Prior year taxes	320,250	268,667
Penalties	<u>93,062</u>	<u>70,750</u>
	<u>\$ 1,215,281</u>	<u>\$ 1,076,996</u>

NOTE 5 DEFERRED REVENUE - OBLIGATORY

Deferred revenue - obligatory consists of the following:

	<u>2023</u>	<u>2022</u>
Development charges	\$ 1,263,127	\$ 1,125,600
Canada community building funding	<u>534,176</u>	<u>-</u>
	<u>\$ 1,797,303</u>	<u>\$ 1,125,600</u>

Continuity of deferred revenue - obligatory is as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 1,125,600	\$ 1,819,294
Development charges received	523,991	469,818
Canada community building funding received	568,788	545,088
Ontario community infrastructure funding received	1,030,433	896,029
Investment income	95,950	30,511
Development charges recognized as income	(470,569)	(612,874)
Canada community building funding recognized as income	(1,033,436)	(1,095,021)
Ontario community infrastructure funding recognized as income	<u>(43,454)</u>	<u>(927,245)</u>
Balance, end of year	<u>\$ 1,797,303</u>	<u>\$ 1,125,600</u>

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 6 ASSET RETIREMENT OBLIGATIONS

Landfill

Ottawa Valley Waste Management Board oversees the landfill site and is legally required to perform closure and post-closure activities upon retirement of this site. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. A liability for the total obligation, which was incurred when the site started accepting waste, irrespective of volume of waste accepted has been accrued. The Board estimates that no obligation is incurred incrementally due to the volume of waste accepted, therefore, no further obligation is being accrued based on volume of waste accepted. The Town's share of undiscounted future cash flows expected are a closure cost in year 2036 of \$564,351 with annual post-closure activities starting in year 2037 of \$87,314 per year, increasing at an annual inflation rate of 3.9%, for 32 years to year 2068. The estimated total liability of \$2,856,284 (2022 - \$2,734,253) is based on the sum of discounted future cash flows for closure and post-closure activities using a discount rate of 4.54% and assuming annual inflation of 3.9%.

	<u>2023</u>	<u>2022</u>
Asset retirement obligation liability		
Balance, beginning of year	\$ 2,734,253	\$ 2,609,083
Accretion expense	<u>122,031</u>	<u>125,170</u>
Estimated total liability	<u>\$ 2,856,284</u>	<u>\$ 2,734,253</u>

The Board has designated the investments disclosed in Note 3 for settling closure and post-closure care liabilities.

NOTE 7 LONG-TERM DEBT

The terms of the long-term debt incurred by local boards and how the principal payments will be recovered are as follows:

	<u>2023</u>	<u>2022</u>
From general taxation, a debenture, due 2026, payable in semi-annual installments of \$14,974 including interest at 1.34% per annum.	\$ 87,776	\$ 116,348
From general taxation, a debenture, due 2040, payable in semi-annual installments of \$2,270 plus interest at 2.47% per annum.	<u>74,918</u>	<u>79,086</u>
	<u>\$ 162,694</u>	<u>\$ 195,434</u>

Payments on existing debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 33,409	\$ 2,902	\$ 36,311
2025	33,797	2,402	36,199
2026	34,190	1,896	36,086
2027	4,540	1,486	6,026
2028	4,540	1,374	5,914
Thereafter	<u>52,218</u>	<u>7,735</u>	<u>59,953</u>
	<u>\$ 162,694</u>	<u>\$ 17,795</u>	<u>\$ 180,489</u>

Interest on long-term debt amounted to \$3,250 (2022 - \$7,619). The Town's total cash payments related to long-term debt in 2023 was \$NIL (2022 - \$184,694).

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 8 CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2023 (2022 - \$NIL) as a result of this standard.

NOTE 9 EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Tangible capital assets, cost (Schedule 1)	\$ 193,298,326	\$ 182,229,712
Accumulated amortization (Schedule 1)	(81,298,541)	(77,678,149)
Long-term debt (Note 7)	<u>(162,694)</u>	<u>(195,434)</u>
	<u>\$ 111,837,091</u>	<u>\$ 104,356,129</u>

NOTE 10 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2023</u>	<u>2022</u>
Unrestricted surplus (deficit)		
General	\$ 142,744	\$ (891,105)
Water	172,758	259,998
Wastewater	(901,670)	872,111
Library	<u>152,744</u>	<u>123,309</u>
	(433,424)	364,313
Internally restricted reserves	22,692,462	19,681,966
Asset retirement liability (Note 6)	(2,856,284)	(2,734,253)
Equity in tangible capital assets (Note 9)	<u>111,837,091</u>	<u>104,356,129</u>
	<u>\$ 131,239,845</u>	<u>\$ 121,668,155</u>

NOTE 11 EXPENSES BY OBJECT

The consolidated statement of operations reports expenses for the Town by function. The following is a summary of expenses by object.

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
Salaries, wages and benefits	\$ 7,181,043	\$ 7,609,813	\$ 6,883,327
Materials, supplies and contracted services	13,239,299	13,226,540	11,750,992
Donations and grants	45,000	64,356	59,864
Interest expense	-	3,250	7,619
Taxation adjustments	10,000	2,299	12,581
Accretion of asset retirement obligation	-	122,031	125,170
Amortization of tangible capital assets	<u>-</u>	<u>4,351,211</u>	<u>4,231,274</u>
	<u>\$ 20,475,342</u>	<u>\$ 25,379,500</u>	<u>\$ 23,070,827</u>

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 12 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

During 2023, requisitions were made by school boards and the County of Renfrew requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	<u>School Boards</u>	<u>County of Renfrew</u>
Property taxes	\$ 3,442,855	\$ 6,655,320
Taxation from other governments	<u>360,176</u>	<u>4,062,896</u>
Amount requisitioned	<u>\$ 3,803,031</u>	<u>\$ 10,718,216</u>

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

NOTE 13 COMMITMENTS

Ontario Clean Water Agency

The Town has entered into service agreements with the Ontario Clean Water Agency to operate wastewater and water systems. The Town is obligated to meet all operating costs of the facilities.

Included in the consolidated statement of operations are charges from the Agency as follows:

	<u>2023</u>	<u>2022</u>
Wastewater	\$ 1,320,631	\$ 1,382,808
Water	\$ 1,318,318	\$ 1,120,970

Garbage collection

The Town has a contract for the collection of garbage. The contract expires in March, 2025. The contract cost for 2023 was \$993,822 (2022 - \$969,763).

Policing

The Town has a contract with the Province of Ontario for policing services. The contract for 2023 was \$1,712,664 (2022 - \$1,723,080).

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 14 JOINT LOCAL BOARDS

The Town 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 Town's proportionate share of contributions to the Commission is 30.27% (2022 - 30.128%). The only transaction the Town had with the Commission during the year was the annual municipal levy of \$31,222 (2022 - \$29,595).

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

	<u>Total</u>	<u>Town's Share</u>
Net financial assets	\$ 837,886	\$ 253,628
Non-financial assets	<u>4,242,583</u>	<u>1,184,761</u>
Accumulated surplus	<u>\$ 5,080,469</u>	<u>\$ 1,438,389</u>
Revenue	\$ 2,092,610	\$ 634,153
Expenses	<u>1,796,590</u>	<u>543,828</u>
Excess of revenue over expense	<u>\$ 296,020</u>	<u>\$ 90,325</u>

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 Town's proportionate share of contributions to the Board is 40.63% (2022 - 40.66%). The Town paid tipping fees to the Board during the year of \$551,317 (2022 - \$561,399). 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 Town's proportionate share are as follows:

	<u>Total</u>	<u>Town's Share</u>
Net financial assets	\$ 1,323,662	\$ 537,804
Non-financial assets	<u>18,657,811</u>	<u>7,110,814</u>
Accumulated surplus	<u>\$19,981,473</u>	<u>\$ 7,648,618</u>
Revenue	\$ 6,451,355	\$ 2,618,584
Expenses	<u>6,704,310</u>	<u>2,721,944</u>
Excess of expenses over revenue	<u>\$ (252,955)</u>	<u>\$ (103,360)</u>

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 15 FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, investments, taxes receivable, accounts receivable, accounts payable and accrued liabilities and long-term debt.

Risk

It is management's opinion that the Town is not exposed to significant interest or currency or credit risks arising from its financial instruments. The Town is subject to credit risk with respect to taxes and accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the Town 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.

Fair market value

Except for the following, the fair value of the Town's financial instruments approximates their carrying value due to their short-term nature. The fair market value of the investments is disclosed in Note 3 to the consolidated financial statements. It is not practicable to determine the fair value of the long-term debt. The terms and conditions of the long-term debt are disclosed in Note 7 to the consolidated financial statements.

NOTE 16 BUDGET FIGURES

Budget figures reported on the consolidated statement of operations and the consolidated statement of changes in net financial assets are based on 2023 operating and capital budgets as approved by Council on February 6, 2023 (By-law 1560/23 and 1561/23).

NOTE 17 PENSION AGREEMENT

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of permanent members of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. OMERS is financed by employer and employee contributions and by investment earnings of the OMERS fund.

Contributions for current service are recorded as expenses in the year in which they became due.

The Town is required to make current service contributions to OMERS of 9% of pensionable earnings up to the years maximum pensionable earnings under the Canada Pension Plan and 14.6% on pensionable earnings above the amount. Employees are required to make current service contributions of the same amount.

Total current service contributions by the Town to OMERS in 2023 were \$319,474 (2022 - \$288,037). These contributions were matched with identical employee contributions for both years.

At December 31, 2023, OMERS disclosed an actuarial deficit of \$7.571 billion.

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 18 SEGMENTED DISCLOSURES

The Town of Petawawa provides a range of services to its ratepayers. For each segment as reported in Schedule 2, 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 consolidated 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 Deputy 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 Town'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 Town's share of the Ottawa Valley Waste Management Board.

Recreation and cultural services is comprised primarily of parks services and the operation of recreational facilities and the Petawawa Public Library.

Planning and development consists of planning and zoning and economic development.

NOTE 19 COMPARATIVE FIGURES

Comparative figures have been reclassified to reflect the presentation adopted for the current year.