

**CORPORATION OF THE  
CITY OF PEMBROKE**

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CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

# CORPORATION OF THE CITY OF PEMBROKE

## CONSOLIDATED FINANCIAL STATEMENTS

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# AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the **CORPORATION OF THE CITY OF PEMBROKE** as at December 31, 2006 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Pembroke as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Licensed Public Accountants

Pembroke, Ontario  
July 4, 2007

# CORPORATION OF THE CITY OF PEMBROKE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2006

	2006	2005
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments	3,346,297	1,270,443
Taxes receivable	3,163,932	2,664,901
Water and sewer receivables	479,965	317,257
Trade and other receivables	3,977,445	11,332,648
Inventories (Note 1(c))	32,702	24,599
	<u>11,000,341</u>	<u>15,609,848</u>
Investment in municipal electric utilities (Notes 1(a) and 2)	<u>11,003,965</u>	<u>10,701,708</u>
<b>Total Assets</b>	<u><u>22,004,306</u></u>	<u><u>26,311,556</u></u>
<b>LIABILITIES</b>		
Temporary loans (Note 3)	-	19,199,861
Accounts payable and accrued liabilities	2,658,862	4,990,097
Deferred revenue	35,280	36,851
Deferred revenue - obligatory reserve funds (Note 4)	611,916	229,169
Long term liabilities (Note 5)	19,632,840	4,473,100
Employee benefits payable (Note 6)	1,850,563	1,741,677
Landfill site closure and post closure liabilities (Note 7)	743,850	367,080
	<u>25,533,311</u>	<u>31,037,835</u>
<b>MUNICIPAL POSITION</b>		
Current fund (Note 8)	132,181	398,140
Capital fund	(1,439,108)	(17,217,944)
Reserves and reserve funds	9,001,210	7,973,674
Equity in municipal electric utilities	<u>11,003,965</u>	<u>10,701,708</u>
	18,698,248	1,855,578
Amounts to be recovered	<u>(22,227,253)</u>	<u>(6,581,857)</u>
<b>Municipal position</b>	<u>(3,529,005)</u>	<u>(4,726,279)</u>
<b>Total Liabilities and Municipal Position</b>	<u><u>22,004,306</u></u>	<u><u>26,311,556</u></u>

The accompanying notes are an integral part of this financial statement.

# CORPORATION OF THE CITY OF PEMBROKE

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET 2006 \$	ACTUAL 2006 \$	ACTUAL 2005 \$
<b>REVENUES</b> (Note 9)			
Taxation	16,298,208	16,541,430	14,457,238
User charges	6,502,877	6,948,048	6,497,582
Government transfers	5,479,842	7,339,107	15,800,179
Other	1,150,968	1,473,102	1,438,815
Investment in municipal electric utilities	-	302,257	88,325
	<u>29,431,895</u>	<u>32,603,944</u>	<u>38,282,139</u>
<b>EXPENDITURES</b>			
<b>Current operations</b>			
General government	2,235,490	2,166,501	1,939,279
Protection to persons and property	5,918,796	6,390,307	5,579,267
Transportation services	2,687,844	2,629,814	2,334,127
Environmental services	5,258,075	5,721,179	4,724,496
Health services	882,896	911,563	949,041
Social and family services	5,116,219	5,150,650	4,698,390
Recreation and cultural services	2,341,865	2,336,592	2,183,464
Planning and development	432,528	418,495	388,170
	<u>24,873,713</u>	<u>25,725,101</u>	<u>22,796,234</u>
<b>Capital</b>			
General government	215,900	225,100	109,365
Protection to persons and property	407,500	393,517	227,445
Transportation services	685,148	673,031	1,558,339
Environmental services	1,821,018	4,059,908	17,076,768
Social and family services	-	39,222	185,472
Recreation and cultural services	277,051	274,935	298,002
Planning and development	23,000	15,856	6,230
	<u>3,429,617</u>	<u>5,681,569</u>	<u>19,461,621</u>
<b>Total expenditures</b>	<u>28,303,330</u>	<u>31,406,670</u>	<u>42,257,855</u>
<b>NET REVENUES (EXPENDITURES)</b>	<u>1,128,565</u>	<u>1,197,274</u>	<u>(3,975,716)</u>
New debt issued	15,929,040	15,929,040	-

The accompanying notes are an integral part of this financial statement.

Debt principal repayments	(897,300)	(769,300)	(837,300)
Change in employee benefits payable	-	108,886	6,002
Change in landfill site closure and post closure liabilities	-	376,770	64,302
<b>Change in amounts to be recovered</b>	<u>15,031,740</u>	<u>15,645,396</u>	<u>(766,996)</u>
<b>CHANGE IN FUND BALANCES</b>	<u>16,160,305</u>	<u>16,842,670</u>	<u>(4,742,712)</u>

The accompanying notes are an integral part of this financial statement.

**CORPORATION OF THE CITY OF PEMBROKE**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006	2005
	\$	\$
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net revenues (expenditures)	1,197,274	(3,975,716)
Changes in non-cash working capital		
Taxes receivable	(499,031)	119,962
Water and sewer receivables	(162,708)	101,964
Trade and other receivables	7,355,203	(6,645,904)
Inventories	(8,103)	9,242
Accounts payable and accrued liabilities	(2,331,235)	1,491,851
Employee benefits payable	108,886	6,002
Landfill site closure and post closure liabilities	376,770	64,302
Deferred revenue	(1,571)	13,262
Deferred revenue - obligatory reserve funds	<u>382,747</u>	<u>177,903</u>
Net cash from (used in) operating activities	<u>6,418,232</u>	<u>(8,637,132)</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Long term liabilities incurred	15,929,040	-
Payments on long term liabilities	<u>(769,300)</u>	<u>(837,300)</u>
Net cash from (used in) financing activities	<u>15,159,740</u>	<u>(837,300)</u>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Investment in municipal electric utilities	<u>(302,257)</u>	<u>(88,325)</u>
Net cash (used in) investing activities	<u>(302,257)</u>	<u>(88,325)</u>
<b>INCREASE (DECREASE) IN CASH POSITION</b>	21,275,715	(9,562,757)
<b>CASH POSITION, beginning of year</b>	<u>(17,929,418)</u>	<u>(8,366,661)</u>
<b>CASH POSITION, end of year</b>	<u>3,346,297</u>	<u>(17,929,418)</u>
Comprised of:		
Cash and temporary investments	3,346,297	1,270,443
Temporary loans	<u>-</u>	<u>(19,199,861)</u>
	<u>3,346,297</u>	<u>(17,929,418)</u>

The accompanying notes are an integral part of this financial statement.

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

### 1. **SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Corporation of the City of Pembroke are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

#### (a) **BASIS OF CONSOLIDATION**

- (i) These consolidated statements reflect the assets, liabilities, revenues and expenditures of the current fund, capital fund, reserves and reserve funds 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 Downtown Development Commission
- The Parking Authority of the City of Pembroke

The municipality is also a member of the following 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:

	Proportionate Share
· Pembroke and Area Airport Commission	23.918%
· Ottawa Valley Waste Management Board	31.320%

The City accounts for its ownership interest in municipal electric utilities by the modified equity method.

#### (ii) **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.

**(iii) Trust Funds**

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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### 1. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

#### (b) **REVENUE RECOGNITION**

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

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

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

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) **INVENTORIES**

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

#### (d) **CAPITAL ASSETS**

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

#### (e) **DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS**

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

(f) **AMOUNTS TO BE RECOVERED**

Amounts to be recovered are reported in the municipal position on the consolidated statement of financial position. The balance represents the outstanding principal portion of unmatured long-term liabilities not yet due, and other future expenditures not yet levied on the ratepayers.

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) PENSION AND OTHER POST-RETIREMENT BENEFITS

The City accounts for its participation in the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.

The City determines the cost of other employment and post-retirement benefits offered to employees using the projected benefit method prorated on services and based on management's best estimate assumptions. Under this method, an equal portion of the total estimated future benefit is attributed to each year of service in the attribution period.

#### (h) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from those estimates.

### 2. 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:

	Ottawa River Power Corporation	Ottawa River Energy Solutions Inc.	<u>Total</u> 2006	2005
	\$	\$	\$	\$
7.25% promissory notes, Ottawa River Power Corporation note due May 1, 2022, Ottawa River Energy				

Solutions Inc. note due October 31, 2023	4,364,000	233,287	4,597,287	4,597,287
78.38% share of equity as at December 31, 2006.	<u>6,243,794</u>	<u>162,884</u>	<u>6,406,678</u>	<u>6,104,421</u>
	<u>10,607,794</u>	<u>396,171</u>	<u>11,003,965</u>	<u>10,701,708</u>

During the year the City of Pembroke received promissory note interest of \$316,390 (2005 - \$316,390) from Ottawa River Power Corporation and \$16,913 (2005 - \$16,913) from Ottawa River Energy Solutions Inc. and a dividend payment of \$218,200 (2005 - \$218,200) from Ottawa River Power Corporation.

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

#### OTTAWA RIVER POWER CORPORATION

<b>Financial Position</b>	2006 \$	2005 \$
Current assets		8,689,822
9,256,327		
Restricted cash and cash equivalents	2,827,653	1,125,402
Property, plant and equipment	<u>8,137,732</u>	<u>8,368,297</u>
Total assets	<u>19,655,207</u>	<u>18,750,026</u>
Current liabilities	3,313,749	4,411,916
Regulatory liability	2,499,002	780,638
Long term liabilities	<u>5,876,401</u>	<u>5,895,360</u>
Total liabilities	<u>11,689,152</u>	<u>11,087,914</u>
Net assets		<u>7,966,055</u>
<u>7,662,112</u>		

#### Financial Activities

Service revenues (net of cost of sales)	4,111,391	4,029,877
Operating expenses	3,299,273	3,099,643
Taxes	<u>229,775</u>	<u>217,372</u>
Net revenue for the year	<u>582,343</u>	<u>712,862</u>

#### OTTAWA RIVER ENERGY SOLUTIONS INC.

<b>Financial Position</b>	2006 \$	2005 \$
Current assets		22,605
23,122		
Long term receivable	41,438	-
Net investment in lease	32,449	38,334
Equipment	<u>866,507</u>	<u>829,951</u>
Total assets	<u>962,999</u>	<u>891,407</u>

Current liabilities		481,009	491,104
Long term liabilities		<u>274,177</u>	<u>274,177</u>
Total liabilities		<u>755,186</u>	<u>765,281</u>
Net assets			<u>207,813</u>
	<u>126,126</u>		

### **Financial Activities**

Revenues			493,970
	418,454		
Expenses		386,673	349,775
Taxes		<u>25,610</u>	<u>2,800</u>
Net revenue for the year		<u>81,687</u>	<u>65,879</u>

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

### 3. TEMPORARY LOANS

	2006	2005
	\$	\$
Demand note payable to Bank of Montreal, bearing interest at the prime rate less 0.5%	-	1,300,000
Bank of Montreal overdraft borrowing, bearing interest at the prime rate less 1.5%	-	99,861
3.28% fixed rate operating loan payable to Bank of Montreal	-	6,500,000
3.44% fixed rate operating loan payable to Bank of Montreal	-	7,700,000
Demand note payable to Bank of Montreal bearing interest at prime rate less 0.5%	-	<u>3,600,000</u>
	-	<u>19,199,861</u>

### 4. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the City are summarized below:

	2006	2005
	\$	\$
Balance, beginning of year	229,169	51,266
Transfers from revenue fund	22,588	-
Investment income	12,169	4,658
Cash in lieu of parkland	3,075	11,030
Development charges	22,550	-
Gasoline tax - Ontario	59,320	78,691
Gasoline tax - Federal	263,045	263,044
Transfers to capital fund	-	(179,520)
Balance, end of year	<u>611,916</u>	<u>229,169</u>

Analyzed as follows:

Cash in lieu of parkland	43,977	38,840
Gasoline tax - Ontario	87,971	27,206
Gasoline tax - Federal	434,830	163,123
Development charges	22,550	-
Building Code Act	<u>22,588</u>	<u>-</u>
	<u>611,916</u>	<u>229,169</u>

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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### 5. LONG TERM LIABILITIES

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

	2006	2005
	\$	\$
Promissory note payable to Bank of Montreal, payable in annual instalments of \$280,000 plus interest at the prime rate less 0.5%	1,400,000	1,680,000
City of Pembroke share of debentures issued by the Corporation of the Township of Laurentian Valley for capital costs of the Ottawa Valley Waste Management Board, maturing in 2022, payable in annual instalments of \$164,300 and with interest payable semi-annually at 7.23% per annum	2,628,800	2,793,100
Serial debentures payable, maturing in 2026, payable in semi-annual instalments of \$390,101 plus interest at 4.74% per annum	15,604,040	-
	<u>19,632,840</u>	<u>4,473,100</u>

- (b) Principal payments are due on long term liabilities as follows:

2007	\$ 1,224,502
2008	1,224,502
2009	1,224,502
2010	1,224,502
2011	1,224,502
Thereafter	<u>13,510,330</u>
	<u>\$19,632,840</u>

- (c) The long term liabilities in (a) 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 and Housing.

### 6. EMPLOYEE BENEFITS PAYABLE

	2006	2005
	\$	\$
Post-retirement extended health and dental benefits		1,348,498
1,272,168		
Accrued vacation pay	295,736	261,811
Accumulated sick leave	<u>206,329</u>	<u>207,698</u>
	<u>1,850,563</u>	<u>1,741,677</u>

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

### 6. EMPLOYEE BENEFITS PAYABLE (cont' d)

- (a) The liability and expense for post-retirement extended health and dental benefits were determined by an actuarial valuation performed in 2004 and extrapolated to compute expected accrued benefit obligations as at December 31, 2006.

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

	2006	2005
	\$	\$
Accrued benefit obligation, beginning of year	1,272,168	1,200,159
Service cost	46,434	43,805
Interest cost	80,783	76,210
Benefits paid	<u>(50,887)</u>	<u>(48,006)</u>
Accrued benefits obligation, end of year	<u>1,348,498</u>	<u>1,272,168</u>
Discount rate	6%	6%
Assumed health care trend rate	8%	8%
Assumed dental trend rate	3%	3%

- (b) A reserve fund has been established to provide for the accumulated sick leave liability and is reported on the Consolidated Statement of Financial Position. The balance at the end of the year was \$114,731 (2005 - \$145,114).

### 7. SOLID WASTE LANDFILL SITE CLOSURE AND POST CLOSURE LIABILITY

The Ottawa Valley Waste Management Board has assumed liability for closure and post closure costs of a landfill site. These financial statements recognize a liability for the City of Pembroke's estimated proportionate share of these costs to the extent that the site has been used to date. Usage is measured as cumulative capacity used versus total estimated capacity available. Since costs are expected to be incurred in the future, they have been discounted at 5.23% which is the Board's average long-term borrowing rate, net of 2% inflation. Estimated closure and post closure costs and related information as at December 31, 2006 are summarized as follows:

	2006		2005	
	Total	City of Pembroke Share	Total	City of Pembroke Share
	\$	\$	\$	\$
Expected total expenditures	3,192,900	1,000,016	1,722,900	549,950
Amount remaining to be recognized	<u>(817,900)</u>	<u>(256,166)</u>	<u>(572,900)</u>	<u>(182,870)</u>

Liability to date	<u>2,375,000</u>	743,850	<u>1,150,000</u>	<u>367,080</u>
Remaining capacity of site in cubic metres	<u>66,240</u>		<u>101,300</u>	
Remaining useful life of site in years	<u>1.5</u>		<u>2.5</u>	
Years of post closure care	<u>25</u>		<u>25</u>	

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

### 8. CURRENT FUND BALANCES

Current fund balances consist of the following:

	2006	2005
	\$	\$
To be used to offset taxation or user charges:		
· City of Pembroke	30,966	264,511
· Airport Commission	2,710	61,990
· Waste Management Board	<u>98,505</u>	<u>71,639</u>
	<u>132,181</u>	<u>398,140</u>

### 9. REVENUES

Revenues reported on the Consolidated Statement of Financial Activities are comprised of the following:

	BUDGET 2006	ACTUAL 2006	ACTUAL 2005
	\$	\$	\$
<b>Taxation</b>			
Residential and farm taxation	11,151,921	12,781,625	11,298,884
Commercial and industrial taxation	9,242,968	7,520,770	7,071,894
Taxation from other governments	<u>282,408</u>	<u>415,302</u>	<u>388,052</u>
	20,677,297	20,717,697	18,758,830
Deduct: Amounts received or receivable for school boards	<u>(4,379,089)</u>	<u>(4,176,267)</u>	<u>(4,301,592)</u>
	<u>16,298,208</u>	<u>16,541,430</u>	<u>14,457,238</u>
<b>User Charges</b>	<u>6,502,877</u>	<u>6,948,048</u>	<u>6,497,582</u>
<b>Government Transfers</b>			
Government of Canada	1,200	943,325	5,497,907
Province of Ontario	5,378,511	6,295,651	10,204,307
Other municipalities	<u>100,131</u>	<u>100,131</u>	<u>97,965</u>
	<u>5,479,842</u>	<u>7,339,107</u>	<u>15,800,179</u>
<b>Other</b>			
Investment income	714,108	986,697	874,367
Penalties and interest on taxes	192,690	185,881	180,385
Disposal of property and other assets	-	-	1,187

Donations and contributions for capital projects	-	29,655	9,810
Other	<u>244,170</u>	<u>270,869</u>	<u>373,066</u>
	<u>1,150,968</u>	<u>1,473,102</u>	<u>1,438,815</u>
<b>Investment in Municipal Electric Utilities</b>	<u>-</u>	<u>302,257</u>	<u>88,325</u>
	<u>29,431,895</u>	<u>32,603,944</u>	<u>38,282,139</u>

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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### 10. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$2,054 (2005 - \$2,054) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

### 11. PENSION AGREEMENTS

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

The amount contributed to OMERS during the year for current service was \$562,206 (2005 - \$457,747).

The Municipality has no obligations under any past service provisions of the OMERS agreement.

Contributions are included as an expenditure on the Consolidated Statement of Financial Activities.

### 12. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash, accounts receivable, accounts payable and long term liabilities. The fair value of these financial instruments is approximately equal to their carrying value. It is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### 13. COMMITMENTS AND CONTINGENCIES

- (a) The City has provided a letter of credit in the amount of \$488,000 to the Township of Laurentian Valley as security for a site plan agreement related to a capital project.
- (b) The City has entered into a lease agreement where, in the event of default by the current or a replacement tenant, the City will lease certain property at a declining monthly rate during the period commencing June 1, 2005 and expiring May 31, 2010. As at December 31, 2006 the potential obligation was \$273,333 declining by

\$6,667 each month over the term of the lease.

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

# CORPORATION OF THE CITY OF PEMBROKE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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### 14. BUDGET FIGURES

Budget figures established for capital funds, reserves and reserve funds are based on a project-oriented basis, the costs of which may be incurred over one or more years. Although they may not be directly comparable with current year actual amounts, they have been reflected on the Consolidated Statement of Financial Activities.

### 15. PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996

The City of Pembroke is an employer subject to the Public Sector Salary Disclosure Act. In 2006, the following employees were paid a salary and reported taxable benefits in excess of \$100,000, as defined in the Public Sector Salary Disclosure Act:

	Salary	Taxable Benefits
	\$	\$
Mr. Terry Lapierre, Chief Administrative Officer	106,381	1,355
Mr. Rheaume Chaput, Fire Chief	116,237	681
Mr. David Schilling, Police Constable First Class	102,110	900
Mr. Blair M <sup>ac</sup> Issac, Police Chief	99,382	1,271

# CORPORATION OF THE CITY OF PEMBROKE

## CONSOLIDATED SCHEDULE OF CURRENT FUND OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET 2006 \$	ACTUAL 2006 \$	ACTUAL 2005 \$
<b>REVENUES</b>			
Taxation	16,298,208	16,541,430	14,457,238
User charges	6,502,877	6,948,048	6,497,582
Government transfers	5,479,842	5,248,114	4,892,261
Other	1,150,968	1,219,924	1,270,183
	<u>29,431,895</u>	<u>29,957,516</u>	<u>27,117,264</u>
<b>EXPENDITURES</b>			
General government	2,235,490	2,166,501	1,939,279
Protection to persons and property	5,918,796	6,390,307	5,579,267
Transportation services	2,687,844	2,629,814	2,334,127
Environmental services	5,258,075	5,721,179	4,724,496
Health services	882,896	911,563	949,041
Social and family services	5,116,219	5,150,650	4,698,390
Recreation and cultural services	2,341,865	2,336,592	2,183,464
Planning and development	432,528	418,495	388,170
	<u>24,873,713</u>	<u>25,725,101</u>	<u>22,796,234</u>
<b>NET REVENUES</b>	<u>4,558,182</u>	<u>4,232,415</u>	<u>4,321,030</u>
<b>FINANCING AND TRANSFERS</b>			
Change in landfill site closure and post closure costs	-	376,770	64,302
Debt principal repayments	(897,300)	(769,300)	(837,300)
Change in employee benefits payable	-	108,886	6,002
Transfers to capital	(2,791,094)	(3,038,167)	(1,732,422)
Transfers to reserves and reserve funds	(1,267,928)	(1,176,563)	(1,419,511)
<b>Net financing and transfers</b>	<u>(4,956,322)</u>	<u>(4,498,374)</u>	<u>(3,918,929)</u>
<b>CHANGE IN CURRENT FUND</b>	(398,140)	(265,959)	402,101
<b>OPENING CURRENT FUND BALANCE</b>	<u>398,140</u>	<u>398,140</u>	<u>(3,961)</u>

**CLOSING CURRENT FUND BALANCE**

- 132,181 398,140

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# CORPORATION OF THE CITY OF PEMBROKE

## CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET 2006 \$	ACTUAL 2006 \$	ACTUAL 2005 \$
<b>REVENUES</b>			
Canada grants	-	940,282	5,492,898
Ontario grants	-	1,150,711	5,415,020
Donations and fundraising	-	29,655	9,810
	<u>-</u>	<u>2,120,648</u>	<u>10,917,728</u>
<b>EXPENDITURES</b>			
General government	215,900	225,100	109,365
Protection to persons and property	407,500	393,517	227,445
Social and family services	-	39,222	185,472
Transportation services	685,148	673,031	1,558,339
Environmental services	1,821,018	4,059,908	17,076,768
Recreation and cultural services	277,051	274,935	298,002
Planning and development	23,000	15,856	6,230
	<u>3,429,617</u>	<u>5,681,569</u>	<u>19,461,621</u>
<b>NET (EXPENDITURES)</b>	<u>(3,429,617)</u>	<u>(3,560,921)</u>	<u>(8,543,893)</u>
<b>FINANCING AND TRANSFERS</b>			
Proceeds of long-term debt	15,929,040	15,929,040	-
Transfers from operating fund	2,791,094	3,038,167	1,732,422
Transfers from reserves and reserve funds	476,087	372,550	3,163,180
	<u>19,196,221</u>	<u>19,339,757</u>	<u>4,895,602</u>
<b>CHANGE IN CAPITAL FUND BALANCE</b>	15,766,604	15,778,836	(3,648,291)
<b>OPENING CAPITAL FUND BALANCE</b>	<u>(17,217,944)</u>	<u>(17,217,944)</u>	<u>(13,569,653)</u>
<b>CLOSING CAPITAL FUND BALANCE</b>	<u>(1,451,340)</u>	<u>(1,439,108)</u>	<u>(17,217,944)</u>

# CORPORATION OF THE CITY OF PEMBROKE

## CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005
	\$	\$
<b>REVENUES</b>		
Investment income	<u>223,523</u>	<u>158,822</u>
<b>NET TRANSFERS FROM (TO) OTHER FUNDS</b>		
Transfers from operating fund	1,176,563	1,419,511
Transfers (to) capital fund	<u>(372,550)</u>	<u>(3,163,180)</u>
	<u>804,013</u>	<u>(1,743,669)</u>
<b>CHANGE IN BALANCES</b>	1,027,536	(1,584,847)
<b>OPENING BALANCES</b>	<u>7,973,674</u>	<u>9,558,521</u>
<b>ENDING BALANCES</b>	<u>9,001,210</u>	<u>7,973,674</u>
<b>Analysed as follows:</b>		
Reserves set aside for specific purposes by Council		
Replacement of equipment and other capital	255,653	166,246
Waterworks	1,527,039	1,211,982
Pollution control projects	883,666	795,670
Working funds	452,166	452,166
Waste management	<u>1,214,698</u>	<u>1,118,512</u>
Total reserves	<u>4,333,222</u>	<u>3,744,576</u>
Reserve funds set aside for specific purposes by Council		
Roadway development	77,513	73,367
Sick leave, disability and early retirement	114,731	145,114
Parking revenues	222,766	245,956
Water purification	2,154,018	1,808,041
Airport capital and contingencies	109,107	49,431
Other current purposes	7,494	7,116
Other capital purposes	<u>1,982,359</u>	<u>1,900,073</u>
Total reserve funds	<u>4,667,988</u>	<u>4,229,098</u>
<b>Total reserves and reserve funds</b>	<u>9,001,210</u>	<u>7,973,674</u>

**CORPORATION OF THE CITY OF PEMBROKE**  
CONSOLIDATED SCHEDULE OF CURRENT FUND EXPENDITURES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2006

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	2006	2005
	\$	\$
Salaries, wages and employee benefits	11,281,648	10,158,792
Interest on long term liabilities	1,111,507	301,843
Transfers to external organizations	5,750,603	5,743,398
Materials, contracted services, rents and financial expenses	<u>7,581,343</u>	<u>6,592,201</u>
	<u>25,725,101</u>	<u>22,796,234</u>