

Consolidated Financial Statements

**THE CORPORATION OF THE
CITY OF NORTH BAY**

Year ended December 31, 2023

Draft for discussion

THE CORPORATION OF THE CITY OF NORTH BAY

Index to Consolidated Financial Statements

Year ended December 31, 2023

	Page
Management's Responsibility	
Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Remeasurement Gains and Losses	3
Consolidated Statement of Changes in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 22

Draft for discussion

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Corporation of the City of North Bay (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 for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's 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 financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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

Chief Administrative Officer
John Severino
October 29, 2024

Chief Financial Officer/Treasurer
Margaret Karpenko
October 29, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of North Bay

Opinion

We have audited the accompanying consolidated financial statements of The Corporation of the City of North Bay (the Corporation), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the City of North Bay as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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 Financial Statements**” section of our report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

Emphasis of Matter – Prospective Change in Accounting Policy

We draw attention to Note 2 to the financial statements (“Note 2”), which indicates that the Corporation has changed its accounting policy for financial instruments and has applied that change prospectively.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements (“Note 2”), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated as a result of the modified retroactive adoption of the asset retirement obligation standard. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022 as a result of a change in accounting policy. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

October 29, 2024

THE CORPORATION OF THE CITY OF NORTH BAY

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
FINANCIAL ASSETS:		
Cash and cash equivalents	\$ 104,695,410	\$ 94,268,745
Investments (note 3)	33,069,319	32,502,867
Taxes receivable	6,032,849	4,230,054
Accounts receivable (note 4)	16,379,351	14,133,708
Other assets	1,241,237	1,783,325
Investment in government business enterprises (note 5(b))	57,718,031	56,581,970
	219,136,197	203,500,669
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities (note 6)	27,391,687	24,273,364
Deferred revenue - general	1,461,419	1,275,607
Deferred revenue - obligatory reserve funds (note 7)	25,179,950	24,173,725
Post-employment benefits and compensated absences payable (note 8)	24,479,500	23,755,400
Asset retirement obligation (note 20)	5,849,331	5,849,331
Net long-term liabilities (note 9)	98,474,973	104,846,990
	182,836,860	184,174,417
NET FINANCIAL ASSETS	36,299,337	19,326,252
NON-FINANCIAL ASSETS:		
Tangible capital assets (note 19)	563,690,452	553,522,722
Other non-financial assets	3,772,239	2,850,157
Total accumulated surplus (note 11)	\$ 603,762,028	\$ 575,699,131
Total accumulated surplus is comprised of:		
Accumulated surplus - operations	602,703,069	575,699,131
Accumulated rereasurement gains	1,058,959	-
Total accumulated surplus (note 11)	\$ 603,762,028	\$ 575,699,131
Commitments (note 13)		
Contingent liabilities (note 14)		
Liability for contaminated sites (note 15)		

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of Council:

Mayor

Chief Financial Officer/Treasurer

THE CORPORATION OF THE CITY OF NORTH BAY

Consolidated Statement of Operations and Accumulated Surplus

December 31, 2023, with comparative information for 2022

	2023 Budget (note 18)	2023 Total	2022 Total (Restated - note 2)
Revenues:			
Property taxation	\$ 100,969,100	\$ 103,109,058	\$ 97,373,884
Taxation from other governments	4,082,443	4,276,292	3,981,766
User charges	36,368,826	36,262,388	33,442,827
Government transfers and grants	44,577,012	28,308,529	30,361,802
Licenses, permit fees and rents	2,523,665	2,496,496	2,106,322
Investment income	950,000	5,445,328	2,436,355
Provincial Offences Act (note 17)	930,000	1,022,314	875,620
Other	5,193,899	10,559,551	7,228,516
Equity earnings of government business enterprises (note 5(a))	900,000	2,944,478	10,144,524
	196,494,945	194,424,434	187,951,616
Expenses:			
General government	7,028,594	8,842,674	7,949,447
Protection services	50,975,669	46,915,845	44,656,726
Transportation services	38,567,903	39,797,274	37,901,299
Engineering and environmental services	30,378,831	30,134,732	30,583,772
Community services	19,751,848	18,001,847	17,525,596
Recreation and cultural services	17,212,390	16,149,640	15,528,610
Planning and development	3,506,190	3,958,729	3,158,428
	167,421,425	163,800,741	157,303,878
Annual surplus before undernoted item	29,073,520	30,623,693	30,647,738
Cassellholme redevelopment commitment (note 9(a)(iii))	-	(2,502,085)	(57,920,200)
Annual surplus (deficit)	29,073,520	28,121,608	(27,272,462)
Accumulated surplus, beginning of year	575,699,131	575,699,131	604,661,635
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(1,690,042)
Adjustment on adoption of the financial instruments standard (note 2)	-	(1,117,670)	-
Accumulated surplus - operations, end of year	\$ 604,772,651	\$ 602,703,069	\$ 575,699,131

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF NORTH BAY

Consolidated Statement of Remeasurement Gains and Losses

December 31, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains, beginning of year	\$ -	\$ -
Adjustment on adoption of the financial instruments standard (note 2)	1,117,670	-
Other comprehensive loss from government business enterprises (note 5(a))	(58,711)	-
Accumulated remeasurement gains, end of year	\$ 1,058,959	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

Draft for discussion

THE CORPORATION OF THE CITY OF NORTH BAY

Consolidated Statement of Changes in Net Financial Assets

December 31, 2023, with comparative information for 2022

	2023 Budget (note 18)	2023 Total	2022 Total (Restated - note 2)
Annual surplus (deficit)	\$ 29,073,520	\$ 28,121,608	\$ (27,272,462)
Acquisition of tangible capital assets	-	(39,380,817)	(33,315,816)
Amortization of tangible capital assets	-	28,732,385	27,538,328
Loss on disposal of tangible capital assets and surplus land	-	91,749	1,258,587
Disposal of tangible capital assets proceeds	-	388,953	545,861
Increase in other non-financial assets	-	(10,167,730)	(3,973,040)
		(922,082)	(81,805)
Change in net financial assets excluding remeasurement gains	29,073,520	17,031,796	(31,327,307)
Net financial assets, beginning of year	19,326,252	19,326,252	54,242,938
Adjustment on the adoption of the asset retirement obligation standard (note 2)	-	-	(3,589,379)
Net financial assets, opening as restated		19,326,252	50,653,559
Other comprehensive loss from government business enterprises (note 5(a))		(58,711)	-
Net financial assets, end of year	\$ 48,399,772	\$ 36,299,337	\$ 19,326,252

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF NORTH BAY

Consolidated Statement of Cash Flows

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Operating transactions:		
Annual surplus (deficit)	\$ 28,121,608	\$ (27,272,462)
Items not involving cash:		
Amortization of tangible capital assets	28,732,385	27,538,328
Contributed tangible capital assets	(3,348,887)	-
Equity earnings of government business enterprises	(2,944,478)	(10,144,524)
Increase in post-employment benefits and compensated absences payable	724,100	1,047,800
Loss on disposal of tangible capital assets and surplus land	91,749	1,258,587
Cassellholme redevelopment commitment	2,502,085	57,920,200
	53,878,562	50,347,929
Changes in non-cash working capital (note 23)	(118,072)	2,712,567
	53,760,490	53,060,496
Capital transactions:		
Disposal of tangible capital assets and surplus land proceeds	388,953	545,861
Acquisition of tangible capital assets	(36,031,930)	(33,315,816)
	(35,642,977)	(32,769,955)
Investing transactions:		
Decrease (increase) in investments	(566,452)	(3,480,950)
Cash dividend received from government business enterprises	1,749,706	1,033,015
	1,183,254	(2,447,935)
Financing transactions:		
Proceeds from debt issues	-	10,594,839
Repayment of net long-term liabilities	(8,874,102)	(8,807,865)
	(8,874,102)	1,786,974
Net change in cash and cash equivalents	10,426,665	19,629,580
Cash and cash equivalents, beginning of year	94,268,745	74,639,165
Cash and cash equivalents, end of year	\$ 104,695,410	\$ 94,268,745

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

The Corporation of the City of North Bay is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Provincial Offences Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the City of North Bay (the "City") are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting entity:

i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These boards and entities include:

- North Bay Public Library Board ("Library")
- North Bay Police Services Board ("Police Services Board")
- Invest North Bay Development Corporation ("inbay")
- Board of Management For The Downtown Improvement Area ("DIA")
- North Bay Jack Garland Airport Corporation ("Airport")

All interfund assets and liabilities and sources of financing and expenses have been eliminated.

ii) Investment in Government Business Enterprises:

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated. The government business enterprises included during the year and summarized in note 5 are:

- North Bay Hydro Distribution Limited
- North Bay Hydro Services Inc.
- North Bay Hydro Holdings Limited ("Holdco")

iii) Other entities:

The following joint local boards are not consolidated:

- The Board of Management for the District of Nipissing East ("Cassellholme")
- North Bay Parry Sound District Health Unit
- District of Nipissing Social Services Administration Board ("DNSSAB")

iv) Accounting for school board transactions:

The taxation, other revenues, expenses, assets and liabilities of Near North District School Board, Nipissing-Parry Sound Catholic District School Board, Conseil scolaire public du Nord-Est de l'Ontario, and Conseil scolaire catholique Franco-Nord are not reflected in these consolidated financial statements.

b) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting. This method recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

c) Cash and cash equivalents:

Cash consists of balances held at financial institutions and all cash equivalents consist of highly liquid financial instruments with maturity of three months or less at acquisition.

d) Investments:

Investments are recorded at cost. Temporary declines in the market value of the long-term investments are not adjusted.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

e) Inventories:

Included in other non-financial assets are inventories of goods and supplies which are priced at average cost on the same basis as the preceding year. Inventories of fleet parts and fuel are priced using First In First Out (FIFO) method.

f) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs attributable to acquisition or construction, development or betterment of the tangible capital asset including but not limited to transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed capital assets are recorded at fair value at the time of receipt, with a corresponding amount recorded as revenue, when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year the asset is available for productive use as follows:

Land improvements	7 to 40 Years
Buildings	10 to 100 Years
Vehicles	2 to 30 Years
Machinery and equipment	3 to 40 Years
Computer hardware and software	4 to 12 Years
Roads infrastructure	5 to 40 Years
Water and sewer infrastructure	50 to 75 Years
Bridges and structures	75 Years
Leasehold improvements	40 Years
Work in process	No Amortization Prior to Project Completion

g) Non-pension post-employment benefits and post-employment sick leave benefits:

The City accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The City has adopted the following valuation methods and assumptions:

i) Actuarial cost method:

Accrued benefit obligations are computed using the projected benefit method pro rated on service, as defined in PSAB 3250 and PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.

ii) Funding policy:

The non-pension post retirement and post-employment benefits are funded on a pay-as-you-go basis. The City funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide the non-pension retirement and post-employment benefits.

iii) Accounting policies:

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ("EARSL") of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death or retirement, depending on the benefit value. The City's fiscal year-end is December 31 and the measurement date of the City's obligation is such.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

h) Taxation and related revenues:

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by City Council, incorporating amounts to be raised for local services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known or the amount can be reasonably estimated. The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

i) Government transfers and grants:

Government transfers and grants are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

j) Liability for contaminated sites:

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 contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the City:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability includes all costs directly attributable to remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. If the likelihood of the City's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are to be disclosed as a contingent liability in the Notes to the consolidated financial statements.

k) Investment income:

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as development charges and parkland allowances is added to the associated funds and forms part of the respective deferred revenue balances.

l) User fees and other revenues:

User fees and other revenues are reported on an accrual basis as they are earned and collection is reasonably assured.

m) Use of estimates:

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles established by PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant items subject to such estimates and assumptions include: employee future benefits, liability for contaminated sites, Provincial Offences Act receivables, allowances for doubtful accounts, useful lives of tangible capital assets, assessment at risk, asset retirement obligations, and other accrued liabilities and/or obligations. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the year in which they become known.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

n) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operation. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from accumulated remeasurement gains and recognized in the statement of operations. Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

o) Asset retirement obligation:

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

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

The liability for closure of the operational site and post-closure care relating to the active landfill site has been recognized based on estimated future expenses. An additional liability for the removal of asbestos in several of the buildings owned by the City has also been recognized based on estimated future expenses on closure of the site and post-closure care.

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the depreciation accounting policies outlined in note 1(f).

2. Change in accounting policies:

The City adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

2. Change in accounting policies (continued):

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

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

Adoption of the standards has resulted in the City recording other comprehensive income from government business enterprises in the consolidated statement of remeasurement gains and losses. Accordingly, there is an adjustment on the consolidated statement of remeasurement gains and losses for the opening accumulated remeasurement gains of \$1,117,670 and a current year other comprehensive loss from government business enterprises of (\$58,711) (note 5 a)). As a result of the above, accumulated remeasurement gains at the end of December 31, 2023 was \$1,058,959.

Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date.

Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. There was no impact from the adoption of this standard.

PS 3280 Asset Retirement Obligations:

On January 1, 2022, the City adopted Public Accounting Standard *PS 3280 Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section *PS 3270 Solid Waste Landfill Closure and Post-Closure Liability*. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate, if used, and assumptions used on initial recognition are those as of the date of adoption of the standard.

The City removed the landfill liability that had been recognized to date and recognized an asset retirement obligation upon adoption of *PS 3280* on January 1, 2022, using the modified retrospective method. The liability represents the required closure and post-closure care for the landfill site owned by the City. The landfill site was purchased in 1994. The liability was measured as of the date of purchase of the site, when the liability was assumed.

On January 1, 2022, the City recognized an additional asset retirement obligation relating to several buildings owned by the City that contain asbestos. The buildings were originally purchased between 1950 and 2002 and the liability was measured as of the date of purchase of the buildings when the liability was assumed. The buildings had an expected useful life of 20 to 100 years, and the estimate has not been changed since purchase.

In accordance with the provisions of this new standard, the City reflected the following adjustments at January 1, 2022:

a) Landfill obligation:

- (i) A decrease of \$2,838,821 to Landfill Closure Liabilities to remove the liability recognized to date under the old standard, and an accompanying increase of \$578,869 to Accrued Liabilities and \$2,259,952 to opening Accumulated Surplus.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

2. Change in accounting policies (continued):

- (ii) An increase of \$ 4,462,607 to the Landfill capital asset account, representing the original estimate of the obligation as of the commencement of the use of the landfill, and an accompanying increase of \$3,123,825 to Accumulated Amortization, representing 29 years of increased amortization for the landfill site had the liability originally been recognized.
- (iii) An asset retirement obligation in the amount of \$4,462,607, representing the original obligation.
- (iv) A decrease to Opening Accumulated Surplus of \$3,123,825, as a result of the recognition of the liability and accompanying increase in depreciation expense for the years since purchase of the landfill site.

b) Asbestos obligation:

- (i) An increase of \$1,386,724 to the buildings capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$826,169 to accumulated amortization, representing 20 to 72 years of increased amortization had the liability originally been recognized.
- (ii) An asset retirement obligation in the amount of \$1,386,724, representing an estimate of the current obligation.
- (iii) A decrease to accumulated surplus of \$826,169, as a result of the recognition of the liability and accompanying increase in amortization expense.

On a combined basis, the implementation of the new standard has resulted in a decrease in opening accumulated surplus of \$1,690,042, an increase in net tangible assets of \$1,899,337 and an increase in financial liabilities of \$3,589,379 effective January 1, 2022.

3. Investments:

	2023	2022
Investments - bonds and GICs	\$ 33,069,319	\$ 32,502,867
Total investments, end of year	\$ 33,069,319	\$ 32,502,867

The City's investments totalling \$33,069,319 (2022 - \$32,502,867) are reported at cost and mature between September 2024 to December 2028, with yields ranging from 1.15% to 5.25% (2022 - 1.15% to 5.25%). The current short-term portion equals \$9,460,965 (2022 - \$5,917,307).

4. Accounts receivable:

	2023	2022
Government of Canada	\$ 6,115,960	\$ 4,586,692
Province of Ontario	4,901,473	3,897,538
Other municipalities	45,194	9,015
North Bay Hydro Distribution Limited (note 5(a)(vi))	28,427	36,058
North Bay Hydro Services Inc. (note 5(a)(vii))	271,089	161,369
User fees and other	5,017,208	5,443,036
Total accounts receivable	\$ 16,379,351	\$ 14,133,708

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

5. Government business enterprises:

a) North Bay Hydro:

The City holds 100% of the shares of North Bay Hydro Holding Limited ("Holdco"). Holdco holds 100% of the shares of North Bay Hydro Distribution Limited ("Distribution") and North Bay Hydro Services Inc. ("Services"). On July 1, 2022, Espanola Regional Hydro Distribution Limited was amalgamated with North Bay Hydro Distribution Limited. The following provides condensed combined financial information for Distribution and Services.

	2023	2022
Combined Statement of Financial Position		
Total Assets	\$ 149,945,637	\$ 142,152,096
Total Liabilities	\$ 92,227,606	\$ 85,570,126
Accumulated remeasurement gains	\$ 1,058,959	
Net Assets - operating	56,659,072	56,581,970
Total Liabilities and Net Assets	\$ 149,945,637	\$ 142,152,096
Combined Statement of Operations		
Total Revenues	\$ 82,651,067	\$ 93,217,189
Total Expenses	79,706,589	84,509,485
Net income	\$ 2,944,478	\$ 8,707,704
Other Comprehensive income (loss)	\$ (58,711)	\$ 1,436,820
Net Income and comprehensive income	\$ 2,885,767	\$ 10,144,524

Related party transactions between Hydro and the City are summarized as follows:

- i) The City purchased electricity and services from Distribution including electrical energy in the amount of \$2,020,251 (2022 - \$1,932,861), street light energy in the amount of \$410,403 (2022 - \$271,581), construction activity in the amount of \$10,536 (2022 - \$162,157) and street light maintenance in the amount of \$nil (2022 - \$10,256).
- ii) The City purchased street light maintenance from Services in the amount of \$45,925 (2022 - \$42,728) and electrical energy in the amount of \$402,930 (2022 - \$386,844) for the Community Energy Park.
- iii) The City received municipal taxes from Distribution in the amount of \$117,315 (2022 - \$114,764).
- iv) Distribution purchased goods and services from the City totaling \$240,873 (2022 - \$254,255).
- v) Services purchased methane gas from the City totaling \$104,619 (2022 - \$100,607).
- vi) At December 31, 2023, the City balances include accounts receivable of \$28,427 (2022 - \$36,058) and accounts payable and accrued liabilities of \$318,138 (2022 - \$258,270) due to/from Distribution.
- vii) At December 31, 2023, the City balances include accounts receivable of \$271,089 (2022 - \$161,369) and accounts payable and accrued liabilities of \$89,162 (2022 - \$94,808) due to/from Services.

b) Investment in government business enterprises:

	2023	2022
Investment in government business enterprises, beginning of year	\$ 56,581,970	\$ 47,470,461
Equity earnings	2,885,767	10,144,524
Cash dividend received	(1,749,706)	(1,033,015)
Investment in government business enterprises, end of year	\$ 57,718,031	\$ 56,581,970

6. Accounts payable and accrued liabilities:

	2023	2022
Government of Canada	\$ 665,493	\$ 75,883
Province of Ontario	550,612	263,943
Other municipalities	188,393	771
Interest on debt	63,386	75,648
Trade accounts payable	17,149,923	13,875,380
North Bay Hydro Distribution Limited (note 5(a)(vi))	318,138	258,270
North Bay Hydro Services Inc. (note 5(a)(vii))	89,162	94,808
Liability for contaminated sites (note 15)	1,096,324	1,128,580
Accrued liabilities	7,270,256	8,500,081
Total accounts payable and accrued liabilities	\$ 27,391,687	\$ 24,273,364

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

7. Deferred revenue - obligatory reserve funds:

	2023	2022
Balance, beginning of the year	\$ 24,173,725	\$ 20,517,277
Canada Community - Building Fund contributions	3,412,198	3,270,023
Provincial Gas Tax contributions	914,298	906,919
Ontario Community Infrastructure Fund contributions	5,593,744	5,518,653
Development contributions	144,676	2,197,046
Investment income	1,559,667	703,127
Northern Ontario Resource Development Support (NORDS)	373,646	800,000
Hazardous Materials CBRNE Response Program contributions	65,436	52,237
Connecting Link contributions	1,500,000	-
Utilization of funds	(12,557,440)	(9,791,557)
Deferred revenue - obligatory reserve funds, end of year	\$ 25,179,950	\$ 24,173,725

	2023	2022
Analyzed as follows:		
Development Charges	\$ 4,165,779	\$ 4,018,350
Canada Community - Building Fund	10,427,820	10,112,038
Provincial Gas Tax Fund	1,366,313	1,353,802
Ontario Community Infrastructure Fund	4,401,497	4,005,220
Cash in lieu of Parkland	824,999	771,053
Building Code Act	2,320,533	2,559,523
Commuter Cycling Program	-	43,082
Cannabis Legalization Implementation Fund	209,543	198,705
Hazardous Materials CBRNE Response Program	195,366	121,174
Municipal Modernization Fund	19,884	18,855
Safe Restart - Municipal Transit Fund	-	155,774
Northern Ontario Resource Development Support (NORDS)	1,248,216	816,149
Deferred revenue - obligatory reserve funds, end of year	\$ 25,179,950	\$ 24,173,725

Included in cash and cash equivalents are restricted amounts of \$24,811,658 (2022 - \$23,769,227) with respect to the above obligatory reserve funds. The 2023 ending balance for development charges includes \$368,292 (2022 - \$404,498) in development charges receivable for which collection has been deferred and is included in other assets.

8. Post-employment benefits and compensated absences payable:

	2023	2022
Sick leave benefits	\$ 9,162,000	\$ 9,037,100
Supplementary health benefits	13,030,600	12,660,000
WSIB top-up income plan	2,286,900	2,058,300
Total post-employment benefits and compensated absences payable	\$ 24,479,500	\$ 23,755,400

The sick leave benefit provides certain eligible employees with vested and non-vested sick leave days that accumulated beyond the 12 month period. The above sick leave benefit liability estimate includes compensated absences equal to the use of accumulated sick leave prior to retirement as well as any lump-sum payments upon retirement.

The City maintains a vested sick leave plan covering all Fire Association employees hired before December 31, 1997, Police Services Board and Police Association employees hired before September 1, 1977, all Library employees hired prior to August 31, 1987, and all other employees with at least five years of service hired prior to September 30, 1980.

In addition, the City has a defined supplementary health benefit plan that provides medical, dental and life insurance to certain eligible City employees, Fire Association employees, Police Association employees and Library employees who retire from current employment. The above supplementary health benefit liability estimates the expense of each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement up to the age of 65.

Plan amendments in 2021 included the addition of the healthcare spending account ("HCSA") for Fire retirees, changes to the HCSA for Police retirees and the provision of health and dental benefit coverage for Fire and Police employees in receipt of a WSIB loss-of-earnings benefit.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

8. Post-employment benefits and compensated absences payable (continued):

The WSIB top-up income plan reflects the top-up to 100% of net pay for Fire and Police employees in receipt of a WSIB loss-of-earnings benefit.

Information about the City's defined supplementary health benefit and sick leave plan is as follows:

	2023	2022
Sick leave benefits:		
Accrued benefit, beginning of year	\$ 9,037,100	\$ 8,867,700
Amortization of unamortized actuarial gains/losses and other	(28,700)	159,400
Service cost for the year	868,900	954,800
Interest expense for the year	400,700	256,200
Benefits paid during the year	(1,116,000)	(1,201,000)
Accrued benefit liability and projected obligation, end of year	\$ 9,162,000	\$ 9,037,100
Supplementary health benefits:		
Accrued benefit, beginning of year	\$ 12,660,000	\$ 12,005,700
Amortization of unamortized actuarial gains/losses and other	13,100	294,200
Service cost for the year	590,500	789,200
Interest expense for the year	570,100	391,800
Benefits paid during the year	(803,100)	(820,900)
Accrued benefit liability and projected obligation, end of year	\$ 13,030,600	\$ 12,660,000
WSIB Top-Up Income Plan benefits:		
Accrued benefit, beginning of year	2,058,300	1,834,200
Amortization of unamortized actuarial gains/losses and other	\$ 193,100	\$ -
Service cost for the year	1,157,400	1,567,600
Interest expense for the year	136,700	70,100
Benefits paid during the year	(1,258,600)	(1,413,600)
Accrued benefit liability and projected obligation, end of year	\$ 2,286,900	\$ 2,058,300

A comprehensive actuarial valuation was completed as at December 31, 2021 by an actuarial firm. The next valuation date will be as at December 31, 2024. The main actuarial assumptions employed for the valuations are as follows:

- i) The discount rate for supplemental health benefits was assumed at 4.30% per annum for Accrued Benefit Obligation (2022 - 4.60%) and 4.60% per annum for the 2023 expense (2022 - 2.60%).
- ii) The discount rate for sick leave benefits was assumed at 4.30% per annum for Accrued Benefit Obligation (2022 - 4.60%) and 4.60% per annum for the 2023 expense (2022 - 2.60%).
- iii) Future general salary and wage levels were assumed to increase 3% per annum.
- iv) Health costs were assumed at 5.62% per annum for 2023, reducing to 3.86% by 2042.
- v) Dental costs were assumed to increase at 4% per annum.
- vi) The expected average remaining service life is 11 years for the supplemental health benefits and sick leave benefits. The expected average remaining service life is 2 years for the WSIB Top-Up Plan.

9. Net long-term liabilities:

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

	2023	2022
Debentures (i)	\$ 33,011,665	\$ 41,169,381
Term loans (ii)	5,041,023	5,757,409
Cassellholme redevelopment commitment (iii)	60,422,285	57,920,200
Total net long-term liabilities (b)	\$ 98,474,973	\$ 104,846,990

- (i) The debentures bear interest at rates of 1.44% to 4.22%, repayable in semi-annual principal payments of \$225,000 (2022 - \$225,000) and monthly principal payments of \$530,074 (2022 - \$642,310) plus interest, maturing in April 2025 to October 2032.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

9. Net long-term liabilities (continued):

- (ii) The term loans bear interest at rates of 2.25% to 2.73%, repayable in monthly principal payments of \$59,699 (2022 - \$59,699) plus interest, maturing in December 2027 to February 2036. As a condition of its credit facilities, the City must maintain certain restrictive covenants.
- (iii) The City is a participating municipality of a northern joint municipal home, The Board of Management for the District of Nipissing East ("Cassellholme"), and is responsible for its share of funding in accordance with the Fixing Long-Term Care Act, 2021, S.O. 2021, c. 39, Sched. 1 (the "FLTCA"). During 2022, construction for the redevelopment and expansion of the existing 240-bed long-term care facility commenced and Cassellholme entered into a Financing Agreement with Ontario Infrastructure and Lands Corporation ("OILC") for the redevelopment project. In accordance with the FLTCA, the City will be responsible for its share of annual principal and interest payments incurred by Cassellholme upon completion of the project. Based on a municipal borrowing rate of 4.53% for a 30 year period, the present value of the expected payments commencing in 2026 is \$60,422,285.

During 2022, the City entered into a Guarantee and Postponement of Claims agreement with the Ontario Infrastructure and Lands Corporation ("OILC") for the redevelopment project. Under the terms of the agreement, the City is named as a joint guarantor in regards to a Financing Agreement between Cassellholme and OILC. In the event of default, the City's maximum liability is \$46.1 million being the maximum amount of principal owing plus any accrued interest.

- (iv) Total 2023 principal payments for long-term liabilities totalled \$8,874,102 (2022 - \$8,807,865).

b) The aggregate maturities of the net long-term liabilities are as follows:

	2023	
2024	\$	7,527,279
2025		6,912,280
2026		6,618,704
2027		5,801,875
2028		4,953,928
2029 and thereafter		66,660,907
Total net long-term liabilities	\$	98,474,973

	2023	
The repayments are summarized as follows:		
From municipal revenues	\$	87,625,483
From user fees		9,049,490
From reserve funds		1,800,000
Total net long-term liabilities	\$	98,474,973

- c) The long-term liabilities reported in 10(a)(i) and 10(a)(ii), as well as the guarantee reported in 10(a)(iii), issued in the name of the City, have been approved by municipal 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.

10. Interest on long-term liabilities:

Total interest charges for the year on long-term liabilities reported in the Consolidated Statement of Operations and Accumulated Surplus are as follows:

	2023		2022	
General government	\$	8,586	\$	10,582
Protection services		8,184		10,525
Transportation services		411,591		404,990
Engineering and environmental services		503,383		444,774
Recreation and cultural services		199,802		147,979
Total interest payments	\$	1,131,546	\$	1,018,850

Interest includes accruals on long-term liabilities outstanding in the amount of \$63,386 (2022 - \$75,648).

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

11. Accumulated surplus:

	2023	2022 (Restated - note 2)
Investment in tangible capital assets	\$ 563,690,452	\$ 553,522,722
General surplus	30,041,375	29,809,296
Accumulated rereasurement gains	1,058,959	-
Reserve funds	74,207,684	64,387,533
Equity in government business enterprises	57,718,031	56,581,970
Amounts to be recovered:		
Post employment benefits and compensated absences	(24,479,500)	(23,755,400)
Net long-term liabilities	(98,474,973)	(104,846,990)
Accumulated surplus, end of year	\$ 603,762,028	\$ 575,699,131

12. Pension agreements:

The City makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of all permanent, full-time and qualifying part-time 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 Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 612,533 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2023, the total actuarial liabilities of \$136.2 million in respect of benefits accrued for service with actuarial assets at that date of \$131.9 million indicating an actuarial deficit of \$4.3 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. The Municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. As a result, the City does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the City to OMERS for 2023 were \$5,490,770 (2022 - \$5,230,699).

13. Commitments:

Through its normal course of operations, the City enters into long-term contracts for the purchase of goods and services and for the construction of capital projects for which completion is expected to occur beyond the current fiscal year. The future value of certain long-term contracts is unknown. Annually, the City includes estimated payments required for the upcoming year as part of its budget to ensure that sufficient funding is available for these contracts.

14. Contingent liabilities:

The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendments to amounts accrued will be recorded once new information becomes available.

15. Liability for contaminated sites:

The City has a monitoring program in place to identify and assess contaminated sites on an ongoing basis to determine if remediation is required under legislation. The City's financial statements include a liability of \$1,096,324 (2022 - \$1,128,580) relating to contaminated site remediation costs. The liability for remediation costs is determined using management's best estimate of costs based on engineering and other professional reports, testing, anticipated timing of the future expenditures and recoveries. Due to the nature of this liability, including the assumptions inherent in its quantification, this amount may change in the future if additional or less costs are estimated, legislation changes occur, or timing of future expenditures change. Any changes to this liability will be recognized as an expense or recovery in the Consolidated Statement of Operations and Accumulated Surplus in the year they become known. This amount has been recorded as a liability at year end and has been included in accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

The City has identified one (2022 - one) inactive landfill site for which it retains responsibility for all costs relating to closure and post-closure care.

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

15. Liability for contaminated sites (continued):

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using an estimated annual inflation rate of 3% (2022 - 3%). The estimated present value of future expenditures for post-closure care is \$610,979 (2022 - \$ 579,895), which has been included in the liability above.

16. Public liability insurance:

For the period of 2004 to 2007, the City was insured with the Ontario Municipal Insurance Exchange ("OMEX"), an insurance reciprocal whose members pool their insurance coverage. As a member of a reciprocal, the City agreed to assume a certain percentage of the entire group's liabilities and losses for the period of time that the City was a member. In the event that an annual premium funding becomes insufficient to cover claims and claim reserves, the reciprocal has the ability to re-assess each member to appropriately fund the difference. As the claims for the above-noted period are settled, the City may either incur new liabilities or receive refunds.

17. Provincial Offences Act:

The Ministry of the Attorney General requires all municipal partners administering Provincial Offences Act ("POA") to disclose in the year-end audited consolidated financial statements a note on the gross and net provincial offences revenues earned. The table below is presented on an accrual basis of accounting whereas distributions to participating partners are done on a cash basis. The following table provides condensed financial information required by the terms in the Memorandum of Understanding ("MOU") for its 2023 fiscal year with comparative 2022 figures:

	2023	2022
Revenues (net of refunds)	\$ 1,022,314	\$ 875,620
Expenses: Provincial charges	115,039	127,146
Operating expenses	882,627	851,576
	997,666	978,722
Net revenue (loss)	\$ 24,648	\$ (103,102)

The City shares net revenues/losses with participating partners on a cash basis. In 2023, the City retained \$39,910 (City had a loss in 2022 -\$53,022) and transferred \$31,629 to participating partners (City recovered \$42,020 from participating partners in 2022).

The City's Consolidated Statement of Operations and Accumulated Surplus includes an accrual for POA receivables in the amount of \$214,544 (2022 - \$229,806).

18. Budget:

Budget data presented in these consolidated financial statements is based on the 2023 operating, water and sewer operating and capital budgets approved by Council. The chart below reconciles the approved net budget figure prepared on a cash basis with the budget figures presented in these consolidated financial statements. Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements.

	2023
Budget By-law for the year	\$ 85,977
Add: Debt principal repayments	8,874,102
Investment in tangible capital assets	55,825,693
Less: Amortization of tangible capital assets	(27,157,260)
Post employment benefits and compensated absences payable	(1,000,500)
Landfill closure and post-closure liabilities	(39,679)
Other transfers and adjustments	(4,014,813)
Debt proceeds	(3,500,000)
Budget surplus per Consolidated Statement of Operations and Accumulated Surplus	\$ 29,073,520

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

19. Tangible capital assets:

	Land & Land Improvements	Buildings	Vehicles	Machinery & Equipment	Computer Hardware & Software	Roads	Water & Sewer	Bridges & Structures	Leasehold Improvements	Work in Process	2023 Total
Cost, beginning of year	133,257,706	166,033,457	42,051,320	114,083,231	8,909,396	299,261,623	244,765,251	52,282,759	1,851,577	11,615,593	1,074,111,913
Additions during the year	1,634,106	1,343,901	4,629,559	3,999,887	1,015,896	13,116,604	6,443,512	1,430,850	-	9,956,345	43,570,660
Disposals during the year	(572,028)	(37,582)	(6,173,619)	(335,372)	-	(568,110)	(138,906)	(114,340)	-	(4,189,832)	(12,129,789)
Cost, end of year	134,319,784	167,339,776	40,507,260	117,747,746	9,925,292	311,810,117	251,069,857	53,599,269	1,851,577	17,382,106	1,105,552,784
Accumulated amortization, beginning of year	70,231,286	60,630,175	26,443,742	75,400,507	7,822,743	170,148,655	92,962,688	16,393,924	555,471	-	520,589,191
Amortization expense	2,463,871	3,619,191	2,688,053	5,027,390	672,468	9,993,499	3,370,377	851,247	46,289	-	28,732,385
Disposals during the year	(572,028)	(37,582)	(5,917,854)	(330,371)	-	(400,535)	(92,615)	(108,259)	-	-	(7,459,244)
Accumulated amortization, end of year	72,123,129	64,211,784	23,213,941	80,097,526	8,495,211	179,741,619	96,240,450	17,136,912	601,760	-	541,862,332
Net book value, beginning of year	63,026,420	105,403,282	15,607,578	38,682,724	1,086,653	129,112,968	151,802,563	35,888,835	1,296,106	11,615,593	553,522,722
Net book value, end of year	62,196,655	103,127,992	17,293,319	37,650,220	1,430,081	132,068,498	154,829,407	36,462,357	1,249,817	17,382,106	563,690,452

	Land & Land Improvements	Buildings	Vehicles	Machinery & Equipment	Computer Hardware & Software	Roads	Water & Sewer	Bridges & Structures	Leasehold Improvements	Work in Process	2022 Total (Restated - note 2)
Cost, beginning of year	\$ 128,688,833	\$ 163,970,960	\$ 39,793,939	\$ 111,523,746	\$ 7,988,295	\$ 288,735,379	\$ 241,299,230	\$ 52,066,241	\$ 1,851,577	\$ 12,066,820	\$ 1,047,985,020
Additions during the year	\$ 4,973,976	\$ 2,378,368	\$ 3,057,827	\$ 3,466,083	\$ 921,101	\$ 15,005,619	\$ 3,725,591	\$ 238,478	\$ -	\$ 7,911,315	\$ 41,678,358
Disposals during the year	\$ (405,103)	\$ (315,871)	\$ (800,446)	\$ (906,598)	\$ -	\$ (4,479,375)	\$ (259,570)	\$ (21,960)	\$ -	\$ (8,362,542)	\$ (15,551,465)
Cost, end of year	\$ 133,257,706	\$ 166,033,457	\$ 42,051,320	\$ 114,083,231	\$ 8,909,396	\$ 299,261,623	\$ 244,765,251	\$ 52,282,759	\$ 1,851,577	\$ 11,615,593	\$ 1,074,111,913
Accumulated amortization, beginning of year	\$ 68,157,421	\$ 57,291,222	\$ 24,858,906	\$ 71,349,353	\$ 7,165,677	\$ 163,703,218	\$ 89,797,661	\$ 15,602,699	\$ 509,182	\$ -	\$ 498,435,339
Amortization expense	\$ 2,426,110	\$ 3,598,766	\$ 2,290,161	\$ 4,904,637	\$ 657,066	\$ 9,521,069	\$ 3,286,316	\$ 807,914	\$ 46,289	\$ -	\$ 27,538,328
Disposals during the year	\$ (352,245)	\$ (259,813)	\$ (705,325)	\$ (853,483)	\$ -	\$ (3,075,632)	\$ (121,289)	\$ (16,689)	\$ -	\$ -	\$ (5,384,476)
Accumulated amortization, end of year	\$ 70,231,286	\$ 60,630,175	\$ 26,443,742	\$ 75,400,507	\$ 7,822,743	\$ 170,148,655	\$ 92,962,688	\$ 16,393,924	\$ 555,471	\$ -	\$ 520,589,191
Net book value, beginning of year	\$ 59,192,630	\$ 106,679,739	\$ 14,935,033	\$ 40,174,393	\$ 822,618	\$ 125,032,161	\$ 151,501,569	\$ 36,463,542	\$ 1,342,395	\$ 12,066,820	\$ 548,210,900
Net book value, end of year	\$ 63,026,420	\$ 105,403,282	\$ 15,607,578	\$ 38,682,724	\$ 1,086,653	\$ 129,112,968	\$ 151,802,563	\$ 35,888,835	\$ 1,296,106	\$ 11,615,593	\$ 553,522,722

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

20. Asset retirement obligation:

The City's asset retirement obligation consists of several obligations as follows:

a) Landfill obligation:

The City owns a landfill site. The liability for the closure of operational sites and post-closure care has been recognized under *PS 3280 Asset Retirement Obligation*. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for 35 years post this date.

The landfill is expected to reach its capacity in 15.6 years, and the estimated remaining capacity is 933,191 cubic meters, which is 68.3% of the site's total capacity.

Post-closure care for the landfill sites is estimated to be required for 35 years from the date of site closure. These costs were discounted to December 31, 2023 using a discount rate of 3% per annum.

b) Asbestos obligation:

The City owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove or remediate it. Following the adoption of *PS 3280 Asset Retirement Obligation*, the City recognized an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at January 1, 2023. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The transition and recognition of asset retirement obligations involved an accompanying increase to the landfill and building capital assets and the restatement of prior year numbers (see note 2).

Changes to the asset retirement obligation in the year are as follows:

Asset Retirement Obligation	Landfill closure	Asbestos removal	Balance at December 31, 2023
Opening balance	\$ 4,462,607	\$ 1,386,724	\$ 5,849,331
Adjustment	\$ -	\$ -	\$ -
Closing balance	\$ 4,462,607	\$ 1,386,724	\$ 5,849,331

Asset Retirement Obligation	Landfill closure	Asbestos removal	Balance at December 31, 2022
Opening balance	\$ -	\$ -	\$ -
Adjustment on adoption of the ARO standard (note 2)	\$ 4,462,607	\$ 1,386,724	\$ 5,849,331
Opening balance as restated	\$ 4,462,607	\$ 1,386,724	\$ 5,849,331
Adjustment	\$ -	\$ -	\$ -
Closing balance	\$ 4,462,607	\$ 1,386,724	\$ 5,849,331

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Financial Statements

Year ended December 31, 2023

21. Segmented information:

For each reported segment, revenues and expenditures represent both amounts that are directly attributed to the segment, as well as amounts that are allocated to the segments on a reasonable basis. The accounting policies followed in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in note 1. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a) General Government:

General Government consists of the Office of the Mayor, Council expenses, Administrative Services (including Clerks, Elections, Communications, Legal and Information Technology Services), Human Resources and Financial Services Departments. Areas within the General Government respond to the needs of external and internal clients by providing high quality, supportive and responsive services. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

b) Protection Services:

Protection Services is comprised of Fire, Police, contributions to the North Bay Mattawa Conservation Authority, contributions to the North Bay Humane Society, Building Services, Emergency Measures and management of Provincial Offences Act. Police services provides adequate and effective policing that meets the needs of the community in areas of crime prevention, law enforcement, assistance to victims of crime, public order and emergency response. Fire Protection includes fire suppression services, fire prevention programs, fire safety education, rescue and emergency services and the training of persons involved in the provision of these activities. Building Services processes permit applications and ensures compliance with the Ontario Building Code and with By-Laws enacted by Council.

c) Transportation Services:

Transportation Services consists of year-round road maintenance, parking, traffic signals, street lighting, transit services and air transportation. Activities include the maintenance of roadsides defined as sidewalks and walkways. This service is responsible for the operational integrity of the roadway system through year-round surface maintenance and winter maintenance. The parking department provides and manages public parking both on and off street and ensures that available parking spaces are shared between both long and short-term parkers to allow the greatest possible access for visitors to the central business district. Traffic signal services provide the planning, design, operation and maintenance of the City's street lights and traffic signal networks. Public transit is responsible for the operation of a public transportation system including the maintenance and repairs of the fleet of transit buses. This section also includes the revenues and expenses of the Airport.

d) Engineering and Environmental Services:

Environmental Services consists of water supply and distribution, wastewater treatment, storm sewer systems, waste collection, waste disposal and recycling. This division ensures the supply and quality of the City's drinking water, processes and cleans wastewater to meet all Provincial standards and provides waste disposal and recycling services.

e) Community Services:

The City provides transfer payments to public health services to improve the overall health of the population by providing various services to individuals and the community. Social and family services provides services that are meant to help the less fortunate in society and support Cassellholme. Social housing is provided to help shelter families and elderly in need. Childcare funding is provided to subsidize daycares and to provide early learning programs. The ambulance service transports the injured to the hospital and provides emergency medical care to those in need.

f) Recreation and Cultural Services:

Recreation and Cultural Services includes parks services, recreational programs, recreation facilities, the library, and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide library services to the citizens. Recreational and cultural programs include festivals and various community events.

g) Planning and Development:

Planning and Development includes planning and economic development departments, Invest North Bay and the DIA. The planning department is responsible for the planning and review of property development plans and the City's future direction. Economic development generates opportunities in the community to strengthen the economic base of the City.

CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

21. Segmented information (continued):

	General Government	Protection	Transportation	Engineering & Environmental	Community Services	Recreation & Cultural	Planning & Development	Unallocated	2023 Total
Revenues:									
Property taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,109,058	\$ 103,109,058
Taxation from other governments	-	-	-	-	-	-	-	4,276,292	\$ 4,276,292
User charges	382,022	320,575	5,490,086	27,996,665	-	1,983,090	89,950	-	\$ 36,262,388
Government transfers and grants	58,276	2,315,340	13,112,213	1,861,161	-	700,933	104,206	10,156,400	\$ 28,308,529
License, permits fees and rents	638,740	1,194,385	26,475	-	-	578,297	58,599	-	\$ 2,496,496
Investment income	5,372,270	-	73,058	-	-	-	-	-	\$ 5,445,328
Provincial Offences Act	-	1,022,314	-	-	-	-	-	-	\$ 1,022,314
Other	4,464,198	770,139	3,578,418	1,249,711	-	470,043	27,042	-	\$ 10,559,551
Equity loss in government business enterprises	-	-	-	-	-	-	-	2,944,478	\$ 2,944,478
	10,915,506	5,622,753	22,280,250	31,107,537	-	3,732,363	279,797	120,486,228	194,424,434
Expenses:									
Salary and benefits	5,424,908	38,782,562	11,541,919	9,081,554	-	7,691,727	2,030,755	-	74,553,425
Materials	1,331,773	2,780,368	7,459,805	7,247,322	-	3,291,151	467,245	-	22,577,664
Contracted services	1,012,833	2,275,534	3,563,764	4,740,814	-	1,247,465	383,409	-	13,223,819
Rents and financial	219,424	182,547	488,425	304,912	-	81,685	10,198	-	1,287,191
External transfers	25,000	1,620,347	650,000	-	18,001,847	848,309	1,057,459	-	22,202,962
Loss/ (gain) on disposal	(101,405)	(2,976)	109,969	74,741	-	11,420	-	-	91,749
Interest	8,586	8,184	411,591	503,383	-	199,802	-	-	1,131,546
Amortization of tangible capital assets	921,555	1,269,279	15,571,801	8,182,006	-	2,778,081	9,663	-	28,732,385
	8,842,674	46,915,845	39,797,274	30,134,732	18,001,847	16,149,640	3,958,729	-	163,800,741
Annual surplus (deficit) before undernoted item	2,072,832	(41,293,092)	(17,517,024)	972,805	(18,001,847)	(12,417,277)	(3,678,932)	120,486,228	30,623,693
Cassellholme redevelopment commitment	-	-	-	-	(2,502,085)	-	-	-	(2,502,085)
Annual surplus (deficit)	\$ 2,072,832	\$ (41,293,092)	\$ (17,517,024)	\$ 972,805	\$ (20,503,932)	\$ (12,417,277)	\$ (3,678,932)	\$ 120,486,228	\$ 28,121,608

	General Government	Protection	Transportation	Engineering & Environmental	Community Services	Recreation & Cultural	Planning & Development	Unallocated	2022 Total (Restated - note 2)
Revenues:									
Property taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,373,884	\$ 97,373,884
Taxation from other governments	-	-	-	-	-	-	-	3,981,766	\$ 3,981,766
User charges	328,602	292,535	4,345,050	26,730,619	-	1,660,634	85,387	-	\$ 33,442,827
Government transfers and grants	18,014	1,148,185	16,454,724	1,900,333	-	429,907	57,239	10,353,400	\$ 30,361,802
License, permits fees and rents	654,177	950,449	333	-	-	478,179	23,184	-	\$ 2,106,322
Investment income	2,396,717	-	39,638	-	-	-	-	-	\$ 2,436,355
Provincial Offences Act	-	875,620	-	-	-	-	-	-	\$ 875,620
Other	3,789,628	803,991	464,333	1,739,264	-	418,307	12,993	-	\$ 7,228,516
Equity loss in government business enterprises	-	-	-	-	-	-	-	10,144,524	\$ 10,144,524
	7,187,138	4,070,780	21,304,078	30,370,216	-	2,987,027	178,803	121,853,574	187,951,616
Expenses:									
Salary and benefits	5,139,627	37,320,092	10,977,231	9,046,470	-	7,105,098	1,861,492	-	\$ 71,450,010
Materials	944,404	2,589,540	6,745,981	8,047,644	53,778	3,566,331	306,998	-	\$ 22,254,676
Contracted services	999,890	2,192,928	3,216,187	4,547,188	-	1,149,412	175,780	-	\$ 12,281,385
Rents and financial	236,916	192,058	211,167	331,301	-	75,684	8,185	-	\$ 1,055,311
External transfers	75,424	1,369,302	-	-	17,471,818	734,188	795,999	-	\$ 20,446,731
Loss/ (gain) on disposal	(365,908)	(50,227)	1,413,726	184,338	-	76,658	-	-	\$ 1,258,587
Interest	10,582	10,525	404,990	444,774	-	147,979	-	-	\$ 1,018,850
Amortization of tangible capital assets	908,512	1,032,508	14,932,017	7,982,057	-	2,673,260	9,974	-	\$ 27,538,328
	7,949,447	44,656,726	37,901,299	30,583,772	17,525,596	15,528,610	3,158,428	-	157,303,878
Annual surplus (deficit) before undernoted item	\$ (762,309)	\$ (40,585,946)	\$ (16,597,221)	\$ (213,556)	\$ (17,525,596)	\$ (12,541,583)	\$ (2,979,625)	\$ 121,853,574	\$ 30,647,738
Cassellholme redevelopment commitment	-	-	-	-	(57,920,200)	-	-	-	(57,920,200)
Annual surplus (deficit)	\$ (762,309)	\$ (40,585,946)	\$ (16,597,221)	\$ (213,556)	\$ (75,445,796)	\$ (12,541,583)	\$ (2,979,625)	\$ 121,853,574	\$ (27,272,462)

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2023

22. Credit facility agreement:

The City has a credit facility agreement with a Canadian Financial Institution bearing interest at the bank's prime rate less 0.85%. The maximum draw under the terms of the operating line is \$12 million. At year-end the City has not utilized any amount under this credit facility (2022 - \$nil).

23. Change in non-cash working capital:

	2023	2022
Decrease (increase) in taxes receivable	\$ (1,802,795)	\$ 2,235,127
Decrease (increase) in accounts receivable	(2,245,643)	(3,318,215)
Decrease (increase) in other financial assets	542,088	(1,254,184)
Increase (decrease) in accounts payable and accrued liabilities	3,118,323	1,035,490
Increase (decrease) in deferred revenue	185,812	439,706
Increase (decrease) in obligatory reserve fund	1,006,225	3,656,448
Decrease (increase) in other non-financial assets	(922,082)	(81,805)
	<u>\$ (118,072)</u>	<u>\$ 2,712,567</u>

24. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year. The changes do not affect prior annual surplus.

Draft for discussion