

Consolidated Financial Statements of

**THE CORPORATION OF THE  
CITY OF CORNWALL**

Year ended December 31, 2024

# THE CORPORATION OF THE CITY OF CORNWALL

Consolidated Financial Statements

Year ended December 31, 2024

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## Management's Responsibility for the Consolidated Financial Statements

## Independent Auditor's Report

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### **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Corporation of the City of Cornwall (the "City") are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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 consolidated financial statements. These systems are monitored and evaluated by management.

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



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Tim Mills  
Chief Administrative Officer



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Tracey Bailey  
General Manager, Financial Services  
and Treasurer



**KPMG LLP**

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**INDEPENDENT AUDITOR’S REPORT**

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Cornwall

***Opinion***

We have audited the consolidated financial statements of the Corporation of the City of Cornwall (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes 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 financial position of the Entity as at December 31, 2024, and its consolidated results of operations, its consolidated changes in net debt 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 auditor’s report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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### ***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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditor's Responsibilities 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 Entity's internal control.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

March 24, 2026

# THE CORPORATION OF THE CITY OF CORNWALL

## Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash (note 5)	\$ 2,329,635	\$ 19,248,611
Taxes receivable	6,536,006	5,746,952
Accounts receivable	21,757,553	18,807,462
User charges receivable	7,281,684	4,822,376
Inventories for resale	2,764,981	2,764,981
Investments (note 6)	83,742,899	68,521,106
	<u>124,412,758</u>	<u>119,911,488</u>
Financial liabilities:		
Accounts payable and accrued liabilities	45,866,735	40,763,441
Deferred revenue	5,805,328	5,529,623
Deferred revenue, obligatory reserve funds (note 7)	14,127,739	12,936,424
Future employment benefits (note 8)	55,592,038	53,965,406
Asset retirement obligations (note 10)	25,975,237	24,741,283
Net long-term liabilities (note 11)	66,267,224	50,370,805
	<u>213,634,301</u>	<u>188,306,982</u>
Net debt	(89,221,543)	(68,395,494)
Non-financial assets:		
Tangible capital assets (note 12)	568,280,545	518,117,218
Inventories for consumption	675,926	956,656
Prepaid expenses	2,850,588	2,399,448
Total non-financial assets	<u>571,807,059</u>	<u>521,473,322</u>
Commitments (note 16)		
Contingent liabilities (note 17)		
Accumulated surplus (Schedule 2)	<u>\$ 482,585,516</u>	<u>\$ 453,077,828</u>

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

# THE CORPORATION OF THE CITY OF CORNWALL

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (note 15)	2024 Actual	2023 Actual
<b>Revenue:</b>			
Taxation and payments in lieu	\$ 91,974,848	\$ 91,422,384	\$ 87,055,417
Government grants and transfers (note 13)	76,017,406	80,597,229	76,817,989
Revenue from other municipalities	13,150,677	12,827,204	11,410,144
Fees and services	60,551,764	63,486,310	59,059,400
Investment income	2,150,000	3,594,193	4,328,945
Licenses and permits	1,598,500	2,110,769	1,645,332
Fines and penalties	680,000	1,193,982	880,579
Contribution from developers	211,898	46,600	–
Other	–	261,774	1,708,995
	<u>246,335,093</u>	<u>255,540,445</u>	<u>242,906,801</u>
<b>Expenses (note 18):</b>			
General government	13,083,038	13,777,381	14,255,872
Protection to persons and property	41,488,855	42,139,306	40,997,654
Transportation services	29,687,884	29,100,648	28,740,351
Environmental services	27,588,062	25,947,717	25,582,660
Health services	23,701,004	23,520,691	21,411,094
Social and family services	66,745,195	66,616,985	63,677,552
Social housing	25,209,071	23,530,749	22,175,486
Recreation and culture services	19,548,510	21,181,507	18,985,014
Planning and development	2,970,049	3,441,997	3,208,083
	<u>250,021,668</u>	<u>249,256,981</u>	<u>239,033,766</u>
Annual surplus (deficit) before the undernoted	(3,686,575)	6,283,464	3,873,035
<b>Other revenue (expenses) for capital purposes:</b>			
Government grants and transfers (note 13)	11,300,808	20,095,564	12,591,365
Fees, services and other	107,960	702,455	(1,948,225)
Contributed tangible capital assets	–	–	791,130
Contributions from developers and donations	2,527,800	4,201,618	2,367,824
Loss on disposal and write-down of tangible capital assets	–	(1,775,413)	(1,456,624)
	<u>13,936,568</u>	<u>23,224,224</u>	<u>12,345,470</u>
Annual surplus	10,249,993	29,507,688	16,218,505
Accumulated surplus, beginning of year	453,077,828	453,077,828	436,859,323
Accumulated surplus, end of year	<u>\$ 463,327,821</u>	<u>\$ 482,585,516</u>	<u>\$ 453,077,828</u>

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

# THE CORPORATION OF THE CITY OF CORNWALL

## Consolidated Statement of Changes in Net Debt

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (note 15)	2024 Actual	2023 Actual
Annual surplus	\$ 10,249,993	\$ 29,507,688	\$ 16,218,505
Amortization of tangible capital assets	18,112,050	18,591,986	17,977,558
Acquisition of tangible capital assets	(46,165,780)	(70,530,726)	(48,644,896)
Contributed tangible capital assets	–	–	(791,130)
Loss on disposal and write-down of tangible capital assets	–	1,775,413	1,456,624
Change in inventories for consumption	–	280,730	(396,887)
Change in prepaid expenses	–	(451,140)	(501,449)
Change in net debt	(17,803,737)	(20,826,049)	(14,681,675)
Net debt, beginning of year	(68,395,494)	(68,395,494)	(53,713,819)
Net debt, end of year	\$ (86,199,231)	\$ (89,221,543)	\$ (68,395,494)

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

# THE CORPORATION OF THE CITY OF CORNWALL

## Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Operating activities:		
Annual surplus	\$ 29,507,688	\$ 16,218,505
Item not involving cash:		
Amortization of tangible capital assets	18,591,986	17,977,558
Loss on disposal and write-down of tangible capital assets	1,775,413	1,456,624
Contributed tangible capital assets	–	(791,130)
Future employment benefits	1,626,632	4,080,027
Asset retirement obligations	1,233,954	1,178,156
Change in non-cash operating working capital:		
Taxes receivable	(789,054)	(2,280,756)
Accounts receivable	(2,950,091)	(312,688)
User charges receivable	(2,459,308)	(3,226,945)
Inventories	280,730	(396,887)
Prepaid expenses	(451,140)	(501,449)
Accounts payable and accrued liabilities	5,103,294	(4,063,117)
Deferred revenue	275,705	(2,215,393)
Deferred revenue, obligatory reserve funds	1,191,315	2,845,510
	52,937,124	29,968,015
Financing activities:		
Proceeds received from long-term liabilities	22,806,084	10,091,000
Payments on long-term liabilities	(6,909,665)	(6,867,139)
	15,896,419	3,223,861
Investing activities:		
Decrease (increase) in investments	(15,221,793)	18,660,079
Capital activities:		
Acquisition of tangible capital assets	(70,530,726)	(48,644,896)
Increase (decrease) in cash	(16,918,976)	3,207,059
Cash, beginning of year	19,248,611	16,041,552
Cash, end of year	\$ 2,329,635	\$ 19,248,611

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

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements

Year ended December 31, 2024

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The Corporation of the City of Cornwall (the “City”) 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, Municipal Affairs Act and related legislation.

## 1. Significant accounting policies:

The consolidated financial statements of the City are the representations of management and have been prepared in all material respects in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Basis of presentation:

(i) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses, reserves and reserve funds and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations, committees, corporations and local boards accountable for the administration of their financial affairs and resources to the City and which are controlled by the City. These financial statements include the following local boards:

- Cornwall Public Library Board
- Association Le Village Business Improvement Area
- Cornwall Downtown Business Improvement Area
- Cornwall Regional Airport Commission Inc.
- Cornwall Harbour Development Corporation
- Tourism Development Corporation of Cornwall

(ii) The Eastern Ontario Health Unit and the Raisin River Conservation Authority, which are joint boards, are not consolidated.

(iii) The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

(iv) Trust funds and their related operations administered by the City are not included in these consolidated financial statements.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting:

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (c) Taxation and related revenues:

Property tax billings are issued by the City based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by the 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.

Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenues can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

### (d) Financial instruments:

The City records derivatives and portfolio investments in equity instruments that are quoted in an active market at fair value. All other financial instruments will generally be measured at cost or amortized cost.

Management has not elected to record any investments at fair value as they are managed and evaluated on an amortized cost basis.

Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Consolidated Statement of Operations and Accumulated Surplus. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is presented in the Statement of Remeasurement Gains and Losses.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (d) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

#### 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. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

#### 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 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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.

### (e) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (e) Foreign currency (continued):

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus and the unrealized balances are reversed from the Consolidated Statement of Remeasurement Gains and Losses.

### (f) Consolidated Statement of Remeasurement Gains and Losses:

A Consolidated Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2024 or 2023.

### (g) Revenue recognition:

Government transfers and funding for projects are recognized when the transfer is authorized, any eligible criteria has been met and the amount can be reasonably estimated. Corporation generated funds, generally consisting of user fees, licenses and permits, are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained. Other restricted contributions received in advance of the related expenditure are deferred until the related expenditure is incurred.

### (h) Government grants and transfer payments:

Government grants and transfer payments are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recorded as deferred revenue and recognized as revenue as the liability is extinguished.

### (i) Deferred revenue:

The City receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or on the completion of specific work. In addition, certain fee and service charges are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, or services performed.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (i) Deferred revenue (continued):

The City also receives restricted contributions under the authority of Federal and Provincial legislation and City by-laws. Government transfers of Canada Community Building Fund (formerly Federal Gas Tax), Provincial Gas Tax, development charges collected under the Development Charges Act, 1997, and parkland collected under the Planning Act are restricted in their use, and until applied to applicable costs, are recorded as deferred revenue, obligatory reserve funds on the Consolidated Statement of Financial Position. These amounts are recognized as revenue in the fiscal year the services are performed, or related expenses incurred.

### (j) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	7 to 55 years
Yard improvements	7 to 55 years
Buildings	15 to 60 years
Machinery and equipment	4.5 to 60 years
Office furniture	10 to 20 years
Vehicles	4 to 20 years
Computer hardware and software	3 to 10 years
Other	5 to 25 years
Water and wastewater infrastructure:	
Underground networks	50 to 120 years
Sewage treatment plants	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Road network and transportation infrastructure:	
Road base	100 years
Road surface	18 to 22 years
Bridges and structures	10 to 75 years

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Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (j) Tangible capital assets (continued):

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations and Accumulated Surplus in the year of disposal.

When conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

### (k) Leases:

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

### (l) Inventories:

Inventories are recorded at the lower of cost and replacement cost.

### (m) Land inventory for resale:

Land inventory for resale is recorded at the lower of cost or net realizable value. Cost includes improvements to prepare the land for sale or servicing.

### (n) Future employment benefits:

The City accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. As a result, the City does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The City accrues its obligations for employee benefit plans, including post-employment extended health care and dental benefits, accumulated sick leave benefits and benefits under the Workplace Safety and Insurance Board ("WSIB").

The cost of post-employment benefits earned by employees, including accumulated sick-leave benefits, is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (n) Future employment benefits (continued):

The City is a Schedule 2 employer under the WSIB Act, and as such, assumes the responsibility for financing its workplace safety and insurance costs. The costs of the WSIB benefits earned by employees are actuarially determined.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service period of active employees.

### (o) Asset retirement obligations:

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

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

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Assumptions used in the calculations are revised annually.

The liability for the removal of asbestos in several of the buildings owned by the City has been recognized based on estimated undiscounted future expenses. Assumptions used in the calculations are revised yearly.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Consolidated Statement of Operations and Accumulated Surplus at the time of remediation.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. Building tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in Note 1(j).

### (p) Liability for contaminated sites:

A liability for contaminated sites arises when contamination from sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard is being introduced into air, soil or water.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 1. Significant accounting policies (continued):

### (p) Liability for contaminated sites (continued):

A liability for remediation of contaminated sites is recognized when all of 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.

### (q) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management's estimates include the actuarial assumptions used to develop the future employment benefits liability, estimates for asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from these estimates.

## 2. Operations of school boards:

The City collects and makes property tax transfers, including payments in lieu of taxes, to the school boards. The amounts collected and remitted are summarized below:

	2024	2023
Taxation and user charges	\$ 13,667,584	\$ 13,411,102
Payments in lieu of taxes	-	-
	<u>\$ 13,667,584</u>	<u>\$ 13,411,102</u>

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

### 3. Contributions to joint boards:

The City makes contributions to joint boards that are not consolidated, as follows:

	2024	2023
Eastern Ontario Health Unit	\$ 890,711	\$ 723,878
Raisin River Conservation Authority	577,214	560,402
	\$ 1,467,925	\$ 1,284,280

### 4. Trust funds:

Trust funds administered by the City amounting to \$5,602,372 (2023 - \$5,495,703) are presented in a separate statement of trust fund balances and operations. As such balances are held in trust by the City for the benefit of others, they are not presented as part of the City's financial position or financial activities.

### 5. Cash:

	2024	2023
Unappropriated cash	\$ 644,232	\$ 9,129,357
Reserve funds	1,685,403	10,119,254
	\$ 2,329,635	\$ 19,248,611

### 6. Investments:

Investments consist of:

	Level	2024	2023
Cash	1	\$ 302,329	\$ 287,613
Deposit notes	2	15,117,661	14,499,710
Fixed income securities	1	52,059,211	34,471,657
Bonds	2	16,263,698	19,262,126
		\$ 83,742,899	\$ 68,521,106

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## **6. Investments (continued):**

The fixed income securities are comprised of guaranteed investment certificates with interest rates ranging between 3.91% and 5.95% and maturity dates between February 2025 and December 2025.

The progress reserve fund of \$26,237,316 (2022 - \$26,073,712) includes restricted investments and cash that are invested in financial instruments in accordance with the Ontario Municipal Act, Regulation 438/97. The fair market value of the investments held in the progress fund at December 31, 2024 is \$24,846,811(2023 - \$23,977,012).

During the year, there were no transfers between hierarchy levels.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 7. Deferred revenue, obligatory reserve funds:

A requirement of public sector accounting is that obligatory reserve funds be reported as deferred revenues. This requirement is in place as Provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

The transactions for the year are summarized below:

	Building department	Development charges	Canada Community Building Fund	Ontario Community Infrastructure Fund	Provincial gas tax	Parking	Parkland	2024 Total	2023 Total
Balance, beginning of year	\$ 3,994,435	\$ 2,100,600	\$ 4,597,948	\$ 1,866,380	\$ 110,446	\$ –	\$ 266,615	\$ 12,936,424	\$ 10,090,914
Grants received	–	–	3,054,543	4,518,820	720,900	–	–	8,294,263	5,656,814
Permit fees	89,411	–	–	–	–	180,000	–	269,411	3,851,496
Development charges collected	–	4,942,064	–	–	–	–	–	4,942,064	1,207,238
Interest earned	200,374	81,280	196,746	–	–	2,896	14,206	495,502	473,967
Parkland collections	–	–	–	–	–	–	151,379	151,379	146,639
Transfer to operations	(444,320)	(46,600)	–	–	(752,678)	–	–	(1,243,598)	–
Transfer for capital acquisitions	–	(4,186,618)	(2,699,820)	(4,816,268)	–	–	(15,000)	(11,717,706)	(8,490,644)
Balance, end of year	\$ 3,839,900	\$ 2,890,726	\$ 5,149,417	\$ 1,568,932	\$ 78,668	\$ 182,896	\$ 417,200	\$ 14,127,739	\$ 12,936,424

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 8. Future employment benefits:

Future employee benefit obligations of the City are as follows:

	2024	2023
Non-pension retirement benefits (note 8(a))	\$ 38,438,000	\$ 37,783,400
Workplace Safety and Insurance Board benefits (note 8(b))	10,501,100	9,117,600
Accumulated sick leave benefits (note 8(c))	4,771,300	4,569,000
Vacation pay and police banked overtime (note 8(d))	1,881,638	2,495,406
	<u>\$ 55,592,038</u>	<u>\$ 53,965,406</u>

### (a) Employee non-pension retirement benefits (extended health care and dental benefits):

The City provides extended health care, dental and other benefits to its retired employees. Extended health care and dental benefits continue to be available to qualifying early retirees up to the age of 65 and benefits for life for retired police personnel who were hired before April 24, 2010, with the City generally being responsible for paying 100% of the benefit premiums.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. The most recent valuation of the employee future benefits was completed at December 31, 2023.

Actuarial gains and losses are amortized over the expected average remaining service life of the employees, which is estimated to be 12 years (2023 - 12 years).

The significant actuarial assumptions adopted in estimating the City's accrued benefit obligation are as follows:

	2024	2023
Discount rate	3.00% per annum	3.00% per annum
Salary escalation	3.00% per annum	3.00% per annum
Dental benefits escalation	4.00% per annum	4.00% per annum
Health benefits escalation	5.86% per annum (reducing 0.09% per annum to reach 4.00% in 2041)	5.95% per annum (reducing 0.09% per annum to reach 4.00% in 2041)

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 8. Future employment benefits (continued):

- (a) Employee non-pension retirement benefits (extended health care and dental benefits) (continued):

Information with respect to the City's non-pension retirement obligations is as follows:

	2024	2023
Accrued benefit liability, beginning of year	\$ 37,783,400	\$ 35,515,500
Expense recognized for the year	1,200,400	1,540,500
Interest cost	1,393,200	1,157,700
Plan amendments incurred in year	–	841,100
Amortization of actuarial losses (gains)	(478,000)	115,500
Benefits paid for the year	(1,461,000)	(1,386,900)
Accrued benefit liability, end of year	\$ 38,438,000	\$ 37,783,400

The accrued benefit liability at December 31, 2024 includes the following:

	2024	2023
Accrued benefit obligation	\$ 33,063,000	\$ 31,930,400
Unamortized actuarial gain	5,375,000	5,853,000
	\$ 38,438,000	\$ 37,783,400

- (b) Workplace Safety & Insurance Board Act:

In common with other Schedule 2 employers, the City funds its obligations to the Workplace Safety and Insurance Board on a "pay-as-you-go" basis for employees under Schedule 2.

The accrued benefit obligation relating to Workplace Safety and Insurance Board has been actuarially determined using the projected benefit method pro-rated on services. The most recent valuation of this obligation was completed at December 31, 2024.

Actuarial gains and losses are amortized over the expected average remaining service life of the employees, which is estimated to be 13 years (2023 - 13 years).

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 8. Future employment benefits (continued):

### (b) Workplace Safety & Insurance Board Act (continued):

The significant actuarial assumptions adopted in estimating the City's accrued benefit obligations are as follows:

	2024	2023
Discount rate	3.00% per annum	3.00% per annum
Inflation rate	2.00% per annum	2.00% per annum
Loss of earnings	1.00% per annum	1.00% per annum
Administration costs	25% of benefit costs	25% of benefit costs

Information with respect to the City's Workplace Safety and Insurance Board future payments is as follows:

	2024	2023
Accrued benefit liability, beginning of year	\$ 9,117,600	\$ 8,195,900
Expense recognized for the year	2,085,300	1,939,200
Interest cost	524,300	284,500
Benefits paid for the year	(1,354,200)	(1,302,000)
Amortization of actuarial gains and losses	128,100	–
Accrued benefit liability, end of year	\$ 10,501,100	\$ 9,117,600

### (c) Accumulated sick leave benefits:

The accrued benefit obligation relating to sick leave benefits has been actuarially determined using the projected benefit method pro-rated on services. The most recent valuation of the employee future benefits was completed at December 31, 2023.

Actuarial gains and losses are amortized over the expected average remaining service life of the employees, which is estimated to be 13 years (2023 - 13 years).

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 8. Future employment benefits (continued):

### (c) Accumulated sick leave benefits (continued):

The significant actuarial assumptions adopted in estimating the City's accrued benefit obligation are as follows:

	2024	2023
Discount rate	3.00% per annum	3.00% per annum
Salary escalation	3.00% per annum	3.00% per annum

Information with respect to the City's sick leave obligation is as follows:

	2024	2023
Accrued benefit liability, beginning of year	\$ 4,569,000	\$ 4,410,500
Expense recognized for the year	372,000	406,700
Interest cost	196,000	149,000
Amortization of actuarial losses (gains)	(12,100)	23,900
Benefits paid for the year	(353,600)	(421,100)
<b>Accrued benefit liability, end of year</b>	<b>\$ 4,771,300</b>	<b>\$ 4,569,000</b>

	2024	2023
Accrued benefit obligation	\$ 4,579,400	\$ 4,365,000
Unamortized actual gain	191,900	204,000
	<b>\$ 4,771,300</b>	<b>\$ 4,569,000</b>

The breakdown of the accrued benefit obligation by department is as follows:

	2024	2023
Fire	\$ 2,511,500	\$ 2,126,100
Police	2,259,800	2,238,900
	<b>\$ 4,771,300</b>	<b>\$ 4,365,000</b>

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 8. Future employment benefits (continued):

(d) Vacation payable and police banked overtime:

Vacation payable and police banked overtime are owing to employees which was earned during employment and is expected to be utilized by employees or paid to them during next fiscal year. Any unused portion of vacation payable and banked overtime carry forward from one fiscal year to the next is allowed under the respective collective bargaining agreement or was approved by management for non-unionized employees.

## 9. Pension agreements:

The City makes contributions to the OMERS, which is a multi-employer plan, on behalf of all permanent 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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the City does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The latest available report for the OMERS plan was at December 31, 2024. At that time, the plan reported a \$2.9 billion actuarial deficit (2023 - \$4.2 billion actuarial deficit).

The amount contributed to OMERS was \$7,775,252 (2023 - \$7,157,937) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expenditure.

## 10. Asset retirement obligations:

The City's asset retirement obligations consist of the following:

(a) Landfill obligation:

The City owns and operates one active landfill site and one closed landfill site. The liability for the closure of operational sites and post-closure care for all the sites has been recognized under PS 3280 *Asset Retirement Obligations*. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for a minimum of 25 years post this date. As at December 31, 2024, the landfill had an estimated remaining useful life of 8 years. Post-closure care is estimated to be required for a minimum 50 years from the date of site closure. The City recognized an obligation relating to the closure and post-closure care of the landfill. These costs were discounted using a discount rate of 4% per annum and an inflation rate of 2.4% (2023 - 2%) per annum.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 10. Asset retirement obligations (continued):

(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 it. Following the adoption of PS 3280 *Asset Retirement Obligations*, the City assessed an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at January 1, 2023 that was lower than the thresholds set out in note 1(j). Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have not been discounted as the date of demolition is unknown.

	Landfill closure	Asbestos removal	2024 Total	2023 Total
Balance, January 1	\$ 17,245,617	\$ 7,495,666	\$ 24,741,283	\$ 23,563,127
Accretion expense	858,540	–	858,540	821,220
Re-measurement	–	375,414	375,414	356,936
Balance, December 31	\$ 18,104,157	\$ 7,871,080	\$ 25,975,237	\$ 24,741,283

A portion of the liability is funded by the landfill reserve fund of \$1,175,307 (2023 - \$734,795). The remaining portion of the liability is expected to be funded through budget allocations over the remaining life of the landfill.

The reported liability is based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, estimated total expenses, capacity used or total capacity, may result in significant changes to the estimated total liability and will be recognized prospectively, as a change in estimate.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 11. Net long-term liabilities:

(a) The bank loans are as follows:

	2024	2023
Bank loan, Benson Centre, interest at 3.41 %, repayable in monthly blended payments of \$59,951, due November 2032, secured by a general security agreement	\$ 4,988,678	\$ 5,526,505
Bank loan, Emergency Medical Service building, interest at 3.09%, repayable in monthly blended payments of \$10,820, due October 2027, secured by a general security agreement	352,035	478,596
Canada Mortgage and Housing Corporation, interest at 3.09%, repayable in monthly blended payments of \$33,500 due October 2074, secured by a mortgage on the property on 9th Street	10,259,422	–
Bank loan, post-employment payments, interest at 3.32%, repayable in monthly blended payments of \$20,100, due December 2023, secured by a general security agreement	–	232
Bank loans, municipal yard redevelopment, interest between 2.18% and 5.15%, repayable, in monthly blended payments between \$27,125 and \$53,722, due June 2035 and December 2042, secured by a general security agreement	17,789,043	10,417,621
Capital loans, interest between 1.32% and 5.30%, repayable in blended monthly payments between \$4,571 and \$31,194, due dates between July 2025 and December 2038, secured by general security agreements	23,705,799	23,747,209
Bank loan, Wastewater Treatment Plant, interest at 3.26%, repayable in blended monthly payments of \$64,707, due November 2036, secured by a general security agreement	7,662,159	8,178,384
Bank loans, Housing Services, interest at 2.28%, repayable in blended monthly payments of \$21,984 due December 2027, secured by a general security agreement	764,380	1,202,758
Bank loans, Long-Term Care Services, interest at 5.02% December 2032, secured by a general security agreement	745,708	819,500
	<u>\$ 66,267,224</u>	<u>\$50,370,805</u>

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 11. Net long-term liabilities (continued):

- (b) Repayment of long-term debt, assuming the loans are renewed under the same terms and conditions, is as follows

2025	\$ 7,437,159
2026	6,734,926
2027	6,058,517
2028	4,695,343
2029	4,758,427
Thereafter	36,582,852
	\$ 66,267,224

- (c) Interest expense on long-term liabilities amounted to \$1,711,163 (2023 - \$1,295,880).
- (d) Subsequent to December 31, 2024, the City has obtained \$26,217,000 of additional debt to finance various capital projects with maturities ranging from 3 to 50 years.

## 12. Tangible capital assets:

Cost	Balance January 1, 2024	Additions	Disposals	Balance December 31, 2024
Land	\$ 16,244,883	\$ —	\$ —	\$ 16,244,883
Land improvements	22,189,777	5,804,443	(99,953)	27,894,267
Buildings	212,381,858	11,545,684	(391,693)	223,535,849
Road network and transportation infrastructure	198,808,432	17,423,428	(1,557,882)	214,673,978
Water and wastewater infrastructure	212,538,021	6,257,862	(125,208)	218,670,675
Machinery and equipment	151,275,552	4,990,518	(40,053)	156,226,017
Computer hardware and software	7,148,753	1,237,848	—	8,386,601
Vehicles	33,217,111	3,226,030	(220,920)	36,222,221
Office furniture	882,412	65,849	—	948,261
Other	2,594,621	120,081	—	2,714,702
Assets under construction	35,347,317	19,858,983	(1,535,852)	53,670,448
	\$ 892,628,737	\$ 70,530,726	\$ (3,971,561)	\$ 959,187,902

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 12. Tangible capital assets (continued):

Accumulated amortization	Balance January 1, 2024	Amortization	Disposals	Balance December 31, 2024
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	12,038,767	601,260	(95,818)	12,544,209
Buildings	94,182,981	4,169,003	(318,436)	98,033,548
Road network and transportation infrastructure	83,404,789	4,126,482	(1,475,370)	86,055,901
Water and wastewater infrastructure	54,043,009	2,290,287	(53,343)	56,279,953
Machinery and equipment	106,746,457	3,844,193	(36,502)	110,554,148
Computer hardware and software	5,776,931	526,399	—	6,303,330
Vehicles	16,226,283	2,667,496	(216,679)	18,677,100
Office furniture	388,673	56,039	—	444,712
Other	1,703,629	310,827	—	2,014,456
Assets under construction	—	—	—	—
	\$ 374,511,519	\$ 18,591,986	\$ (2,196,148)	\$ 390,907,357

Net book value	2024	2023
Land	\$ 16,244,883	\$ 16,244,883
Land improvements	15,350,058	10,151,010
Buildings	125,502,301	118,198,877
Road network and transportation infrastructure water and wastewater infrastructure	128,618,077	115,403,643
	162,390,722	158,495,012
Machinery and equipment	45,671,869	44,529,095
Computer hardware and software	2,083,271	1,371,822
Vehicles	17,545,121	16,990,828
Office furniture	503,549	493,739
Other	700,246	890,992
Assets under construction	53,670,448	35,347,317
	\$ 568,280,545	\$ 518,117,218

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 13. Government grants and transfers:

Government grants and transfers are comprised of the following:

	2024	2023
Operating purposes:		
Federal	\$ 2,134,828	\$ 3,058,589
Provincial	78,462,401	73,759,400
	<u>\$ 80,597,229</u>	<u>\$ 76,817,989</u>
	2024	2023
Capital purposes:		
Federal	\$ 7,404,251	\$ 5,691,694
Provincial	12,691,313	6,899,671
	<u>\$ 20,095,564</u>	<u>\$ 12,591,365</u>

## 14. Financial instruments and risk management:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The City is exposed to credit risk with respect to accounts receivable on the Consolidated Statement of Financial Position.

The City assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the City at December 31, 2024 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations and Accumulated Surplus. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Consolidated Statement of Operations and Accumulated Surplus.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 14. Financial instruments and risk management (continued):

### (a) Credit risk (continued):

	Current	Past due	Gross receivables	Allowances	2024 Net receivables	2023 Net receivables
Taxes						
receivable	\$ 4,305,960	\$ 2,320,404	\$ 6,626,364	\$ (90,358)	\$ 6,536,006	\$ 5,746,952
Accounts						
receivable	14,985,935	6,908,003	21,893,938	(136,385)	21,757,553	18,807,462
User charges						
receivable	7,141,970	386,117	7,528,087	(246,403)	7,281,684	4,822,376
<b>Total</b>	<b>\$ 26,433,865</b>	<b>\$ 9,614,524</b>	<b>\$ 36,048,389</b>	<b>\$ (473,146)</b>	<b>\$ 35,575,243</b>	<b>\$ 29,376,790</b>

### (b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the City's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2023.

#### (i) Currency risk:

Currency risk arises from the City's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The City does not have any material transactions or financial instruments denominated in foreign currencies.

#### (ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the City to cash flow interest rate risk.

The City is exposed to this risk through its interest-bearing investments, including fixed income securities, deposit notes, and bonds. As at December 31, 2024, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables held constant, the estimated impact on the market value of investments would be approximately \$162,637 (2023 - \$192,621). This risk is mitigated by the City's intention to hold these investments to maturity.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 14. Financial instruments and risk management (continued):

### (b) Market risk (continued):

#### (ii) Interest rate risk (continued):

In addition to the above, the City is exposed to interest rate risk as it has long-term debt as described in note 11. As prevailing interest rates fluctuate, the market value of these debts will fluctuate. This risk is mitigated by the City's intention to hold the debt to maturity.

There has been no change to the interest rate risk exposure from 2023.

#### (iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The City is not exposed to this risk based on the current investment portfolio.

### (c) Liquidity risk:

Liquidity risk is the risk that the City will not be able to meet all of its cash outflow obligations as they come due. The City mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 11.

There have been no significant changes from the previous year in the City's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

## 15. Budget and operating surplus:

The budget figures presented in these consolidated financial statements are based upon the 2024 operating and capital budgets that were approved by City Council on January 31, 2024. Budgets established for capital funds, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. Although they are not directly comparable with current year actual amounts, they have been reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Changes in Net Debt.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 15. Budget and operating surplus:

The 2024 budget figures were not prepared on a basis consistent with that used to report actual results. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	2024 Budget	2024 Actual	2023 Actual
Annual surplus	\$ 10,249,993	\$ 29,507,688	\$ 16,218,505
Issuance of external long-term liabilities	16,077,500	22,806,084	10,091,000
Net transfers (to) from reserves and reserve funds for capital acquisitions	21,923,508	18,368,699	19,906,957
Net transfer (to) from reserves and reserve funds for operating	(16,913,559)	(18,954,623)	(14,190,402)
Acquisition of tangible capital assets	(46,165,780)	(70,530,726)	(48,644,896)
Contributed tangible capital assets	–	–	(791,130)
Amortization of tangible capital assets	18,112,050	18,591,986	17,977,558
Loss on disposal and write-down of tangible capital assets	–	1,775,413	1,456,624
Repayment of long-term liabilities	(6,909,985)	(6,909,665)	(6,867,139)
Change in surplus for future capital acquisitions	(129,786)	3,866,581	225,728
Revenue earned in reserves and reserve funds	–	(2,129,044)	(1,895,595)
Change in unfunded accrued interest	–	–	(33,501)
Change in asset retirement obligations	783,732	1,233,954	1,178,156
Change in future employment benefits and accrued interest	2,972,327	1,624,011	4,082,648
Operating deficit for the year	–	(749,642)	(1,285,487)
Transfer of operating surplus to reserves	–	184,936	1,187,373
Transfer of water works and wastewater works surplus to reserves	–	891,821	266,492
Operating surplus for the year after year-end transfers	\$ –	\$ 327,115	\$ 168,378

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 16. Commitments:

- (a) The City has entered into various capital contracts. The outstanding commitment at December 31, 2024 is as follows:

Value of contracts awarded in 2024	\$	43,247,069
Costs incurred to date		(12,001,728)
Remaining commitment		31,245,341
Remaining commitment from 2023 contracts		41,231,152
Remaining commitment	\$	72,476,493

Subsequent to year end, the City awarded capital contracts with a value of \$45,473,971.

- (b) The City has entered into various operating leases for vehicles, equipment and services. Anticipated payments over the next five years and thereafter for operating lease commitments are:

2025	\$	520,941
2026		492,291
2027		379,127
2028		299,128
2029		267,776
Thereafter		522,033
	\$	2,481,296

## 17. Contingent liabilities:

- (a) Litigations and claims:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2024, management believes that the City has valid defences and appropriate reserves and insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the financial statements.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 17. Contingent liabilities (continued):

### (b) Contaminated sites:

The City's Municipal Real Property Registrar identifies 371 roll numbers representing either individual or multiple land parcels owned by the City, of which 73 roll numbers were deemed to be non-productive or partially productive. Of these, 46 roll numbers were identified as having a possible environmental concern and 1 roll number which includes 4 land parcels is known to be environmentally impacted. The estimated potential liability for potential future remediation of the known impacted land is \$2,175,750 (2023 - \$2,199,250).

A present obligation does not exist as it is not expected that future economic benefits will be given up to remediate these sites. Accordingly, a liability has not been recorded in these consolidated financial statements.

### (c) Contribution agreement:

In 2024, the City entered into a contribution agreement with the Canada Mortgage and Housing Corporation under the National Housing Co-Investment Fund to assist with the financing of the construction of a mixed-use affordable apartment building project located at 550 9th Street East, Cornwall, Ontario. The agreement states that the loan is interest-free for so long as the conditions specified are met and the loan is not in default.

The contribution agreement also states that an equal portion of the principal amount shall be forgiven on each anniversary of the date of the advance provided the City has fulfilled all the requirements of the agreement. The loan proceeds were recorded as grant revenue when received and the loan amount is not recorded in these financial statements.

Any interest or loan payable will be recorded in the financial statements when an event arises resulting in an obligation for the City to pay interest charges or loan proceeds back to the Service Manager.

## 18. Segmented information:

The City is responsible for providing a wide range of services to its citizens. The services are provided by departments and their activities are reported in the Consolidated Statement of Operations and Accumulated Surplus.

Departments have been separately disclosed in the segmented information, along with the service they provide, are set out in the schedules that follow.

For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 18. Segmented information (continued):

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. A brief description of each segment follows:

(a) General government:

General government includes corporate services and governance of the City. Administration as a segment includes operating and maintaining city-owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection services:

Protection services include police, fire protection, conservation authority, protective inspection and control and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency medical first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services:

Transportation services include administration and operation of traffic, parking, transit and airport services for the City. In addition, services are provided for the winter and summer road maintenance along with the repair and construction of the City roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the City.

(d) Environmental services:

Environmental services include solid waste collection, disposal, recycling, and storm sewer services. Environmental services also include the operation of water and wastewater facilities and infrastructure for the collection and distribution of both water and wastewater services within the City.

(e) Health services

Health services provide emergency medical services, land ambulance and funding for local public health organizations.

(f) Social and family services

Social and family services provide a long-term care home at the Glen-Stor-Dun Lodge, and administration of provincial programs such as social assistance and subsidized child care.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 18. Segmented information (continued):

### (g) Social housing

Social and family services provide housing services for geared to income individuals in the City and for the United Counties of Stormont, Dundas and Glengarry.

### (h) Recreation and cultural services

Recreation and cultural services provide services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including parks, recreation programs, recreation facilities, libraries, museums and other cultural services and activities.

### (i) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 18. Segmented information (continued):

2024										
	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	2024 Total
Revenue:										
Taxation and payments in lieu	\$ 2,796,114	\$ 35,516,790	\$ 18,727,516	\$ 3,348,701	\$ 4,451,488	\$ 4,554,902	\$ 7,353,092	\$ 11,080,516	\$ 3,593,265	\$ 91,422,384
Government grants and transfers	4,920,020	2,607,577	865,976	830,705	10,884,663	52,677,317	7,341,082	153,801	316,088	80,597,229
Revenue from other municipalities	-	465,291	19,434	747,903	7,157,304	2,143,594	2,268,678	-	25,000	12,827,204
Fees and services	734,025	2,040,038	9,284,113	27,693,021	449,223	8,375,992	8,710,867	5,030,441	1,168,590	63,486,310
Investment income	3,557,446	-	18,726	-	-	-	6,137	-	11,884	3,594,193
Licenses and permits	126,915	1,983,854	-	-	-	-	-	-	-	2,110,769
Fines and penalties	1,066,791	-	-	127,191	-	-	-	-	-	1,193,982
Contributions from developers	-	-	-	-	-	-	-	46,600	-	46,600
Other revenue	-	1,668	116,105	-	-	5,780	-	138,221	-	261,774
	13,201,311	42,615,218	29,031,870	32,747,521	22,942,678	67,757,585	25,679,856	16,449,579	5,114,827	255,540,445
Expenses:										
Salaries, wages and benefits	6,920,049	35,892,180	10,739,501	5,899,903	19,041,373	20,880,375	4,137,252	8,416,614	1,219,765	113,147,012
Interest on long-term liabilities	-	44,489	573,832	741,020	-	38,369	106,078	207,375	-	1,711,163
Materials and services	1,035,986	2,674,078	4,897,896	4,246,613	1,665,162	2,830,134	2,787,413	3,641,582	410,250	24,189,114
Contracts and sub-contracts	3,960,859	1,504,804	3,151,284	7,893,710	292,745	21,618,338	3,252,332	3,355,991	989,556	46,019,619
Rents and financial expenses	725,400	486,021	2,903,170	1,585,284	855,885	1,043,408	4,328,779	2,315,525	324,342	14,567,814
Transfers to external parties	798,252	687,997	-	323,313	890,711	19,519,685	7,400,689	913,534	496,092	31,030,273
Amortization	336,835	849,737	6,834,965	5,257,874	774,815	686,676	1,518,206	2,330,886	1,992	18,591,986
	13,777,381	42,139,306	29,100,648	25,947,717	23,520,691	66,616,985	23,530,749	21,181,507	3,441,997	249,256,981
Annual surplus (deficit) before the undernoted	(576,070)	475,912	(68,778)	6,799,804	(578,013)	1,140,600	2,149,107	(4,731,928)	1,672,830	6,283,464
Other revenue for capital purposes:										
Government grants and transfers (note 13)	295,796	753,095	9,652,899	53,384	-	243,984	8,860,476	235,930	-	20,095,564
Fees, services and other	-	-	13,190	-	-	60,435	-	628,830	-	702,455
Contributions from developers and donations	-	2,114,229	1,624,115	445,913	-	-	-	17,361	-	4,201,618
Loss on disposal and write down of TCA	(4,334)	(204,189)	(86,845)	(652,190)	(4,298)	(2,513)	(708,568)	(112,476)	-	(1,775,413)
	291,462	2,663,135	11,203,359	(152,893)	(4,298)	301,906	8,151,908	769,645	-	23,224,224
Annual surplus (deficit)	\$ (284,608)	\$ 3,139,047	\$ 11,134,581	\$ 6,646,911	\$ (582,311)	\$ 1,442,506	\$ 10,301,015	\$ (3,962,283)	\$ 1,672,830	\$ 29,507,688

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

## 18. Segmented information (continued):

2023										
	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreation and Culture Services	Planning and Development	2023 Total
Revenue:										
Taxation and payments in lieu	\$ 1,948,993	\$ 34,585,560	\$ 16,164,019	\$ 3,235,196	\$ 5,196,235	\$ 4,234,142	\$ 6,504,634	\$ 13,648,269	\$ 1,538,369	\$ 87,055,417
Government grants and transfers	5,293,749	1,738,632	818,961	664,717	9,895,181	49,748,042	8,056,943	229,589	372,175	76,817,989
Revenue from other municipalities	-	209,920	19,434	756,555	6,516,678	1,967,210	1,940,347	-	-	11,410,144
Fees and services	883,835	1,797,923	8,659,252	25,080,524	57,750	8,756,052	8,051,003	4,512,991	1,260,070	59,059,400
Investment income	4,302,722	-	18,726	-	-	-	5,261	-	2,236	4,328,945
Licenses and permits	138,008	1,507,324	-	-	-	-	-	-	-	1,645,332
Fines and penalties	772,990	-	-	107,589	-	-	-	-	-	880,579
Other revenue	1,445,664	-	116,105	-	-	2,938	-	144,288	-	1,708,995
	14,785,961	39,839,359	25,796,497	29,844,581	21,665,844	64,708,384	24,558,188	18,535,137	3,172,850	242,906,801
Expenses:										
Salaries, wages and benefits	6,731,450	35,556,051	11,275,861	6,013,644	17,264,794	18,824,662	3,645,587	8,099,260	1,403,340	108,814,649
Interest on long-term liabilities	-	54,410	473,535	497,528	-	-	35,346	235,061	-	1,295,880
Materials and services	1,150,693	1,831,046	4,728,659	3,513,919	1,394,396	2,250,009	2,441,994	3,487,921	604,055	21,402,692
Contracts and sub-contracts	4,268,178	1,637,597	3,218,571	7,692,208	394,999	21,358,062	2,862,695	2,873,317	462,281	44,767,908
Rents and financial expenses	1,674,007	481,996	2,415,301	2,372,280	865,726	914,357	3,770,777	1,190,697	310,053	13,995,194
Transfers to external parties	210,552	582,152	-	271,001	796,338	19,646,608	8,031,168	815,704	426,362	30,779,885
Amortization	220,992	854,402	6,628,424	5,222,080	694,841	683,854	1,387,919	2,283,054	1,992	17,977,558
	14,255,872	40,997,654	28,740,351	25,582,660	21,411,094	63,677,552	22,175,486	18,985,014	3,208,083	239,033,766
Annual surplus (deficit) before the undernoted	530,089	(1,158,295)	(2,943,854)	4,261,921	254,750	1,030,832	2,382,702	(449,877)	(35,233)	3,873,035
Other revenue for capital purposes:										
Government grants and transfers (note 13)	285,100	628,000	10,477,388	16,709	-	463,442	256,118	464,608	-	12,591,365
Fees, services and other	-	(2,097,466)	-	-	-	40,933	8,160	100,148	-	(1,948,225)
Contributed tangible capital assets	-	-	385,560	405,570	-	-	-	-	-	791,130
Contributions from developers and donations	-	1,092,471	1,038,640	206,713	-	-	-	30,000	-	2,367,824
Loss on disposal and write down of TCA	-	(625)	(748,841)	(547,123)	(12,795)	-	(147,240)	-	-	(1,456,624)
	285,100	(377,620)	11,152,747	81,869	(12,795)	504,375	117,038	594,756	-	12,345,470
Annual surplus (deficit)	\$ 815,189	\$ (1,535,915)	\$ 8,208,893	\$ 4,343,790	\$241,955	\$ 1,535,207	\$2,499,740	\$ 144,879	\$ (35,233)	\$ 16,218,505

# THE CORPORATION OF THE CITY OF CORNWALL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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## 19. Change in accounting policy – adoption of new accounting standards:

The City adopted the following standards concurrently beginning January 1, 2024 prospectively: PS 3160 *Public Private Partnerships*, PS 3400 *Revenue* and PSG-8 *Purchased Intangibles*.

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

As a result of the implementation of this standard, \$444,320 of building permit revenues, previously recognized at the point of receipt have now been classified as Deferred revenues on the Consolidated Statement of Financial Position and will be recognized as revenues over time as service obligations are fulfilled. The adoption of PS 3400 was applied prospectively, in accordance with the transitional provisions of the standard. As a result, the comparative figures for the year ended December 31, 2024, have not been restated.

PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act. There was no impact to the financial statements as a result of adopting this accounting standard.

PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. There was no impact to the financial statements as a result of adopting this accounting standard.

## 20. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

# THE CORPORATION OF THE CITY OF CORNWALL

## Schedule 1 - Continuity of Reserves and Reserve Funds

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (note 15)	2024 Actual	2023 Actual
Net transfers from (to) other funds			
Transfers from operations	\$ 16,913,559	\$ 17,877,866	\$ 12,736,537
Transfers to capital acquisitions	(21,923,508)	(18,368,699)	(19,906,957)
Total net transfers	(5,009,949)	(490,833)	(7,170,420)
Investment income	–	2,129,044	1,895,595
Reserves and reserve fund balances, change in year	(5,009,949)	1,638,211	(5,274,825)
Reserves and reserve fund balances, beginning of year	72,869,857	72,869,857	78,144,682
Reserves and reserve fund balances, end of year	\$ 67,859,908	\$ 74,508,068	\$ 72,869,857

# THE CORPORATION OF THE CITY OF CORNWALL

Schedule 1 - Continuity of Reserves and Reserve Funds (continued)

Year ended December 31, 2024, with comparative information for 2023

## Composition of Reserves and Reserve Funds

	2024	2023
<b>Reserves set aside for specific purposes by Council:</b>		
For operating purposes:		
Working funds	\$ 3,627,698	\$ 4,533,040
Tax stabilization	300,000	300,000
Winter control	350,000	350,000
Health and safety awareness	76,022	76,022
Municipal elections	110,000	55,000
Renaissance	118,827	118,827
Medical recruitment	927,612	861,588
	<u>5,510,159</u>	<u>6,294,477</u>
For capital purposes:		
Waste management	1,609,267	2,104,921
Road infrastructure	484,226	1,060,392
Recreation facilities	786,640	677,605
Fire equipment	52,244	60,058
Land ambulance	928,632	567,720
Land reserve	2,328,082	2,427,125
Equipment and vehicles	1,365,893	921,672
Social housing providers	3,396,212	3,002,846
Municipal buildings	3,568,567	3,287,246
	<u>14,519,763</u>	<u>14,109,585</u>
Restricted reserves:		
Waterworks	3,004,189	2,929,815
Wastewater works	4,386,868	4,356,156
Brownfields	1,594,401	1,522,278
Heart of the City	376,505	462,534
WSIB	3,580,427	3,160,558
Waterfront development	240,000	240,000
Downtown and Le Village business improvement areas	67,200	67,200
Employment assistance	481,071	611,071
Child care	95,393	95,393
	<u>13,826,054</u>	<u>13,445,005</u>
<b>Total reserves</b>	<b>\$ 33,855,976</b>	<b>\$ 33,849,067</b>

# THE CORPORATION OF THE CITY OF CORNWALL

## Schedule 1 - Continuity of Reserves and Reserve Funds (continued)

Year ended December 31, 2024, with comparative information for 2023

### Composition of Reserves and Reserve Funds (continued)

	2024	2023
<b>Reserve funds:</b>		
Progress fund	\$ 26,237,316	\$ 26,073,712
Other reserve funds:		
Social Housing	9,406,948	8,355,327
Library	332,521	356,956
Landfill	1,175,307	734,795
Downtown investment	3,500,000	3,500,000
	14,414,776	12,947,078
<b>Total reserve funds</b>	<b>\$ 40,652,092</b>	<b>\$ 39,020,790</b>

The total balance of reserves and reserve funds is as follows:

	2024	2023
Reserves	\$ 33,855,976	\$ 33,849,067
Reserve funds	40,652,092	39,020,790
<b>Total reserve and reserve funds</b>	<b>\$ 74,508,068</b>	<b>\$ 72,869,857</b>

# THE CORPORATION OF THE CITY OF CORNWALL

## Schedule 2 - Accumulated Surplus

December 31, 2024, with comparative information for 2023

	2024	2023
Operating surpluses (deficits):		
Operating deficit	\$ (3,756,569)	\$ (3,959,008)
Le Village Business Improvement Area surplus	37,263	37,263
Downtown Business Improvement Area surplus	56,610	56,610
Cornwall Harbour Development Corporation surplus	698,377	698,377
Tourism Development Corporation of Cornwall	621,230	496,554
Total surplus (deficit)	(2,343,089)	(2,670,204)
Land inventory for resale surplus	2,717,636	2,717,636
Capital surplus (unfinanced capital outlay)	(12,743,145)	(8,876,564)
Unfunded liabilities:		
Future employment benefits payable	(55,592,038)	(53,968,027)
Asset retirement obligations	(25,975,237)	(24,741,283)
Net-long term liabilities	–	(232)
Total unfunded liabilities	(81,567,275)	(78,709,542)
Reserves and reserve funds:		
Reserves (Schedule 1)	33,855,976	33,849,067
Reserve funds (Schedule 1)	40,652,092	39,020,790
Total reserves and reserve funds	74,508,068	72,869,857
Investment in tangible capital assets:		
Tangible capital assets	568,280,545	518,117,218
Long-term liabilities	(66,267,224)	(50,370,573)
Total investment in tangible capital assets	502,013,321	467,746,645
Accumulated surplus	\$ 482,585,516	\$ 453,077,828