CAMBRIDGE CANADA
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Consolidated Financial

Statements Year

Ended December 31,

2023

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Responsibility for Financial Reporting
For the year ended December 31, 2023

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The Corporation of the City of Cambridge. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within the reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Corporate Leadership Team. In addition, management meets periodically with the City's external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

KPMG LLP, as the City's appointed external auditors have audited the Consolidated Financial Statements. The external auditors have full and free access to management and Council. The Auditors' Report is dated May 28, 2024 and appears on the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatements and present fairly the financial position and results of operations of the City in accordance with Canadian public sector accounting standards.

....	....
David Calder	Sheryl Ayres, CPA, CGA
City Manager	Chief Financial Officer

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener ON N2G 0E1
Canada
Tel 519-747-8800
Fax 519-747-8811

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Cambridge

Opinion

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

- the consolidated statement of the financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets 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 "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and its consolidated results of operations, its changes in consolidated 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 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 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 - comparative information

We draw attention to Note 3 to the financial statements ("Note 3"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 3 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 and as at January 1, 2022.

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 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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

Kitchener, Canada
DRAFT

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	2023	2022 (Note 3, 17)
Financial assets		
Cash	**$ 42,149,035**	$ 27,855,962
Taxes and grants-in-lieu receivable (Note 6)	**17,884,648**	15,357,122
Trade and other receivables (Note 6)	**31,729,478**	19,579,996
Investments (Note 7)	**370,425,263**	361,880,405
	462,188,424	424,673,485
Liabilities		
Accounts payable and accrued liabilities	**58,512,691**	69,568,069
Employee future benefits (Note 8)	**79,813,486**	77,736,143
Deferred revenue - obligatory reserve funds (Note 9)	**88,935,929**	81,379,125
Deferred revenue - other	**2,600,150**	3,964,147
Long-term debt (Note 10)	**67,010,440**	53,244,200
Asset retirement obligations (Note 3, 11)	**1,296,274**	1,296,274
	298,168,970	287,187,958
Net financial assets	**164,019,454**	137,485,527
Non-financial assets		
Tangible capital assets (Note 3, 12)	**845,657,626**	754,864,431
Inventories of supplies	**586,312**	788,360
Prepaid expenses	**2,567,409**	1,958,693
	848,811,347	757,611,484
Accumulated surplus (Note 3, 16)	**$ 1,012,830,801**	$ 895,097,011

Contingent liabilities (Note 14)

Approved by

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The accompanying notes are an integral part of these financial statements

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Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2023

	2023 Budget (Note 15)	2023 Actual	2022 Actual (Note 3, 17)
Revenues			
Taxation	$ 109,280,000	**$ 110,487,643**	$ 103,237,789
User fees and charges	93,647,700	**94,570,612**	90,362,952
Penalties and interest on taxes	2,550,000	**3,518,046**	2,819,859
Investment income	2,079,100	**5,221,052**	2,487,404
Fines	714,000	**695,330**	456,637
Government transfers			
Canada	162,800	**617,757**	526,168
Ontario	1,156,700	**1,363,846**	1,442,255
Deferred revenue earned	6,759,100	**2,404,200**	2,428,700
Land sales and other	564,000	**4,913,613**	3,745,960
Total revenues	216,913,400	**223,792,099**	207,507,724
Other Income			
Grants and transfers related to capital			
Deferred revenue earned		**21,263,809**	5,805,162
Government transfers - Ontario		**893,532**	628,037
Government transfers - Federal		**6,096,250**	8,018,549
Contributed tangible capital assets (Note 12)		**63,299,089**	22,081,834
Share of net income for the year from GrandBridge Corporation (Note 7)		**7,110,802**	8,333,926
Gain on dilution from prior interest in Energy Plus (Note 7)		**910,743**	38,329,822
Interest earned on reserves		**4,542,451**	2,565,239
Total other income		**104,116,676**	85,762,569
Total revenues and other income	216,913,400	**327,908,775**	293,270,293
Expenses			
General government	37,903,426	**$ 33,678,347**	38,057,265
Protection to persons and property	36,914,164	**36,540,337**	35,371,426
Transportation services	23,481,468	**22,179,928**	22,737,426
Environmental services	71,710,381	**70,723,465**	66,219,224
Health services	1,810,875	**1,827,021**	1,801,703
Social and family services	2,097,200	**1,809,399**	1,649,333
Recreation and cultural services	37,786,411	**36,151,067**	32,977,699
Planning and development	7,014,209	**7,265,421**	8,677,122
Total expenses	218,718,134	**210,174,985**	207,491,198
Annual surplus	(1,804,734)	**117,733,790**	85,779,095
Accumulated surplus, beginning of year		**895,097,011**	810,173,020
Adjustment on adoption of the asset retirement obligation standard (Note 3)		**-**	(855,104)
Accumulated surplus, beginning of year, as restated (Note 3)		**895,097,011**	809,317,916
Accumulated surplus, end of year		**$ 1,012,830,801**	$ 895,097,011

The accompanying notes are an integral part of these financial statements

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Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2023

		2023 Budget (Note 15)		**2023 Actual**		2022 Actual (Note 3, 17)
Annual surplus	$	(1,804,734)	**$**	**117,733,790**	$	85,779,095
Acquisition of tangible capital assets				**(52,717,688)**		(54,843,407)
Amortization of tangible capital assets		-		**25,023,511**		24,341,050
Gain on disposal of tangible capital assets		-		**(17,911)**		(544,670)
Proceeds on disposal of tangible capital assets		-		**217,982**		4,863,979
Contributed tangible capital assets		-		**(63,299,089)**		(22,081,834)
Change in supplies inventories		-		**202,048**		(163,111)
Change in prepaid expenses		-		**(608,716)**		(376,672)
Change in net financial assets		(1,804,734)		**26,533,927**		36,974,430
Net financial assets, beginning of year		137,485,527		**137,485,527**		101,807,371
Adjustment on adoption of the asset retirement obligation standard (Note 3)		-		**-**		(1,296,274)
Net financial assets, beginning of year, as restated		137,485,527		**137,485,527**		100,511,097
Net financial assets, end of year	$	135,680,793	**$**	**164,019,454**	$	137,485,527

The accompanying notes are an integral part of these financial statements

		2023		2022 (Note 3, 17)
Operating				
Annual surplus	$	**117,733,790**	$	85,779,095
Items not involving cash:				
Amortization		**25,023,511**		24,341,050
Contributed tangible capital assets		**(63,299,089)**		(22,081,834)
Share of net income for the year from GrandBridge Corporation		**(7,110,802)**		(8,333,926)
Gain on dilution from prior interest in Energy Plus		**(910,743)**		(38,329,822)
Gain on disposal of tangible capital assets		**(17,911)**		(544,670)
Changes in:				
Taxes and grants-in-lieu receivable		**(2,527,526)**		(1,108,978)
Trade and other receivables		**(12,149,482)**		2,814,203
Accounts payable and accrued liabilities		**(11,055,378)**		13,955,830
Employee future benefits		**2,077,343**		3,667,385
Deferred revenue - obligatory reserve funds		**7,556,804**		26,934,741
Deferred revenue - other		**(1,363,997)**		1,902,025
Inventories of supplies		**202,048**		(163,111)
Prepaid expenses		**(608,716)**		(376,672)
Cash provided from operations		**53,549,852**		88,455,316
Capital				
Acquisition of tangible capital assets		**(52,717,688)**		(54,843,407)
Proceeds on disposal of tangible capital assets		**217,982**		4,863,979
Net investment in tangible capital assets		**(52,499,706)**		(49,979,428)
Investing				
Dividends received and other cash proceeds from GrandBridge Corporation		**4,001,174**		4,304,149
Purchase of marketable securities		**(71,911,415)**		(127,431,246)
Sale of marketable securities		**67,386,928**		99,042,968
Net change in cash from investing activities		**(523,313)**		(24,084,129)
Financing				
Debt issued		**19,465,000**		-
Debt principal repayment		**(5,698,760)**		(5,631,760)
Net change in cash from financing activities		**13,766,240**		(5,631,760)
Net change in cash		**14,293,073**		8,759,999
Cash, beginning of year		**27,855,962**		19,095,963
Cash, end of year	**$**	**42,149,035**	$	27,855,962
High interest savings account (Note 7)		**48,347,221**		45,725,217
Cash and cash equivalents, end of year	**$**	**90,496,256**	$	73,581,179

The accompanying notes are an integral part of these financial statements

1. Municipal status

The Corporation of the City of Cambridge ("the City") was created on January 1, 1973 when the three municipalities of Galt, Preston, and Hespeler and the settlement of Blair were amalgamated into a single legal entity under a new name.

The City operates as a lower tier government in the Province of Ontario, Canada. Cambridge provides municipal services such as fire protection, public works, water distribution, urban planning, recreation and cultural services, and other general government services. The City owns 54.339% of its subsidiary, GrandBridge Corporation.

2. Summary of significant accounting policies

The consolidated financial statements of the City are the representation of management, prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Basis of consolidation

(i) Consolidated entities

These consolidated statements reflect the financial assets, liabilities, operating revenues and expenses, reserve funds and reserves, changes in investment in tangible capital assets and cash flows and include the activities of all governmental functions controlled and exercised by the City and the following boards which are under the control of Council:

The Cambridge Public Library Board
Preston Towne Centre Business Improvement Area
Downtown Cambridge Business Improvement Area
Hespeler Village Business Improvement Area

All inter-organizational transactions and balances between these entities have been eliminated.

(ii) Government Business Enterprises

GrandBridge Corporation is not consolidated but is accounted for on the modified equity basis which reflects the City's investment in the enterprises and its share of net income or loss, equity transactions and dividends received since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated.

(iii) Accounting for Region and School Board transactions

The taxation, other revenues, expenses, assets and liabilities, with respect to the operations of the School Boards and the Regional Municipality of Waterloo, are not reflected in these consolidated financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds Statement of Financial Position and Statement of Continuity (see Note 5).

2. Summary of significant accounting policies - Continued

(b) Basis of accounting

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the legal obligation to pay.

(c) Non-financial assets

Non-financial assets are not normally available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess revenues over expenses, provides the consolidated change in net financial assets for the year.

(i) Tangible capital assets

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

Land	Not Amortized
Buildings	40 to 50 years
Vehicles	
Specialty and fire trucks	9 to 20 years
Vehicles	5 years
Computer hardware and software	5 years
Water and waste plants and networks	
Underground networks	40 to 80 years
Transportation	
Roads	25 to 35 years
Bridges and structures	30 to 50 years
Other	
Machinery and equipment	3 to 15 years
Land improvements	15 to 50 years
Leasehold improvements	24 years

The full amount of annual amortization is charged in year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets (donated)

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

(iii) Interest capitalization

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

2. Summary of significant accounting policies - Continued

(c) Non-financial assets - Continued

(iv) Works of art and cultural and historic assets

These non-operational heritage assets are not recorded in these financial statements.

(v) 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.

(vi) Inventories and prepaid expenses

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Prepaid expenses relate to expenditures incurred in the current period which relate to and will be expensed in a future fiscal period.

(d) Employee future benefits

The contributions to a multi-employer, defined benefit plan are expensed when the contributions are due. The costs of post-employment benefits are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of post-employment benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, and expected health care costs. Any gains or losses from changes in assumptions or experience are amortized over the average remaining service period for active employees.

(e) Cash

Cash is comprised of accounts maintained at chartered financial institutions with an original maturity of three months or less.

(f) Investment income

Investment income is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is considered deferred until the funds are applied.

2. Summary of significant accounting policies - Continued

(g) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues 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 recorded 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.

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

Tax revenue is recognized when it is authorized and in the period for which the tax is levied. Tax revenue reported relates to property taxes.

(h) Land held for resale

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

(i) 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 all the following criteria are met:

i. an environmental standard exists;

ii. contamination exceeds the environmental standard;

iii. the City:

    is directly responsible; or

    accepts responsibility; and

iv. a reasonable estimate of the amount can be made.

A liability for contaminated sites has not been accrued for as of the current year-end.

2. Summary of significant accounting policies - Continued

(j) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when all of the following criteria are met:

i. there is a legal obligation to incur retirement costs in related to a tangible capital asset;

ii. the past transaction or event giving rise to the liability has occurred;

iii. it is expected that future economic benefits will be given up; and

iv. a reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at the financial statement date.

When the cash flows and timing required to fulfil the retirement obligation can be reasonably estimated, a present value technique may be used to account for the obligation. The liability is discounted to its present value upon initial recognition and adjusted yearly for accretion expense. When there is uncertainty about the amount or timing of cash flows to settle the ARO, the present value technique may not be used. Uncertainties about timing and amount to settle an ARO does not remove the obligation but will affect its measurement.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset. Where the obligation relates to an asset which is no longer in service, and not providing economic benefit, or to an item not recorded by the City as an asset, the obligation is expensed upon recognition.

At each financial reporting date, the City reviews the carrying amount of the liability. Changes to the liability arising from revisions to either the timing, the amount of the original estimate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. All subsequent changes in the estimate of the related asset retirement obligation liability is recognized as an expense in the fiscal year it is incurred.

The City continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including employee benefits payable, taxation assessment appeals, legal claims provisions, liability for contaminated sites, the valuation of tangible capital assets and their related useful lives and amortization, are based on management's best information and judgement and may differ significantly from future actual results.

In addition, the City's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

2. Summary of significant accounting policies - Continued

(l) Financial instruments

All financial instruments reported on the consolidated statement of financial position for the year ended December 31, 2023 are measured as follows:

Financial Asset	**Measurement Basis**
Cash	Cost/amortized cost
Trade and other receivables	Cost/amortized cost
Investments - investment in GrandBridge Corporation	Cost/amortized cost
Investments – marketable securities	
High interest savings accounts	Cost/amortized cost
Guaranteed investment certificates	Cost/amortized cost
Bonds	Cost/amortized cost
Notes - other	Cost/amortized cost
Principal protected notes	Fair value
Pooled investment funds	Cost/amortized cost

Financial Liabilities	**Measurement Basis**
Accounts payable and accrued liabilities	Cost/amortized cost
Deferred revenue – obligatory reserve funds	Cost/amortized cost
Long-term debt	Cost/amortized cost

Financial Instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost. The unrealized remeasurement gains and losses are recorded in the statement of remeasurement gains and losses. Once realized, remeasurement gains and losses are transferred to the statement of operations. As all financial instruments are measured at cost or amortized cost, there have been no re-measurement gains or losses. Therefore, the Statement of Remeasurement Gains (Losses) has been excluded.

Financial instruments that are subsequently measured at fair value are classified based on the observability of inputs as follows:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Principal protected notes within investments – marketable securities are measured as level 2 financial instruments.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations.

3. Change in accounting policies

In 2023, the City adopted the Public Sector Accounting Board's new standard for the recognition, measurement, and disclosure of a liability for asset retirement obligations under PS 3280 Asset Retirement Obligations. The new standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings by public sector entities. Under the new standard, a liability for an asset retirement obligation is recognized as the best estimate of the amount required to retire a tangible capital asset when certain criteria are met as described in Note 11.

Pursuant to the recommendations of PS 3280, the change was applied retroactively using the modified retrospective method and prior periods have been restated to reflect the liability for asset retirement obligations as of January 1, 2022. In accordance with the provisions of this new standard, the City reflected the following adjustments for the year ended December 31, 2022:

	Balance as previously reported December 31, 2022	**Adjustment**	**Balance as restated as at December 31, 2022**
Tangible capital assets	**754,445,002**	**419,429**	**754,864,431**
Asset retirement obligations	**-**	**(1,296,274)**	**(1,296,274)**
Accumulated surplus, opening	**(810,173,020)**	**855,104**	**(809,317,916)**
Impact on expenses for amortization	**24,319,309**	**21,741**	**24,341,050**

In 2023, the City adopted Public Accounting Standards PS 1201 Financial Statement Presentation, PS 2601 – Foreign Currency Translation, PS 3041 Portfolio Investments, and PS 3450 – Financial Instruments. These standards have no significant impact on the presentation of the financial statements. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and where applicable, the municipality’s accounting policy choices.

4. Operations of School Boards and the Region of Waterloo

Further to note (2) (a) (iii), the taxation, other revenues, and requisitions of the School Boards and the Regional Municipality of Waterloo are comprised of the following:

	School Boards	Region of Waterloo
Taxation and user charges	$ 58,069,613	$ 202,346,191
Share of payments in lieu of taxes	64,312	824,586
Amounts requisitioned	$ 58,133,925	$ 203,170,777

5. Trust funds

Trust funds administered by the City amounting to **$12,931,675** (2022 - $12,169,690), have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. The trust funds under administration are composed of the following:

2023	Balance, beginning of year	Receipts	Expenditures	Balance, end of year
Cemetery Care and Maintenance Fund	$ 7,389,081	$ 556,072	$ 177,852	$ 7,767,301
Cemetery Care and Maintenance Monuments	629,995	46,008	15,128	660,875
Cemetery Charges Prepaid	3,544,087	256,450	130,391	3,670,146
Election Surplus	4,501	106	-	4,607
Arthur White Scholarship Fund	15,879	373	-	16,252
C.I.T.C. Training Cambridge	18,156	426	-	18,582
Arts Guild Improvement	48,922	6,154	-	55,076
Cambridge Arts Guild	588	14	-	602
Prepaid Rent	10,707	251	-	10,958
School of Architecture Bursary	55,870	1,312	-	57,182
Ancient Mariners Canoe Club Fund	33,863	2,803	-	36,666
Allan Reuter Centre Renovation	31,611	742	-	32,353
Fiddlesticks Neighbourhood Association	349,117	220,683	-	569,800
Cambridge Rowing Club	1,579	37	-	1,616
David Durward Centre	25,419	607	3,915	22,111
G.E. (Ted) Wake Lounge Seniors Fund	10,315	233	3,000	7,548
Total	**$ 12,169,690**	**$ 1,092,271**	**$ 330,286**	**$ 12,931,675**

2022	Balance, beginning of year	Receipts	Expenditures	Balance, end of year
Cemetery Care and Maintenance Fund	7,059,474	$ 541,980	$ 212,373	$ 7,389,081
Cemetery Care and Maintenance Monuments	592,875	55,005	17,885	629,995
Cemetery Charges Prepaid	3,414,702	290,764	161,379	3,544,087
Election Surplus	4,372	129	-	4,501
Arthur White Scholarship Fund	15,424	455	-	15,879
C.I.T.C. Training Cambridge	17,635	521	-	18,156
Arts Guild Improvement	47,519	1,403	-	48,922
Cambridge Arts Guild	571	17	-	588
Prepaid Rent	10,400	307	-	10,707
School of Architecture Bursary	54,268	1,602	-	55,870
Ancient Mariners Canoe Club Fund	30,608	3,255	-	33,863
Allan Reuter Centre Renovation	30,704	907	-	31,611
Fiddlesticks Neighbourhood Association	196,590	152,527	-	349,117
Cambridge Rowing Club	1,534	45	-	1,579
David Durward Centre	28,397	836	3,814	25,419
G.E. (Ted) Wake Lounge Seniors Fund	11,969	346	2,000	10,315
Total	**$ 11,517,042**	**$ 1,050,099**	**$ 397,451**	**$ 12,169,690**

6. Taxes and accounts receivable

Taxes receivable and accounts receivable are reported net of a valuation allowance of **$5,438,110** (2022 - $5,438,110) and **$317,442** (2022 - $317,442) respectively.

7. Investments

Investments are comprised of the following:

	2023	2022
Investment in GrandBridge Corporation		
Capital stock	**$ 131,266,308**	$ 131,266,308
Increase in equity since inception	**9,200,259**	5,179,888
	140,466,567	136,446,196
Marketable securities		
High interest savings accounts	**48,347,221**	45,725,217
Guaranteed investment certificates	**112,059,246**	108,280,157
Bonds	**6,811,143**	3,583,292
Notes - other	**45,055,871**	50,151,043
Principal protected notes	**17,485,215**	17,494,500
Pooled investment funds	**200,000**	200,000
	229,958,696	225,434,209
Total investments	**$ 370,425,263**	$ 361,880,405

Marketable securities have a market value of **$230,084,130** (2022 - $219,124,526).

On August 1, 2000, pursuant to requirements of the Ontario Government's Electricity Competition Act (Bill 35), the net assets of the Hydro Electric Commission of Cambridge and North Dumfries were transferred to Cambridge and North Dumfries Energy Plus Inc. ("Energy Plus") and affiliated companies. Energy Plus and affiliates carried on the former business of the Commission with all its rights, duties, obligations and responsibilities from the date of transfer. During 2020, the shareholders of Energy Plus approved a merger of Energy Plus with Brantford Energy Corporation, The merger closed on May 2, 2022 and the City owns 54.339% of the merged entity, GrandBridge Corporation. Prior to the merger, at December 31, 2021, the City owned 92.1% of Energy Plus. The City's investment in GrandBridge Corporation for the year ended December 31, 2023 is as follows (see note 2(a) (ii)):

	2023
Investment, beginning of year	**$ 136,446,196**
Share of GrandBridge Corporation net income for the year	**7,110,802**
Gain on dilution from prior interest in Energy Plus	**910,743**
Dividends received from GrandBridge Corporation for the year	**(3,090,431)**
Cash proceeds on redemption of shares	**(910,743)**
Investment, end of year	**$ 140,466,567**

7. Investments - Continued

		2022
Investment, beginning of year	$	**94,086,597**
Share of Energy Plus net income for the period from January 1, 2022 to May 1, 2022		**2,496,831**
Dividends received from Energy Plus from January 1, 2022 to May 1, 2022		**(3,459,979)**
Investment, May 2, 2022		**93,123,449**
Gain on dilution from prior interest in Energy Plus		**38,329,822**
Share of GrandBridge Corporation net income for the period from May 2, 2022 to December 31, 2022		**5,837,095**
Cash proceeds on redemption of shares		**(186,963)**
Dividends received from GrandBridge Corporation from May 2, 2022 to December 31, 2022		**(657,207)**
Investment, end of year	$	**136,446,196**

The following table provides condensed financial information in respect of GrandBridge Corporation for its fiscal 2023 year:

		2023 (000's)		2022 (000's)
Financial position				
Current assets	$	71,926	$	86,308
Capital assets		360,588		333,355
Goodwill		78,548		78,548
Other assets		41,031		39,760
Total assets		**552,093**		537,971
Current liabilities		70,810		71,556
Long-term liabilities		217,877		209,132
Total liabilities		**288,687**		280,688
Net assets		**263,406**		257,283
Regulatory deferral account credit balances		**(4,904)**		(6,180)
Total shareholders' equity		**258,502**		251,103

		2023 (000's)		For the period January 1, 2022 to May 1, 2022 (000's)		For the period May 2, 2022 to December 31, 2022 (000's)
Statement of operations						
Revenues		385,546		76,872		269,307
Operating expenses		(362,862)		(72,220)		(254,379)
Non-operating expenses		(5,675)		(1,180)		(571)
Payments in lieu of corporate income taxes		(3,923)		(761)		(3,615)
Net income		**13,086**		2,711		10,742
City's share of net income	**$**	**7,111**	$	2,497	$	5,837

8. Employee and post employment benefits

The City provides certain employee benefits which will require funding in future periods. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. Post-employment benefits and sick leave benefits were estimated by an actuarial update as at December 31, 2022. Workplace safety & insurance benefits was estimated by an actuarial update as at December 31, 2023.

	2023	2022	Change
Post-employment benefits	**$ 62,628,289**	$ 62,239,380	$ 388,909
Sick leave benefits	**7,269,538**	7,115,083	154,455
Workplace safety & insurance benefits	**9,915,659**	8,381,680	1,533,979
	$ 79,813,486	$ 77,736,143	$ 2,077,343

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations for the accumulated sick leave and post-employment benefit entitlements at December 31, 2023, are as follows:

	Sick leave and post-employment benefits	Library post-employment benefits
Future cost of long term debt	4.50%	4.50%
Future inflation rates	2.00%	2.00%
Future salaries escalations	3.00%	
Future dental premium rates escalations	4.00%	4.00%
Future health care premium rates		
2023	6.00%	5.67%
Declining by	2029 to 4.00%	2030 to 4.00%

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

	2023	2022
Accrued Liability		
Balance, beginning of the year	**$ 77,736,143**	$ 74,068,758
Current service cost	**2,107,784**	2,139,730
Actuarial adjustment	**1,014,028**	2,514,230
Interest cost	**3,425,918**	2,827,720
Amortization of net actuarial loss	**(261,907)**	(42,129)
Benefit payments	**(4,208,480)**	(3,772,166)
Balance, end of the year	**$ 79,813,486**	$ 77,736,143

a) Pension Plan

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of members of its staff. The Plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees based on the lengths of service and rates of pay. Employee contributions are matched by the City.

The amount contributed to OMERS for 2023 was $6,905,345 (2022 - $6,614,967) for current service and is included as an expense on the consolidated statement of operations.

8. Employee and post employment benefits - Continued

a) Pension Plan - Continued

The OMERS pension plan has a deficit. The last available report for the OMERS plan was on December 31, 2023. At that time the plan reported a $4.2 billion actuarial deficit (2022 - $6.7 billion), based on actuarial liabilities of $136.2 billion (2022 - $130.3 billion) and actuarial net assets of $132.0 billion (2022 - $123.6 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

b) Post-employment benefits

The City makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for such benefits as extended health and drugs, dental care, and life insurance. Coverage ceases at the age of 65 except for life insurance and extended health and drugs. In addition, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The actuarial valuation report estimated the liability for the above mentioned employee future benefits to be **$62,628,289** (2022 - $62,239,380) at year end based on present value of the current obligation for past and current employees.

c) Sick leave

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the City's employment. In addition, adjustments arising from the plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 12 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The liability for these accumulated days based on an actuarial assessment, to the extent that they have vested and could be taken in cash by an employee on termination or retirement, amounted to **$7,269,538** (2022 - $7,115,083) at the end of the year. An amount of **$316,463** (2022 - $878,098) was paid to employees who either changed union groups or left the City's employment during the current year.

The reserve fund was established to fund the cost of future employee benefits provided by the City. The balance at the end of the year was **$13,619,078** (2022 - $12,204,696).

d) Workplace safety & insurance

In 1996, in order to decrease workers' compensation expense, the City assumed the risk of workers' compensation coverage.

The potential liability, based on an actuarial valuation update for all existing claims as at December 31, 2023 amounted to **$9,915,659** (2022 - $8,381,680).

A self-insurance reserve fund for workers' compensation was established which, at December 31, 2023, amounted to **$2,336,370** (2022 - $2,348,788). Premiums which otherwise could be paid to Workplace Safety & Insurance Board are paid into the fund and workers' compensation claims are charged to the fund.

9. Deferred revenue - obligatory reserve funds

A requirement of the Public Sector Accounting Board, of the Chartered Professional Accountants of Canada, is that obligatory reserves be reported as deferred revenue, as these are restricted revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded. Deferred revenue balances are as follows:

	2023	2022
Receipts		
Development charges and user fees	**$ 29,371,934**	$ 36,491,154
Canada Community - Building Fund	**4,299,582**	4,120,433
Investment income	**3,537,760**	1,540,136
	37,209,276	42,151,723
Deferred revenue recognized and other adjustments	**(29,652,472)**	(15,216,982)
Change in deferred revenue	**7,556,804**	26,934,741
Deferred revenue, beginning of year	**81,379,125**	54,444,384
Deferred revenue, end of year	**88,935,929**	81,379,125
Represented as follows:		
Development charges	**68,012,993**	63,859,433
Recreational land	**6,811,722**	5,635,805
Cash in lieu of parking	**27,849**	26,678
Building permits	**9,909,009**	7,040,090
Canada Community - Building Fund	**4,174,356**	4,817,119
	$ 88,935,929	$ 81,379,125

10. Long-term debt

The City has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by the Region of Waterloo. At the end of the year, the total outstanding principal amount of this liability is **$67,010,440** (2022 - $53,244,200). This includes newly assumed debt in the amount of **$19,465,000** (2022 - $nil). The debt bears interest at rates ranging from 1.11% to 5.02% per annum.

Principal repayments required over the next 5 years and thereafter are as follows:

2024 -	$ 6,380,760
2025 -	6,450,760
2026 -	6,062,760
2027 -	5,383,760
2028 -	5,314,760
Thereafter -	37,417,640
	$ 67,010,440

Interest charges for fiscal 2023 relating to long-term debt were **$1,160,047** (2022 - $1,246,315).

11. Asset retirement obligations

The City's asset retirement obligations, recognized under PS 3280 Asset Retirement Obligations, is comprised of the following:

a) Asbestos obligation

The City owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition or renovation of the building. The Occupational Health and Safety Regulations, 1996 outlines the legal obligation to remove it. Following the adoption of PS3280 Asset Retirement Obligations, the City recognized an obligation relating to the removal of the asbestos in these buildings as estimated at January 1, 2022. The costs were based upon the presently known obligations obtained through assessments.

b) Storage tank obligation

The City owns and operates several storage tanks which represents a risk of ground contamination due to leaks and corrosion. The Hazardous Substances and Waste Dangerous Goods Regulations outlines the legal obligation to remove the tanks and clean up the surrounding soil. Following the adoption of PS3280 Asset Retirement Obligations, the City recognized an obligation relating to the removal of the tanks and the surrounding soil remediation as estimated at January 1, 2022. The costs were based upon the presently known obligations obtained through assessments.

c) Abandoned bridge obligation

Abandoned bridges fall under the Public Transportation and Highway Improvement Act. The City has identified an abandoned bridge in Cambridge. Inspection reports are prepared every two years in accordance with the Act. Following the adoption of PS3280 Asset Retirement Obligations, the City recognized an obligation relating to the removal of the bridge and any shoreline remediation as estimated at January 1, 2022. The costs were based upon the presently known obligations obtained through assessments. In compliance with this standard, as the bridge is no longer in productive use, asset retirement obligation must be expensed.

The transition and recognition of asset retirement obligations involved an accompanying increase to the corresponding tangible capital assets and the restatement of prior year balances (see Note 3).

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

	Buildings (Asbestos)	Machinery & Equipment (Storage Tanks)	Infrastructure (Bridge)	Total
Opening balance (restated) January 1, 2022	$ 635,924	$ 330,350	$ 330,000	**$ 1,296,274**
Ending Balance, December 31, 2023	**$ 635,924**	**$ 330,350**	**$ 330,000**	**$ 1,296,274**

12. Tangible capital assets

2023	Land	Land improvements	Buildings	Leasehold improvements	Infrastructure	Information technology	Machinery & equipment	Vehicles	Assets under construction	Total
Cost										
Balance, beginning of year	$ 103,715,156	$ 91,726,974	$ 190,343,234	$ 4,338,125	$ 633,699,960	$ 20,774,287	$ 32,127,453	$ 21,825,465	$ 67,433,560	**$ 1,165,984,214**
Additions	9,607,816	21,555,158	7,151,104	-	64,239,553	2,074,005	14,849,384	2,302,104	57,197,015	**178,976,139**
Disposals	-	100,641	88,847	-	798,311	1,043,442	1,089,278	1,472,308	62,959,362	**67,552,189**
Cost, end of year	**113,322,972**	**113,181,491**	**197,405,491**	**4,338,125**	**697,141,202**	**21,804,850**	**45,887,559**	**22,655,261**	**61,671,213**	**1,277,408,164**
Accumulated amortization										
Balance, beginning of year	-	47,780,691	88,621,017	1,301,710	233,482,378	16,211,334	11,201,987	12,520,666	-	**411,119,783**
Disposals	-	43,611	88,847	-	766,867	958,279	1,089,278	1,445,874	-	**4,392,756**
Amortization expense	-	2,347,662	4,230,132	87,603	11,490,007	2,046,483	3,509,561	1,312,063	-	**25,023,511**
Accumulated amortization, end of year	**-**	**50,084,742**	**92,762,302**	**1,389,313**	**244,205,518**	**17,299,538**	**13,622,270**	**12,386,855**	**-**	**431,750,538**
Net book value, end of year	**$ 113,322,972**	**$ 63,096,749**	**$ 104,643,189**	**$ 2,948,812**	**$ 452,935,684**	**$ 4,505,312**	**$ 32,265,289**	**$ 10,268,406**	**$ 61,671,213**	**$ 845,657,626**

2022 (Note 3, 17)	Land	Land improvements	Buildings	Leasehold improvements	Infrastructure	Information technology	Machinery & equipment	Vehicles	Assets under construction	Total
Cost										
Balance, beginning of year	$ 99,160,110	$ 89,991,832	$ 185,732,645	$ 4,338,125	$ 585,942,110	$ 20,997,579	$ 23,812,087	$ 23,362,892	$ 64,005,564	**$ 1,097,342,944**
Recognition of asset retirement obligation	-	-	635,924	-	-	-	330,350	-	-	**966,274**
Balance, beginning of year, as restated	99,160,110	89,991,832	186,368,569	4,338,125	585,942,110	20,997,579	24,142,437	23,362,892	64,005,564	**1,098,309,218**
Additions	6,605,066	2,198,189	4,910,970	-	51,843,084	1,247,958	9,475,272	370,277	60,553,472	**137,204,288**
Disposals	2,050,020	463,047	936,305	-	4,085,234	1,471,250	1,490,256	1,907,704	57,125,476	**69,529,292**
Cost, end of year	**103,715,156**	**91,726,974**	**190,343,234**	**4,338,125**	**633,699,960**	**20,774,287**	**32,127,453**	**21,825,465**	**67,433,560**	**1,165,984,214**
Accumulated amortization										
Balance, beginning of year	-	45,945,081	84,207,682	1,186,291	223,664,264	13,896,584	9,355,931	12,928,732	-	**391,184,565**
Recognition of asset retirement obligation	-	-	401,223	-	-	-	123,881	-	-	**525,104**
Balance, beginning of year, as restated	-	45,945,081	84,608,905	1,186,291	223,664,264	13,896,584	9,479,812	12,928,732	-	**391,709,669**
Disposals	-	352,169	173,216	-	477,202	1,249,916	950,749	1,727,684	-	**4,930,936**
Amortization expense	-	2,187,779	4,185,328	115,419	10,295,316	3,564,666	2,672,924	1,319,618	-	**24,341,050**
Accumulated amortization, end of year	**-**	**47,780,691**	**88,621,017**	**1,301,710**	**233,482,378**	**16,211,334**	**11,201,987**	**12,520,666**	**-**	**411,119,783**
Net book value, end of year	**$ 103,715,156**	**$ 43,946,283**	**$ 101,722,217**	**$ 3,036,415**	**$ 400,217,582**	**$ 4,562,953**	**$ 20,925,466**	**$ 9,304,799**	**$ 67,433,560**	**$ 754,864,431**

12. Tangible capital assets - Continued

During the year, roads, underground networks, and other tangible capital assets contributed to the City totalled **$63,299,089** (2022 - $22,081,834) and were capitalized at their fair value at the time of receipt.

13. General insurance coverage

In order to decrease insurance premiums, the City has undertaken a portion of the risk through increased deductibles. The deductibles generally range up to $50,000 depending on the types of claims. Insurance coverage is in place for claims in excess of these deductibles up to various policy limits.

The City has made provision for a Reserve for Self-Insurance for various types of insurance, the balance of which at December 31, 2023 amounted to **$903,312** (2022 - $1,215,229), and is reported in Note 16 under Reserves. The City budgets annually for claims related to self-insurance and the difference between budgeted and actual claims during the year is drawn from the reserve fund. In 2023 the amount drawn from the reserve was **$336,217** (2022 - $475,837). Claims for all forms of self-insurance during the year amounting to **$634,644** (2022 - $603,477), including adjusters' fees and costs, are reported as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

The City has an agreement with members of the Waterloo Region municipalities to purchase property damage and public liability insurance on a group basis and share a retained level of risk. The members pay an annual levy to fund insurance coverage, losses, and contribute to a surplus. The pool has purchased insurance to fund losses above a pre-determined deductible and any losses above a pre-determined total in any year.

14. Contingent liabilities

The City is involved in several legal suits of varying dollar amounts, the outcome of which is not presently determinable. No provision for possible liability has been recorded in these financial statements.

In the event the City is found liable, any amounts not recoverable from City's insurers will be adjusted against future revenues.

15. Budget figures, unaudited

Budget figures reported on the Consolidated Statement of Operations and Accumulated Surplus are based on the 2023 municipal operating and water/wastewater budgets as approved by Council February 21, 2023 and include subsequent amendments.

Approved budget figures have been reclassified and adjusted for the purposes of these financial statements to comply with Public Sector Accounting Board ("PSAB") reporting requirements. The chart below reconciles the approved operating budgets to the amended budget figures:

		Budget Amount
Approved operating budget revenues	**$**	**226,277,800**
Budget amendments and reallocations		
PSAB reporting adjustments:		
Dividends from GrandBridge Corporation		(3,542,400)
Contributions from reserves and reserve funds		(5,822,000)
Net operating budget revenues	**$**	**216,913,400**
Approved operating budget expenses	**$**	**226,277,800**
Budget amendments and reallocations		
PSAB reporting adjustments:		
Amortization of tangible capital assets		24,319,309
Non-tangible capital asset expenditures		6,616,040
Unfunded accrual for employee future benefit obligation		3,667,385
Contribution to reserves and reserve funds		(30,909,700)
Debt principal repayments		(11,252,700)
Net operating budget expenses		**218,718,134**
Net expenses before other income		**(1,804,734)**

16. Accumulated surplus

Accumulated surplus consists of individual surpluses, reserve funds, and reserves as follows:

	2023	2022 (Note 3, 17)
Reserve funds		
Capital Works	**$ 7,520,997**	$ 11,073,402
Capital Works Committed	**1,890,127**	1,714,509
Wastewater Capital	**18,311,127**	14,635,376
Wastewater Rate Stabilization	**7,025,120**	5,073,115
Water System Capital	**16,835,709**	16,280,376
Water Rate Stabilization	**4,236,024**	3,883,455
Cemetery	**437,525**	753,351
Equipment	**6,529,145**	6,603,828
Facility Maintenance	**271,746**	1,506,661
Soccer Facility Capital	**329,395**	315,534
Library	**433,159**	973,886
Public Art	**162,417**	306,890
Energy Conservation	**1,997,543**	1,874,923
Economic Development	**9,644,284**	10,108,172
Future Employee Benefits	**13,619,078**	12,204,696
Workplace Safety and Insurance	**2,336,370**	2,348,788
Core Areas Transformation	**13,729,353**	14,972,122
Jacob Hespeler Field Capital	**375,087**	319,462
Total reserve funds	**105,684,206**	104,948,546
Reserves		
Capital Works Debt Retirement	**3,518,180**	2,310,280
Heritage Conservation	**84,699**	71,553
Archives	**41,309**	41,309
Election	**(23,763)**	(25,130)
Winter Maintenance	**1,161,664**	782,591
Hydro Dividend Stabilization	**463,128**	391,054
Rate Stabilization	**17,217,723**	11,087,504
Library Rate Stabilization	**529,297**	-
Self Insurance	**903,312**	1,215,229
Affordable Housing	**1,276,492**	1,232,092
Tree Canopy Management	**1,370,426**	885,810
Municipal Accommodation Tax	**1,176,101**	1,058,775
Total reserves	**27,718,568**	19,051,067
Total reserve funds and reserves	**133,402,774**	123,999,613

16. Accumulated surplus - Continued

	2023	2022 (Note 3, 17)
Surpluses		
Invested in tangible capital assets	**845,657,626**	754,864,431
Invested in repair and replacement of assets	**36,390,098**	4,163,560
Invested in Government Business Enterprise	**140,466,567**	136,446,196
Sanitary sewage systems	**858,035**	3,159,572
Water supply system	**1,110,565**	300,987
General revenue fund	**2,001,967**	3,375,147
Library board	**963,814**	933,868
Business improvements areas	**99,555**	130,254
Amounts to be recovered		
Employee and post-employment benefits	**(79,813,486)**	(77,736,143)
Long-term debt	**(67,010,440)**	(53,244,200)
Asset retirement obligations	**(1,296,274)**	(1,296,274)
Total surplus	**879,428,027**	771,097,398
Accumulated surplus	**$1,012,830,801**	$ 895,097,011

17. Comparative figures

Certain of the prior year's comparative figures have been reclassed to conform to the current year's presentation.

18. Municipal insurance pool

In 1998, the City entered into an agreement with members of the Waterloo Region Municipalities to purchase property damage and public liability insurance on a group basis and share a retained level of risk. The members pay an annual levy to fund insurance and pre-fund expected losses. The pool has purchased insurance to fund losses above a pre-determined deductible and any losses above a pre-determined total in any year. The City's share of pool levies is 14.13% as of May 31, 2023 (14.41% as of May 31, 2022) and any surplus is 14.03% as of May 31, 2023 (14.16% as of May 31, 2022). The pool's surplus at May 31, 2023 is $3,210,268 (2022 - $5,038,515).

19. Financial instruments and risk management

(a) Credit risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss of the other party by failing to discharge the obligation. The City is exposed to credit risk from its financial assets including cash and cash equivalents, trade and other receivables, and investments.

The City holds its cash accounts with chartered financial institutions.

Trade and other receivables are primarily from government, corporations, and individuals. The City measures its exposure to credit risk based on how long amounts have been outstanding. As at December 31, 2023, $1,208,322 of accounts receivable were more than 90 days past due. Credit risk is mitigated by a highly diversified nature of debtors and other customers which minimizes its concentration of credit risk. Valuation allowances for accounts receivable are disclosed in Note 5. An impairment allowance is set up based on historical experiences regarding collections.

The City's investment policy governs the investment of surplus cash, reserves and reserve funds, and trust funds in accordance with Ontario Regulation 438/97 made under the Municipal Act. All investment by the municipality will be subject to Section 167 of the Municipal Act and Ontario Regulation 438/97 made under the Municipal Act. The goal of this policy is to invest all available funds of the Corporation in a prudent manner so as to maximize the rate of return while minimizing the degree of risk and ensuring an adequate level of liquidity under the Act.

(b) Liquidity risk

Liquidity risk is the risk that the City will not be able to meet all cash outflow obligations as they come due. The City is exposed to liquidity risk from accounts payable and accrued liabilities. The City mitigates this risk by monitoring cash activities and expected outflows through budgeting and monitoring investments that may be converted into cash to maintain sufficient funds for meeting obligations as they come due. Accounts payable and accrued liabilities are generally due within 30 days. The annual repayment obligations for municipal debt are disclosed in Note 10.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk.

(i) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The City is not exposed to significant currency risk as amounts held and purchases made in foreign currency are insignificant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The City is exposed to interest rate risk through its investments and long-term debt. The City is not exposed to significant interest rate risk as the City invests solely in investments subject to Section 167 of the Municipal Act and Ontario Regulation 438/97 made under the Municipal Act and long-term debt has interest rates fixed for long periods of time with the debt intended to be repaid in accordance with the terms of the respective loans.

19. Financial instruments and risk management - Continued

(c) Market risk - Continued

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than current and interest rate risk). The City is not exposed to significant other price risks.

20. Segmented information

The City of Cambridge is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, road, water distribution, sewer collection/conveyance, storm sewer, libraries, and community services.

Segmented information has been prepared by major functional classification of activities provided, consistent with the Consolidated Statement of Operations and Accumulated Surplus and provincially legislated requirements.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

20. Segmented information - Continued

For the year ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
Revenue									
Taxation	$ 31,281,008	$ 31,461,500	$ 11,118,300	$ 5,963,635	$ 570,000	$ 514,000	$ 25,832,800	$ 3,746,400	**$110,487,643**
User fees and charges	1,869,493	4,354,078	3,561,127	75,820,248	1,085,174	381,168	5,938,933	1,560,391	**94,570,612**
Penalties and interest on taxes	3,518,046	-	-	-	-	-	-	-	**3,518,046**
Investment income	5,221,052	-	-	-	-	-	-	-	**5,221,052**
Fines	-	263,305	432,025	-	-	-	-	-	**695,330**
Government transfers - Canada	370,590	-	3,070	-	-	-	244,097	-	**617,757**
Government transfers - Ontario	82,400	-	-	-	-	1,058,876	222,570	-	**1,363,846**
Deferred revenue earned	1,223,600	-	284,900	895,700	-	-	-	-	**2,404,200**
Land sales and other	848,142	(26,434)	141,033	1,181,323	436,608	-	1,553,125	779,816	**4,913,613**
Total revenue	**44,414,331**	**36,052,449**	**15,540,455**	**83,860,906**	**2,091,782**	**1,954,044**	**33,791,525**	**6,086,607**	**223,792,099**
Other Income									
Grants and transfers related to capital									
Deferred revenue earned	(62,132)	241,297	5,991,472	10,989,699	-	-	4,103,473	-	**21,263,809**
Government transfers - Ontario	331,681	8,464	-	-	-	-	316,839	236,548	**893,532**
Government transfers - Federal	-	-	2,814,071	941,652	-	-	2,340,527	-	**6,096,250**
Contributed tangible capital assets (Note 12)	5,550,000	-	6,680,868	50,568,242	-	-	499,979	-	**63,299,089**
Share of net income for the year from GrandBridge Corporation	7,110,802	-	-	-	-	-	-	-	**7,110,802**
Gain on dilution from prior interest in Energy Plus (Note 7)	910,743	-	-	-	-	-	-	-	**910,743**
Interest earned on reserves	1,005,469	-	524,857	1,916,645	22,410	-	57,609	1,015,461	**4,542,451**
Total other income	**14,846,563**	**249,761**	**16,011,268**	**64,416,238**	**22,410**	**-**	**7,318,427**	**1,252,009**	**104,116,676**
Total revenues and other income	**59,260,894**	**36,302,210**	**31,551,723**	**148,277,144**	**2,114,192**	**1,954,044**	**41,109,952**	**7,338,616**	**327,908,775**
Expenses									
Salaries wages and employee benefits	25,381,560	30,519,212	8,850,283	7,354,323	1,207,471	1,485,183	18,926,474	4,149,116	**97,873,622**
Long term debt charges	58,970	-	369,063	387,344	-	-	344,671	-	**1,160,048**
Materials	8,285,725	1,789,446	3,465,792	3,912,989	104,708	191,924	5,085,956	1,540,865	**24,377,405**
Contracted services	4,209,073	2,316,119	3,142,733	40,045,419	152,610	132,292	4,613,298	240,242	**54,851,786**
Rents and financial expenses	2,106,322	-	227,620	123,970	-	-	501,148	73,592	**3,032,652**
External transfers	921,414	-	4,700	-	-	-	1,693,693	1,236,154	**3,855,961**
Amortization of tangible capital assets	2,507,910	879,888	6,555,693	10,512,035	123,228	-	4,418,747	26,010	**25,023,511**
Interfunctional adjustments	(9,792,627)	1,035,672	(435,956)	8,387,385	239,004	-	567,080	(558)	**-**
Total expenses	**33,678,347**	**36,540,337**	**22,179,928**	**70,723,465**	**1,827,021**	**1,809,399**	**36,151,067**	**7,265,421**	**210,174,985**
Annual surplus (deficit)	**$ 25,582,547**	**$ (238,127)**	**$ 9,371,795**	**$ 77,553,679**	**$ 287,171**	**$ 144,645**	**$ 4,958,885**	**$ 73,195**	**$117,733,790**

20. Segmented information - Continued

For the year ended December 31, 2022 (Note 3, 17)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
Revenue									
Taxation	$ 32,804,043	$ 29,704,200	$ 11,300,400	$ 919,046	$ 516,600	$ 614,700	$ 23,922,600	$ 3,456,200	**$ 103,237,789**
User fees and charges	1,960,577	4,217,977	3,637,957	72,886,700	1,148,575	218,548	4,849,703	1,442,915	**90,362,952**
Penalties and interest on taxes	2,819,859	-	-	-	-	-	-	-	**2,819,859**
Investment income	2,487,404	-	-	-	-	-	-	-	**2,487,404**
Fines	-	185,322	271,141	-	-	-	174	-	**456,637**
Government transfers - Canada	280,089	-	2,100	-	-	-	243,979	-	**526,168**
Government transfers - Ontario	96,900	-	-	-	-	1,122,642	222,713	-	**1,442,255**
Deferred revenue earned	1,224,500	-	307,400	896,800	-	-	-	-	**2,428,700**
Land sales and other	559,033	-	102,363	(940,485)	373,142	4,000	(163,899)	3,811,806	**3,745,960**
Total revenue	**42,232,405**	**34,107,499**	**15,621,361**	**73,762,061**	**2,038,317**	**1,959,890**	**29,075,270**	**8,710,921**	**207,507,724**
Other Income									
Grants and transfers related to capital									
Deferred revenue earned	(1,372,803)	146,192	1,378,872	3,083,156	-	-	2,569,745	-	**5,805,162**
Government transfers - Ontario	282,997	22,064	-	-	-	-	75,959	247,017	**628,037**
Government transfers - Federal	-	-	3,816,963	3,380,998	-	-	820,588	-	**8,018,549**
Contributed tangible capital assets (Note 12)	-	-	3,004,405	19,100,288	-	-	(22,859)	-	**22,081,834**
Share of net income for the year from GrandBridge Corporation	8,333,926	-	-	-	-	-	-	-	**8,333,926**
Gain on dilution from prior interest in Energy Plus (Note 7)	38,329,822	-	-	-	-	-	-	-	**38,329,822**
Interest earned on reserves	605,575	-	313,069	903,671	17,363	-	48,084	677,477	**2,565,239**
Total other income	**46,179,517**	**168,256**	**8,513,309**	**26,468,113**	**17,363**	**-**	**3,491,517**	**924,494**	**85,762,569**
Total revenues and other income	**88,411,922**	**34,275,755**	**24,134,670**	**100,230,174**	**2,055,680**	**1,959,890**	**32,566,787**	**9,635,415**	**293,270,293**
Expenses									
Salaries wages and employee benefits	27,641,291	28,883,756	8,249,206	8,087,474	1,166,900	1,315,918	17,028,313	3,563,011	**95,935,869**
Long term debt charges	70,360	-	391,748	417,687	-	-	366,520	-	**1,246,315**
Materials	6,135,821	2,322,192	4,286,235	3,596,335	109,429	233,835	4,488,411	1,225,494	**22,397,752**
Contracted services	3,714,904	2,279,610	3,202,358	38,129,971	175,628	99,580	4,232,946	531,718	**52,366,715**
Rents and financial expenses	4,790,665	145,075	230,690	544,829	1,902	-	31,585	70,179	**5,814,925**
External transfers	406,239	-	31,064	-	-	-	1,666,155	3,285,114	**5,388,572**
Amortization of tangible capital assets	3,898,227	804,367	6,073,792	8,849,333	111,375	-	4,577,946	26,010	**24,341,050**
Interfunctional adjustments	(8,600,242)	936,426	272,333	6,593,595	236,469	-	585,823	(24,404)	**-**
Total expenses	**38,057,265**	**35,371,426**	**22,737,426**	**66,219,224**	**1,801,703**	**1,649,333**	**32,977,699**	**8,677,122**	**207,491,198**
Annual surplus (deficit)	**$ 50,354,657**	**$ (1,095,671)**	**$ 1,397,244**	**$ 34,010,950**	**$ 253,977**	**$ 310,557**	**$ (410,912)**	**$ 958,293**	**$ 85,779,095**