



Annual Report 2018



The City of Kenora, Ontario, Canada



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Introductory Information

City Council



From left to Right:

- ~ Councillor Sharon Smith
- ~ Councillor Andrew Poirier
- ~ Councillor Chris VanWalleghem
- ~ Mayor Dan Reynard
- ~ Councillor Mort Goss
- ~ Councillor Rory McMillan
- ~ Councillor Kirsi Ralko



Senior Leadership Team

- ~ Karen Brown, Chief Administrative Officer
- ~ Stace Gander, Community Services Manager
- ~ Jeff Hawley, Manager of Operations & Infrastructure
- ~ Todd Skene, Manager of Fire & Emergency Services
- ~ Charlotte Edie, Treasurer
- ~ Heather Kasprick, City Clerk
- ~ Adam Smith, Development Services Strategist
- ~ Bruce Graham, HR Strategist



Mayor's Message

On October 22, 2018 a new Council was elected to serve the citizens of Kenora. Council spent the significant latter part of the year focusing on building their team and their vision for the new Council and the priorities to work towards over the next four years.

Each member of Council believes our community is built on partnerships and that successful projects, events, developments and programs are based on the foundation of strong partnerships. Council intends to continue to focus on those strong partnerships that are already in place and continue to welcome new partnerships that will continue to build our community.

Each member of Council identified housing in our community as a priority and as such, have spent time focusing on how to make that happen. Every investment in our community is a result of good planning, and investing time with developers who believe in our community and all it has to offer. As we move into 2019, citizens will begin to see the months and sometimes years of building these partnerships and relationships where development plans will become a reality.

With the introduction of the new Municipal Accommodation Tax on all hotel/motel rooms in our community, this new tax revenue will assist us in growing our community in other areas. The Lake of the Woods Development Commission will focus on priorities for growing economic development and tourism and investing in areas they feel are most important for moving our community forward.

I am honoured to be elected as your new Mayor for the 2018-2022 in the City of Kenora. I am excited about this term and the team I have with me on Council and believe we will achieve great things as a team, moving the City forward building our community that we are all proud to call home.

Respectfully,

Mayor Daniel Reynard



CAO's Message

Year end is a time we can both reflect back on our successes and the challenges of the past year, as well as look ahead towards the future. Our achievements are a credit to the hard work done by our dedicated City Team, striving to meet our vision of municipal excellence. Thank you to all of our City staff for everything that you do every day to make Council's direction a reality. It is also a credit to our various partners, including our citizens and local businesses, and the role that each of you plays in making our successes a reality.

During 2018, the City and Kenora Hydro were actively involved in merger discussions with Thunder Bay Hydro. Kenora Hydro and Thunder Bay Hydro merged to form Synergy North on January 1, 2019, with the City of Kenora retaining partial ownership in the new merged company. Also during 2018, the City formalized an agreement with Thunder Bay Telephone that would help facilitate a proposed project intended to bring improved telecommunications services including increased internet speeds to the majority of our community. Major City capital works in 2018 included the replacement of the Seventh Avenue bridge together with the purchase of an aerial truck for the City's Fire & Emergency Services Department.

The City's Investment Readiness Audit was finalized in 2018 and approved by Council. A number of related improvements were implemented, including implementation of the Team Kenora concept, working to create a one stop shop for new development, updates to the City's community profile, changes to the public consultation requirements on site plan applications and approvals, an update of the related section of the City's website, and completing a Competitive Advantage Analysis.

Work actively began on the construction of the new Arts Centre project. The City also commenced a review of the City's Harbourfront, including a planning process for a future vision for this area. These works continue as we move into 2019. In addition, in 2019, work has now begun on the next phase of Downtown revitalization in the First Street / Chipman area, including the connection of First St. S. through the former mall property, and the development of a second roundabout.

Together with Council, the Leadership Team and all City Staff will continue to work together to implement the priorities and actions as identified within the City's strategic plan, ensuring the City actively moves forward with its vision of Kenora being a City of choice, renowned as a sustainable, lifestyle community, supported by a Municipality committed to excellence. The City puts out a report annually outlining progress made under our strategic plan. For additional information on the City's strategic plan, including the plan itself, the City's Vision, Mission and Values, together with the progress reports for 2015 through 2018, please visit <http://kenora.ca/government/strategies-plans-and-publications/strategic-plan/>

The City of Kenora's annual report covers the City's fiscal year, which runs from January 01 to December 31. On behalf of City administration, it is our pleasure to present highlights of our activities for 2018.

Karen Brown, CAO



Strategic Direction for the Corporation

The City of Kenora's current corporate Strategic Plan, adopted mid 2014 is called *Our Vision is 20/20*. The plan is established to provide the City with guidelines for evaluating and determining its actions, making decisions and setting the budget.

In 2018, the City made significant progress on a number of action items in its Strategic Plan. Among the most significant includes the beginning of the Lake of the Woods Development Commission's strategic plan developed in alignment with the City of Kenora.

To ensure that we are maintaining the momentum in realizing the goals and actions under the Strategic Plan, the City has committed to tracking and communicating our results on an annual basis. The 2018 Strategic Plan Progress Report offers a glimpse into how well we are doing in fulfilling our vision and achieving our mission.

Our Vision:

Kenora is a City of choice, renowned as a sustainable lifestyle community supported by a Municipality committed to excellence.

Our Mission:

To deliver quality, cost-effective Municipal services.



City Profile

The Towns of Kenora, Keewatin and Jaffray Melick amalgamated on 1 January 2000 to form the City of Kenora, forming the second largest center in Northwestern Ontario. The City of Kenora is the largest municipality within the District of Kenora, and represents a commercial hub for the region. With an “open for business” approach, the City has been recognized by senior levels of government as “forward thinking”, and continues to actively and aggressively pursue development opportunities as available.

The forestry sector continues to be a component of the City’s economic base, despite the significant challenges currently facing this sector. The City currently is home to a Weyerhaeuser iLevel Mill, one of the largest value added facilities in the Ontario forest industry, and the Kenora Forest Products Ltd. lumber mill.

Located on famous Lake of the Woods, Kenora also represents a major tourist destination, and hosts a significant number of tourism related businesses, either within the City or in the surrounding area. Kenora’s population more than doubles in the summer because of tourists and seasonal residents. The retail sector is also a significant contributor to the local economy.



Interesting Statistics – “2018 by the Numbers”

Kenora’s population.....	15,096
Youth population	3,240
Number of dwellings.....	7,376
Total property assessment	1.88 billion
Tonnes of waste collected	21,557
Tonnes of solid waste diverted (recycled)	2,042
Tonnes of curbside collection	1,229
Wastewater treated (megalitres)	2492
Drinking water treated (megalitres)	2441
Water Main breaks	16
Total KM of water distribution/transmission pipes.....	135.6 km
Total KM of waste water mains	128.6 km
City-owned roads	
Total paved	330 km
Total unpaved	282 km
Total maintained in winter	612 km
Total km of city-owned trails	90 km
Total number of regular service passenger trips on conventional transit....	38,138
Total number of bridges	21
Total number of culverts.....	742



Look What's New in 2018

2018 was another exciting year for the City of Kenora, with an election taking place in October and a new term of Council beginning December 1st.

Also in 2018, Kenora Hydro and Thunder Bay Hydro signed the Memorandum of understanding for the merger with a merger date decided on of January 1, 2019.

The Lake of the Woods Development Commission, in partnership with the Lake of the Woods Business Incentive Corporation, Kenora Young Professionals Network, Northwest Business Centre, Harbourtown BIZ, and the Kenora and District Chamber of Commerce, launched the Choose Kenora project. This project was a marketing campaign where the stories of young professionals and entrepreneurs are shared, and the key features that make Kenora an amazing place to live and work are highlighted.

The groundbreaking for the Kenora Art Centre, and the Splash park also took place in 2018 which expected completion dates coming in the summer of 2019.

The City was proud to unveil the new way finding and gateway signage in the Harbourtown Centre including Ojibway greetings. The way finding project, a part of the Kenora Downtown Revitalization plan, aims to make City navigation easy for both residents and tourists travelling by car, bus, bike, on foot and even boat.



Looking Ahead to 2019

The 2015-2020 Strategic Plan is intended to be a living document and as such, will be regularly updated to reflect the changing internal and external context of the City. As we look to 2019, the City will conduct a review of the Strategic Plan to ensure it still aligns with current Council priorities.

2019 marks the first year of the four year term for the current Mayor and Council.

Kenora also is looking forward to the following events and undertakings in 2019:

- Rotary Kenora Splash Park Grand Opening
- Art Centre Grand Opening
- Downtown Revitalization – Park Street/Mall area.
- Harbourfront Business Development Plan Project
- Lake of the Woods Development Commission use of the new Municipal Accommodation tax
- New Pickleball Courts grand opening



City Council and Committee Structure

City Council represents the elected decision making authority for the City. Council is comprised of the Mayor and six Councillors, all elected at large within the City. Council exercises its legislative authority through the passing of City By-laws and resolutions.

The City operates through a Committee of the Whole structure. All Council members are members of the Committee of the Whole. The Committee of the Whole is for the purpose of conducting municipal business and forwarding recommendations to Council for enacting final approval and by-laws. There is no recommendation acted upon without prior concurrence of Council. Committee of the Whole meets on a monthly basis one week prior to Council meetings.

Each department is broken down as per the senior manager responsibility for reporting purposes and reports to Council at the Committee of the Whole meetings.

In addition, the City has various boards, commissions and committees responsible for various components of its overall operations, as well as independent boards and committees. The members of Council are appointed to these committees to represent the City.



Financial Highlights

2018 Financial Report

The financial report for the City of Kenora includes financial information and analysis as well as financial statements for the year ended December 31, 2018. These financial statements are prepared in accordance with the Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada.

The preparation and presentation of the financial statements and related information contained in this report is the responsibility of the management of the City of Kenora. Included in the consolidated financial statements are those entities that are accountable to or controlled by the City of Kenora and are outlined in the significant accounting policies in the audited financial statements.

City Council appointed the accounting firm of MNP LLP to perform an independent audit of the City's 2018 financial statements, and its report is included herein. The accuracy and reliability of the financial information is ensured by the City's system of internal controls.



Current Operations

The current operations (excluding funding for capital projects) are broken into eight main functional areas. These areas, together with some examples of the types of expenditures that are incurred in these areas are as follows:

- ~ General Government (Mayor and Council, City Administration)
- ~ Protection to Persons and Property (Fire, Police, By-law Enforcement, 911 Services)
- ~ Transportation Services (Roads, Bridges, Transit)
- ~ Environmental Services (Water and Waste water, Garbage, Recycling)
- ~ Health Services (Northwestern Health Unit, Cemeteries, Ambulance)
- ~ Social and Family Services (Ontario Works, Day Care, District of Kenora Home for the Aged, Social Housing)
- ~ Recreation and Cultural Services (Parks, Recreation Facilities, Library, Museum)
- ~ Planning and Development (Planning, Northwest Business Centre, Tourism, Economic Development)

Total current operations revenues were \$48.7 million in 2018 of the total revenues of \$54 million. Funding for capital projects was an additional \$5.3 million. The City also utilized \$7.3 million in reserves and reserve funds in 2018 for capital and operations. As in previous years, taxation accounts for the largest source of current operations revenues, providing 46.5% of total revenues. Fees and user charges represent another 28% of total revenues. An analysis of total revenues by source in graph form follows on page 15.

Overall current operations expenditures in the various functional areas listed above, were \$49.1 million in 2018, before changes in City surplus. An analysis of current expenditures by functions in graph form follows on page 16.

This discussion does not include capital activity of the City.

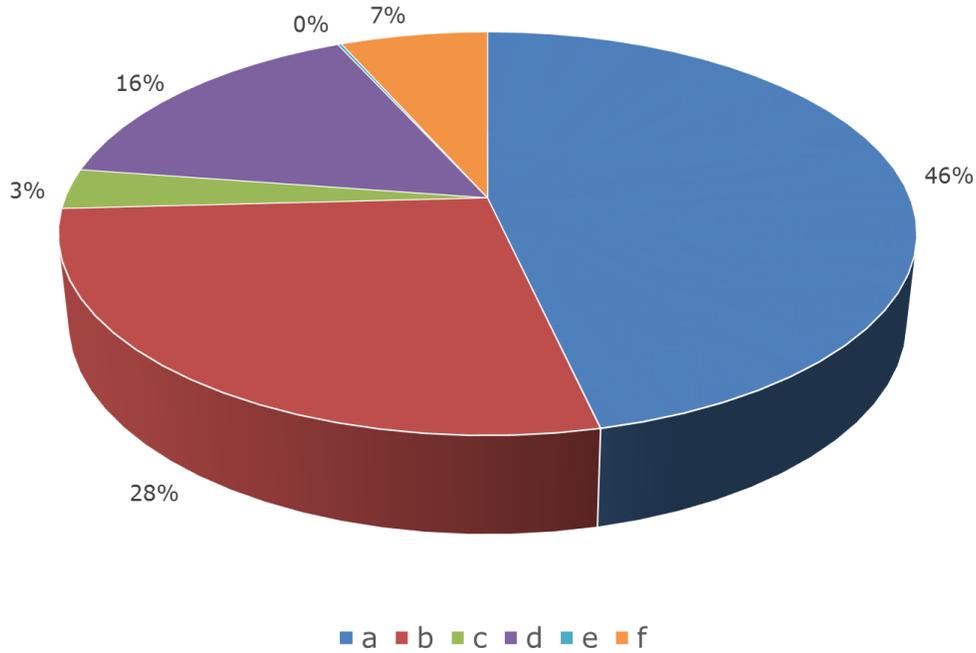


**The Corporation of the City of Kenora
Current Fund Operations
Comparison of Actual to Budget**

Category	2018 Budget	2018 Actual	Variance Fav (Unfav)	% Variance Fav (Unfav)
Revenues	\$58,531,954	\$54,537,938	(\$3,994,016)	(6.8%)
<i>Revenue Main impacts include:</i>				
<ul style="list-style-type: none"> - The First Street development funding was included in the 2018 budget however this project was deferred to 2019. Also the Seventh Avenue South Bridge project was under budget and therefore required less provincial funding. - Other income is under budget as a result of fundraising and recoveries to cover the costs of three capital projects: the splash park, the Arts Centre and the Sportsplex Mezzanine. The capital budget included the total costs for these projects however all 3 were not completed in 2018 and at least part was carried forward to 2019. 				
Expenses	\$48,212,103	\$49,139,590	(\$927,487)	(1.9%)
<i>Expense Main impacts include:</i>				
<ul style="list-style-type: none"> - General Government expenses are over budget due to unanticipated legal and related costs during the year. - Transportation costs are over budget due to an understatement of the budget for employee future benefits. In addition, more maintenance work was performed on City vehicles as they age. 				



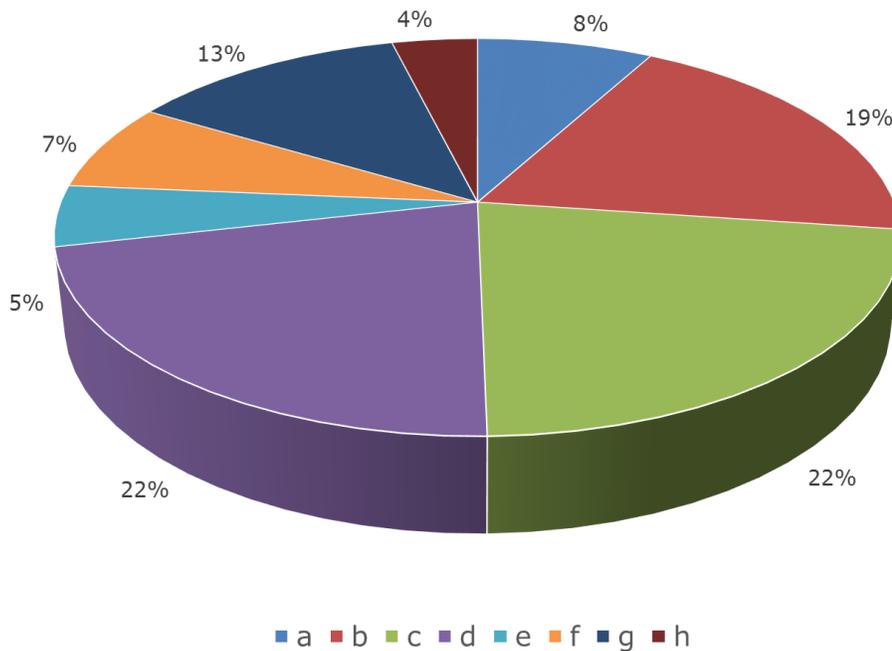
Revenues, Financing and Transfers



Revenues, Financing and Transfers (in thousands of dollars)

a Taxation	\$ 25,333	46.5%
b Fees and user charges	15,103	27.7%
c Canada grants	1,754	3.2%
d Ontario grants	8,666	15.9%
e Government business enterprise	89	0.2%
f Other	3,593	6.5%
	\$ 54,538	100.0%

Expenditures, Financing and Transfers



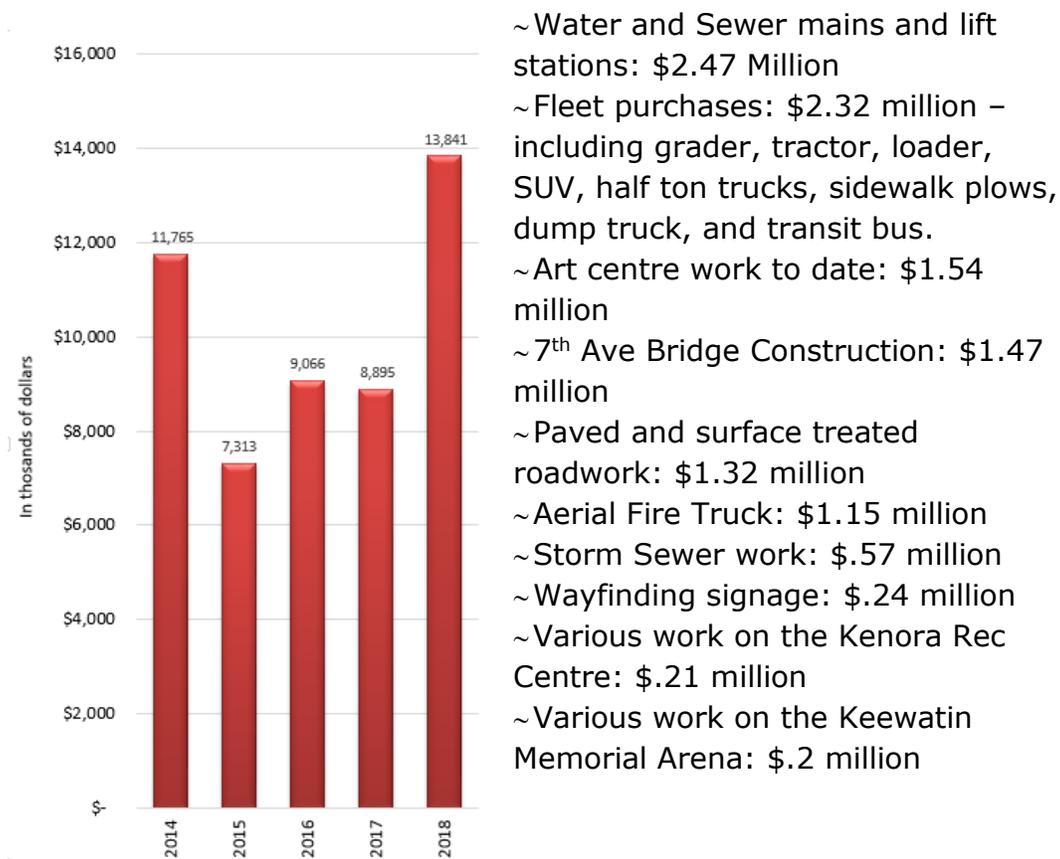
Expenditures, Financing and Transfers (in thousands of dollars)

a General government	\$ 3,914	8.0%
b Protection services	\$ 9,450	19.2%
c Transportation services	\$ 11,056	22.4%
d Environmental services	\$ 10,672	21.7%
e Health services	\$ 2,445	5.0%
f Social and family services	\$ 3,525	7.2%
g Recreational and cultural services	\$ 6,175	12.6%
h Planning and development	\$ 1,903	3.9%
	\$ 49,140	100.0%

Capital Projects

The City's significant expenditures relating to major projects are described in the statement of financial position as tangible capital assets. These expenditures generally provide the City with a long-term benefit, either through the purchase of capital assets, improvements to existing capital assets, or the extension of the life of existing capital assets.

Overall tangible capital asset purchases in 2018 were \$13.8 million. Major capital projects for 2018 included:

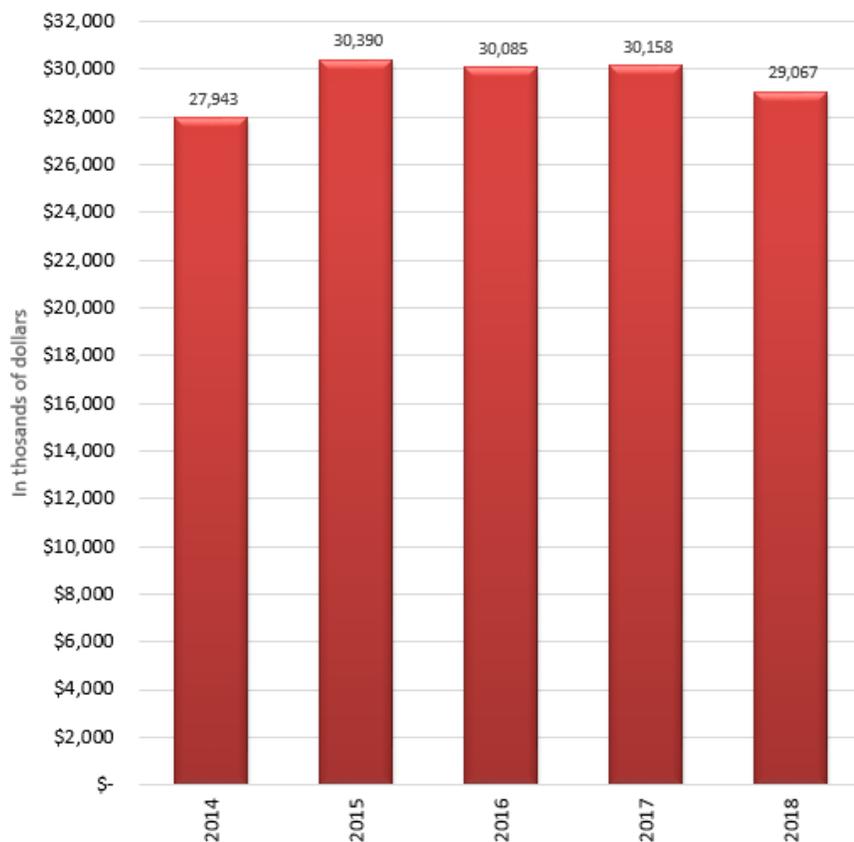




Reserves and Reserve Funds

The City maintains reserves and reserve funds designed to offset future costs related to specific expenditures, as approved by Council. While the reserves are primarily intended for capital expenditures, the City also holds significant contingency (\$3.3 million) reserves.

The reserve and reserve fund balance at the end of 2018 was \$29.1 million. This chart below outlines the consolidated reserve and reserve fund combined balances for the last five years. These balances exclude any equity related to the Kenora Hydro Electric Corporation Ltd. This equity is reflected separately as net equity in government business enterprises. These balances also exclude any balance related to the Kenora Citizens' Prosperity Trust Fund.

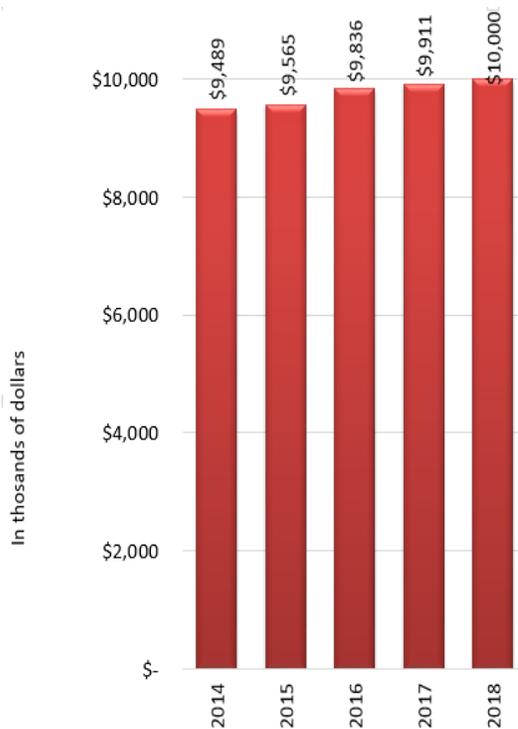




Government Business Enterprise

The Government Business Enterprise (GBE) is a separate municipal operation or legal entity that reports independently to a separate Board or Commission and does not rely on the City for funding.

This page includes a chart outlining the City's comparative net equity in government business enterprises for the past five years.



The Kenora Hydro Electric Corporation Ltd. (Kenora Hydro), the City's only Government Business Enterprise, is a Local Distribution Company (LDC), incorporated under the Ontario Business Corporation Act in compliance with Hydro Deregulation. Kenora Hydro provides hydro distribution services to residents within the boundaries of the former Towns of Kenora and Keewatin. Kenora Hydro operates as an independent corporation under a Board of Directors appointed by the City as the sole shareholder. On January 1, 2019 Kenora

Hydro Electric Corporation Ltd. and Thunder Bay Hydro Electricity Distribution Inc. merged and continued operations as Synergy North Corporation. As at that date, the Corporation of the City of Kenora holds 9.1% of the issued common shares of Synergy North Corporation.



Kenora Citizens' Prosperity Trust Fund

On January 31, 2008, the City of Kenora sold the KMTS Entities to Bell Aliant. Up to this point, the KMTS entities had been a Government Business Enterprise (GBE) like Kenora Hydro and had contributed to the City's bottom line.

In an effort to ensure there was no impact to property taxes as a result of this sale, the decision was made to transfer the proceeds of disposition from the sale, together with the cash and investments that were excluded from the sale, to a trust fund that would safeguard the funds. Thus, the Kenora Citizens' Prosperity Trust Fund (Trust Fund) was established in 2008, and had a balance of \$40.8 million at the end of 2018. In order to offset lost net revenues as a result of the sale of the KMTS Entities, the City requires an annual return of \$1.1 million in income from the trust. Any erosion of the balance of the trust will result in an additional burden on the City taxpayer.

The City of Kenora has issued internal debt using the Trust Fund and currently totals \$7.9 million owing to the Trust Fund. This debt is to finance capital projects such as the Fire Hall, the Discovery Centre, the Highway 17 Rehabilitation project, the Whitecap Pavilion, the marine waterline, the street lighting project, the Keewatin Arena upgrades and the Aerial Fire Truck. This debt is being paid back to the Trust Fund on the established schedule with rates in line with Infrastructure Ontario.

The Trust Fund is reported on the City's financial statements at \$32.9 million because the Canadian generally accepted accounting principles, as established by the Public Sector Accounting Board, dictate that such inter-organizational transactions be eliminated on consolidation. As a result the balance of \$32.9 million reflected on the consolidated statement of financial position does not reflect the balance of the debentures and interfund balances at 31 December 2018 of \$7.9 million.



Financial Statements

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City of Kenora

1 Main St S
Kenora, ON P9N 3X2
Phone: 807-467-2000
Fax: 807-467-2045
www.kenora.ca

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Corporation of the City of Kenora are the responsibility of the City's management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the notes to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgments, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

City Council meets with management to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

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

Karen Brown, CPA, CA, CAO
Kenora, Ontario

To the Members of Council, Citizens and Ratepayers of The Corporation of the City of Kenora:

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Kenora (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and the results of its consolidated operations 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 Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kenora, Ontario

July 16, 2019

MNP LLP

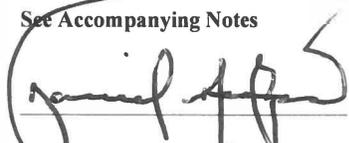
Chartered Professional Accountants

Licensed Public Accountants

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	2018	2017
Financial Assets		
Cash (Note 1)	\$ 19,048,268	\$ 22,016,413
Temporary investments (Note 2)	15,524,428	14,977,719
Taxes receivable	381,119	289,469
Trade and other receivables	6,722,371	4,794,034
Inventory held for resale	60,299	61,276
Long term note receivable (Note 3)	19,210	36,830
Citizens' Prosperity Trust Fund investments (Note 4)	32,893,511	32,844,723
Investment in government business enterprise (Note 5)	10,000,000	9,911,000
	84,649,206	84,931,464
Liabilities		
Accounts payable and accrued liabilities	6,444,916	5,942,191
Deferred revenue (Note 6)	4,091,649	3,976,059
Employee future benefits payable (Note 16)	2,807,219	2,658,153
	13,343,784	12,576,403
NET FINANCIAL ASSETS	71,305,422	72,355,061
Non Financial Assets		
Tangible capital assets (Note 8)	161,123,587	154,722,219
Inventories of consumables and prepaids	1,043,768	997,149
	162,167,355	155,719,368
ACCUMULATED SURPLUS (Note 7)	\$ 233,472,777	\$ 228,074,429

See Accompanying Notes



Mayor



Treasurer

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended 31 December 2018

	2018 Budget (Note 12)	2018 Actual	2017 Actual
Revenues			
Taxation	\$ 25,433,151	\$ 25,332,389	\$ 24,534,202
Fees and user charges	15,259,657	15,103,063	14,519,761
Canada grants	2,531,950	1,754,335	496,342
Ontario grants	8,565,239	8,666,376	5,343,459
Net income from government business enterprise (Note 5)	89,000	89,000	75,000
Other (Note 9)	6,652,957	3,592,775	1,418,522
	<u>58,531,954</u>	<u>54,537,938</u>	<u>46,387,286</u>
Expenses			
General government	3,754,583	3,914,400	3,564,495
Protection services	9,465,198	9,449,660	9,161,588
Transportation services	10,410,376	11,055,474	9,011,713
Environmental services	10,514,511	10,672,104	9,629,407
Health services	2,466,514	2,445,016	2,307,176
Social and family services	3,524,545	3,525,013	3,585,797
Recreation and cultural services	6,010,883	6,174,925	5,929,092
Planning and development	2,065,493	1,902,998	1,774,912
	<u>48,212,103</u>	<u>49,139,590</u>	<u>44,964,180</u>
Annual surplus	<u><u>10,319,851</u></u>	<u>5,398,348</u>	<u>1,423,106</u>
Accumulated surplus, beginning of year		<u>228,074,429</u>	<u>226,651,323</u>
Accumulated surplus, end of year		<u>\$ 233,472,777</u>	<u>\$ 228,074,429</u>

See Accompanying Notes

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the year ended 31 December 2018

	2018 Budget	2018 Actual	2017 Actual
	(Note 12)		
Annual surplus	\$ 10,319,851	\$ 5,398,348	\$ 1,423,106
Acquisition of tangible capital assets	(26,043,304)	(13,840,737)	(8,895,235)
Amortization of tangible capital assets	7,142,099	7,142,099	6,576,190
(Gain) Loss on sale of tangible capital assets	-	(591)	56,853
Proceeds on sale of tangible capital assets	-	297,861	96,790
	(8,581,354)	(1,003,020)	(742,296)
Acquisition of prepaid expenses and inventory of supplies	(2,892,549)	(2,892,549)	(1,638,898)
Net use/consumption of inventories of consumables and prepaids	2,845,930	2,845,930	2,214,637
	(46,619)	(46,619)	575,739
Net change in net financial assets (debt)	(8,627,973)	(1,049,639)	(166,557)
Net financial assets, beginning of year	72,355,061	72,355,061	72,521,618
Net financial assets, end of year	\$ 63,727,088	\$ 71,305,422	\$ 72,355,061

See Accompanying Notes

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018	2017
Operating transactions		
Annual surplus	\$ 5,398,348	\$ 1,423,106
Items not involving cash		
Amortization	7,142,099	6,576,190
(Gain) Loss on disposal of tangible capital assets	(591)	56,853
Income from government business enterprise	(89,000)	(75,000)
	12,450,856	7,981,149
Change in non-cash working capital balances		
(Increase) Decrease in taxes receivable	(91,650)	95,903
(Increase) in trade and other receivables	(1,928,337)	(82,048)
Decrease (Increase) in other assets	(45,642)	568,939
Increase (Decrease) in accounts payable and accrued liabilities	502,725	(773,744)
Increase in deferred revenue	115,590	2,274,739
Increase in employee benefits payable	149,066	37,261
	11,152,608	10,102,199
Capital transactions		
Acquisition of tangible capital assets	(13,840,737)	(8,895,235)
Proceeds on sale of tangible capital assets	297,861	96,790
	(13,542,876)	(8,798,445)
Investing transactions		
Decrease in long term note receivable	17,620	16,771
Decrease (Increase) in Citizens' Prosperity Trust Fund	(48,788)	570,613
	(31,168)	587,384
Net change in cash and equivalents	(2,421,436)	1,891,138
Cash and equivalents, beginning of year	36,994,132	35,102,994
Cash and equivalents, end of year	\$ 34,572,696	\$ 36,994,132
Represented by		
Cash	\$ 19,048,268	\$ 22,016,413
Temporary investments	15,524,428	14,977,719
	\$ 34,572,696	\$ 36,994,132

See Accompanying Notes

**THE CORPORATION OF THE CITY OF KENORA
SIGNIFICANT ACCOUNTING POLICIES**

For the year ended 31 December 2018

The consolidated financial statements of the Municipality are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. The Municipality provides municipal services such as fire, public works, planning, parks, recreation and other government services. Significant aspects of the accounting policies adopted by the Municipality are as follows:

a) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees and boards and internally restricted entities which are owned or controlled by the Municipality. All interfund assets, liabilities, revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by the Municipality have been consolidated:

Kenora Public Library
Lake of the Woods Cemetery
Lake of the Woods Museum

The Provincial Offences Fund is a government partnership where the Municipality has shared control over the board / entity. The Municipality's pro rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The Municipality's proportionate interest of 69.31% (2017 - 69.27%) of the Provincial Offences Fund is reflected in the consolidated financial statements.

The government business enterprise is a separate legal entity which does not rely on the municipality for funding. The investment in the government business enterprise is accounted for using the modified equity method. Under this method, the government business enterprise's accounting policies, which follow International Financial Reporting Standards for rate-regulated industries, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated. The Kenora Hydro Electric Corporation Ltd. is the only government business enterprise reflected in the consolidated statements.

c) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**THE CORPORATION OF THE CITY OF KENORA
SIGNIFICANT ACCOUNTING POLICIES**

For the year ended 31 December 2018

d) Government Transfers

Government transfers are recognized in the year in which events give rise to the transfer, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

e) Revenue Recognition

Revenues are recognized as follows:

- i Tax revenue is recognized in the calendar year to which the tax assessment applies and the assessment is known.
- ii Fees and user charges are recognized on a monthly basis as services are provided.
- iii Other revenues are recorded when collected or when collection is reasonably assured.
- iv Grants for the acquisition of tangible capital assets are recognized in the period in which the eligible expenditures are made.

f) Investments

Temporary investments are recorded at the lower of cost or market. Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

g) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

h) Collection of Taxes on Behalf of Other Taxation Authorities

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

i) Trust Funds

Trust funds administered by the City for the benefit of external parties are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

j) Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

THE CORPORATION OF THE CITY OF KENORA
SIGNIFICANT ACCOUNTING POLICIES
For the year ended 31 December 2018

k) Pension and Other Post-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. Standards issued by Chartered Professional Accountants Canada with respect to accounting for employee future benefits require the City to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

The cost of other post-employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on pro-rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

l) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital assets commencing once the asset is available for productive use as follows:

Site improvements	25 years
Buildings	10 to 125 years
Equipment	3 to 25 years
Fleet	7 to 25 years
Docks and wharfs	10 to 50 years
Roads and bridges	10 to 50 years
Water	15 to 75 years
Sewer	15 to 100 years
Other	5 to 75 years

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. CASH

	2018	2017
Unrestricted	\$ 13,945,328	\$ 17,367,855
Restricted	5,102,940	4,648,558
	\$ 19,048,268	\$ 22,016,413

The City has a revolving demand facility to a maximum of \$5,000,000 by way of prime rate based loans bearing interest at prime less 1.9% and letters of credit bearing interest at 0.5% per annum. As at 31 December 2018, \$ - (2017 - \$ -) was drawn under this facility. This facility is unsecured. Availability is subject to financial criteria and is at the discretion of the bank.

2. TEMPORARY INVESTMENTS

	Market Value	2018	2017
Unrestricted	\$ 14,187,562	\$ 13,346,236	\$ 13,233,444
Restricted	2,178,192	2,178,192	1,744,275
	\$ 16,365,754	\$ 15,524,428	\$ 14,977,719

96% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments have rates of return between -2.54% and 2.7%.

3. LONG TERM NOTE RECEIVABLE

	2018	2017
Loan receivable, Ontario Power Generation, repayable \$1,587 monthly including interest at 5%, secured by leasehold improvements, matures 2020.	\$ 19,210	\$ 36,830

4. CITIZENS' PROSPERITY TRUST FUND INVESTMENTS

	2018	2017
Cash	\$ 14,190	\$ 13,950
Temporary Investments	32,879,321	32,830,773
	\$ 32,893,511	\$ 32,844,723

The market value of the temporary investments is \$34,120,095 at the end of the year. The proceeds from the sale of the Kenora Municipal Telephone System, KMTS Mobility and KMTS Net were transferred to the Citizens' Prosperity Trust Fund in 2008. The purpose of the Fund is to safeguard the principal while using the related investment income to eliminate the negative impacts resulting from the loss of the annual dividends from the telephone operations.

42% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments are held in bond and equity funds with interest rates of -2.54%, 1.17% and 1.51%. The remaining investments are managed by Manulife Asset Management and held with RBC Dexia. The investments are held in various government and bank bonds and debentures. Interest rates range from 1.6% to 4.5%. These investments mature between 2019 and 2023.

Debentures receivable in the amount of \$7,917,494 have been eliminated on consolidation. These debentures are due from the City of Kenora and were used to finance a number of capital projects. The interest rates on these debentures are 3% and 3.32%. They mature between 2020 and 2032.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE (in thousands of dollars)

The Kenora Hydro Electric Corporation Ltd. is owned and controlled by the City of Kenora and as a business enterprise of the City, is accounted for on a modified equity basis in these consolidated financial statements. The following information provides condensed supplementary information for the enterprise for the year ended 31 December 2018.

i) Financial Position, Results of Operations and Changes in Net Assets

	2018	2017
Current assets	\$ 4,735	\$ 5,018
Non-current assets	8,654	8,725
Regulatory deferral account debit balances and related deferred tax	26	38
Total assets and regulatory deferral account balances	13,415	13,781
Current liabilities	1,531	1,641
Non-current liabilities	1,884	2,229
Total Liabilities	3,415	3,870
Net Assets	\$ 10,000	\$ 9,911
Revenue	\$ 14,299	\$ 14,488
Expenses	14,145	14,511
Income (loss) from operating activities	154	(23)
Finance income	76	61
Finance cost	(152)	(148)
Income before provision for payment in lieu taxes	78	(110)
Provision for payments in lieu taxes	(15)	(1)
Profit (loss) for the year before net movements in regulatory deferral account balances	93	(109)
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	(4)	184
Total comprehensive income for the year	\$ 89	\$ 75

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE (in thousands of dollars) - continued

	2018	2017
ii) Balances with other organizations		
Due from City of Kenora	\$ 861	\$ 1,077

iii) Transactions with other organizations

Administration charges by City of Kenora	\$ 331	\$ 307
Interest charged to Kenora Hydro	92	92

Purchases from and sales to the City of Kenora and its business enterprises in the normal course of operations are recorded at amounts approximating those charged to unrelated parties and total approximately \$1.75 million in 2018 (2017 - \$1.84 million).

iv) Subsequent Event

On January 1, 2019 Kenora Hydro Electric Corporation Ltd. and Thunder Bay Hydro Electricity Distribution Inc. merged and continued operations as Synergy North Corporation. As at that date, the Corporation of the City of Kenora holds 8.31% of the issued common shares of Synergy North Corporation. The investment in Kenora Hydro Electric Corporation Ltd. reflected as a government business enterprise in these consolidated financial statements will be reported as a portfolio investment in Synergy North Corporation in subsequent years' consolidated financial statements.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. DEFERRED REVENUE

	2018				
	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 972,005	\$ 977,697	\$ 19,689	\$ 522,621	\$ 1,446,770
Dedicated gas tax	678,919	156,689	15,422	549,288	301,742
Miscellaneous transit funding	233,499	-	-	71,548	161,951
Roads deposits	49,193	-	845	-	50,038
Other deferred revenue	2,042,443	594,078	20,845	526,218	2,131,148
	\$ 3,976,059	\$ 1,728,464	\$ 56,801	\$ 1,669,675	\$ 4,091,649

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of funding is established by a funding agreement between the City and the Association of Municipalities of Ontario. Gas tax funding may be used towards designated public transit, water, wastewater, solid waste, community energy systems, roads and capacity building projects as specified in the funding agreements.

Dedicated gas tax

The Provincial Ministry of Transportation provides municipalities with \$.02 per litre of provincial gas tax to improve and expand transit. The funds can only be used to support municipal public transportation expenditures above a municipality's baseline spending.

7. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus, reserves and reserve funds and internally restricted entities as follows:

	2018	2017
Current funds	\$ 490,391	\$ 491,309
Investment in tangible capital assets	161,123,587	154,722,219
Government business enterprise	10,000,000	9,911,000
	171,613,978	165,124,528
Reserves and Reserve Funds		
Working capital	4,461,465	4,461,465
Contingencies	3,272,064	7,966,562
Capital expenditure purposes	15,426,900	14,153,492
Replacement of equipment	2,092,668	700,913
Museum	955,307	437,163
Cemetery Columbarium	206,215	186,152
Current expenditures purposes	2,652,282	2,252,291
Total Reserves and Reserve Funds	29,066,901	30,158,038
Internally Restricted Entity		
Citizens' Prosperity Trust Fund	32,791,898	32,791,863
ACCUMULATED SURPLUS	\$ 233,472,777	\$ 228,074,429

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

8. TANGIBLE CAPITAL ASSETS

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Work in Progress and Other	2018
Cost, beginning of year	\$ 11,634,735	\$ 6,414,585	\$ 36,988,493	\$ 6,013,874	\$ 17,115,475	\$ 2,291,947	\$ 109,697,393	\$ 38,900,347	\$ 52,150,926	\$ 8,859,615	\$ 290,067,390
Additions	125,000	303,667	664,858	277,080	3,503,064	-	2,886,732	653,026	2,388,431	3,038,879	13,840,737
Disposals/transfers	(125,000)	9,322	10,654	-	(825,445)	-	55,284	(19,432)	205,720	(485,803)	(1,174,701)
Cost, end of year	\$ 11,634,735	\$ 6,727,574	\$ 37,664,005	\$ 6,290,954	\$ 19,793,094	\$ 2,291,947	\$ 112,639,408	\$ 39,533,941	\$ 54,745,077	\$ 11,412,691	\$ 302,733,426
Accumulated amortization, beginning of year	\$ -	\$ 1,914,986	\$ 7,826,053	\$ 4,321,884	\$ 8,835,108	\$ 537,919	\$ 69,679,495	\$ 14,968,571	\$ 22,508,258	\$ 4,752,897	\$ 135,345,171
Amortization	-	257,273	928,605	333,236	933,557	76,733	2,817,264	552,793	928,950	313,688	7,142,099
Disposals	-	-	-	-	(687,099)	-	(80,653)	(13,296)	(96,383)	-	(877,431)
Accumulated amortization, end of year	\$ -	\$ 2,172,259	\$ 8,754,659	\$ 4,655,120	\$ 9,081,566	\$ 614,652	\$ 72,416,105	\$ 15,508,069	\$ 23,340,825	\$ 5,066,585	\$ 141,609,839
Net carrying amounts, end of year	\$ 11,634,735	\$ 4,555,315	\$ 28,909,346	\$ 1,635,834	\$ 10,711,528	\$ 1,677,295	\$ 40,223,303	\$ 24,025,872	\$ 31,404,252	\$ 6,346,106	\$ 161,123,587

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

8. TANGIBLE CAPITAL ASSETS

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Work in Progress and Other	2017
Cost, beginning of year	\$ 11,043,743	\$ 6,384,591	\$ 34,814,934	\$ 5,620,503	\$ 16,328,420	\$ 2,181,181	\$ 108,285,061	\$ 38,573,649	\$ 50,676,506	\$ 8,183,885	\$ 282,092,473
Additions	590,992	29,994	1,937,653	398,834	1,485,701	110,766	1,412,332	328,824	1,647,772	952,367	\$ 8,895,235
Disposals/transfers	-	-	235,905	(5,463)	(698,646)	-	-	(2,126)	(173,352)	(276,637)	\$ (920,318)
Cost, end of year	\$ 11,634,735	\$ 6,414,585	\$ 36,988,493	\$ 6,013,874	\$ 17,115,475	\$ 2,291,947	\$ 109,697,393	\$ 38,900,347	\$ 52,150,926	\$ 8,859,615	\$ 290,067,390
Accumulated amortization, beginning of year	\$ -	\$ 1,664,573	\$ 6,957,145	\$ 3,996,439	\$ 8,580,468	\$ 461,414	\$ 67,135,857	\$ 14,414,295	\$ 21,840,793	\$ 4,484,672	\$ 129,535,656
Amortization	-	250,413	876,264	330,907	839,857	76,505	2,543,637	556,402	833,979	268,225	\$ 6,576,190
Disposals	-	-	(7,356)	(5,463)	(585,217)	-	-	(2,126)	(166,514)	-	\$ (766,676)
Accumulated amortization, end of year	\$ -	\$ 1,914,986	\$ 7,826,053	\$ 4,321,884	\$ 8,835,108	\$ 537,919	\$ 69,679,495	\$ 14,968,571	\$ 22,508,258	\$ 4,752,897	\$ 135,345,171
Net carrying amounts, end of year	\$ 11,634,735	\$ 4,499,599	\$ 29,162,440	\$ 1,691,990	\$ 8,280,367	\$ 1,754,028	\$ 40,017,898	\$ 23,931,776	\$ 29,642,669	\$ 4,106,718	\$ 154,722,219

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from services) is \$3,176,182 (2017 - \$1,108,621). The municipality holds various works of art and historical treasures pertaining to the Lake of the Woods Museum. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

9. OTHER INCOME

	2018	2017
Penalties and interest on taxation	\$ 291,252	\$ 285,804
Investment income	1,064,286	529,876
Donations	1,039,446	98,865
Miscellaneous	1,197,791	503,977
	\$ 3,592,775	\$ 1,418,522

10. PENSION AGREEMENTS

The municipality and its employees contribute to the Ontario Municipal Employees Retirement System ("OMERS"), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is jointly responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has approximately 496,000 active, deferred and retired members.

Each year an independent actuary determines the Plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2018, the estimated accrued pension obligation for all members (including survivors) of the Plan was \$99,058 million (2017 - \$93,614 million). The Plan had net assets available for benefits of \$97,439 million at the end of 2018 (2017 - \$95,198 million). The resulting funding deficit was \$2,790 million as at December 31, 2018 (2017 - \$605 million surplus). The actuary does not attribute portions of the unfunded liability to individual employers. The Corporation of the City of Kenora paid \$959,764 for employer contributions to the plan in 2018 (2017 - \$917,010).

11. PUBLIC SECTOR SALARY DISCLOSURE

For 2018, the following employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more:

Name	Position	Salary Paid	Taxable Benefits
Karen Brown	Chief Administrative Officer	\$ 171,153	\$ 1,967
Sharen McDowall	Human Resources Strategist	\$ 141,981	\$ 1,555
Jeff Hawley	Operations Manager	\$ 133,671	\$ 1,719
Larry Cottam	Captain, Firefighter	\$ 117,635	\$ 1,384
Donald Skene	Fire and Emergency Services Manager	\$ 117,099	\$ 1,510
William Chmeliuk	Captain, Firefighter	\$ 112,913	\$ 1,329
Charlotte Edie	Treasurer	\$ 110,427	\$ 1,422
Marco Vogrig	Municipal Engineer	\$ 110,427	\$ 1,422
Heather Kasprick	City Clerk	\$ 110,427	\$ 1,422
John Martin	Captain, Firefighter	\$ 110,315	\$ 1,394
Gary Sinclair	Firefighter	\$ 109,420	\$ 1,194
Brian Birch	Captain, Firefighter	\$ 109,261	\$ 1,346
Michael Mostow	Fleet Supervisor	\$ 103,433	\$ 1,334
Biman Paudel	Water and Wastewater Division Lead	\$ 103,432	\$ 1,334
Earl Bichon	Firefighter	\$ 101,437	\$ 1,194

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

12. BUDGET

The Financial Plan (Budget) By-Law adopted by Council on 22 May 2018 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues is \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the Financial Plan adopted by Council on 22 May 2018 with adjustments as follows:

	2018
Financial plan (budget) by-law surplus for the year	\$ (99,400)
Add:	
Capital expenditures	26,043,304
Debt principal repayments	884,236
Less:	
Debenture financing of capital expenditures	(4,280,394)
Budgeted transfers from accumulated surplus	(5,085,796)
Amortization	(7,142,099)
Budget surplus per statement of operations	\$ 10,319,851

13. COLLECTION OF TAXES ON BEHALF OF OTHER TAXATION AUTHORITIES

During the year, taxation revenue of \$5,104,373 (2017 - \$4,831,190) was raised and remitted to the school boards.

14. TRUST FUNDS

The trust funds administered by the municipality for the benefit of external parties have not been included in the statement of financial position nor have the operations been included in the statement of operations. At 31 December, the trust funds balances are as follows:

	2018	2017
Lake of the Woods Cemetery		
Land Fund	\$ 7,169	\$ 6,239
Perpetual Care Fund	638,679	618,733
Langford Estate	57,276	56,309
	\$ 703,124	\$ 681,281

15. EMPLOYEE FUTURE BENEFITS

The City of Kenora pays certain health and dental benefits on behalf of its retired employees. Active employees are also eligible to receive non-vesting sick leave benefits. The City recognizes post-employment and non-vesting sick leave costs in the period in which the employees rendered the services. The expense for the twelve months ended 31 December 2018 was \$156,884 (2017 - \$42,866), and the resulting future employee benefit liability was \$2,598,075 at 31 December 2018 (2017 - \$2,441,191).

The main assumptions employed for the calculation of employee future benefits are as follows:

1. Interest (Discount) Rate

The interest (discount) rate used for fiscal 31 December 2018 expense and accrued obligation is 2.90%.

2. Medical Costs

Medical costs were assumed to increase 6.25% in 2017 grading down by .25% per annum to 4.5% thereafter.

3. Dental Costs

Dental costs were assumed to increase 2.75% per year.

4. Non-Vesting Sick Leave Costs

Salary rates were assumed to increase 1.5% per year to 2019 and 2.15% per year thereafter.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

16. EMPLOYEE FUTURE BENEFITS PAYABLE

	2018	2017
Employee future benefits (Note 15)	\$ 2,598,075	\$ 2,441,191
Vested sick leave	100,433	94,084
Lieu time accrual	108,711	122,878
	\$ 2,807,219	\$ 2,658,153

17. CONTINGENT LIABILITIES AND COMMITMENTS

At 31 December 2018, the Corporation of the City of Kenora has guaranteed bank indebtedness of the following: Kenora Golf and Country Club in the amount of \$216,680 (2017 - \$260,012) (the maximum amount of the guarantee is \$650,000), the Kenora Health Care Centre in the amount of \$6,089,354 (2017 - \$6,271,453) and the Kenora Airport Authority Inc. in the amount of \$0 (the maximum amount of the guarantee is \$1,000,000). In addition the City was required to provide a \$200,000 deposit to satisfy the guarantee requirements.

The Corporation of the City of Kenora's pro-rata share of the cumulative operating deficit of the District of Kenora Home for the Aged is not available for 2018 (2017 - \$1,440,888). The Home's management expects to recover this deficit from projected future operating surpluses. A billing to municipalities for their respective share of the deficit is not anticipated.

The Corporation of the City of Kenora has several claims and possible claims pending against it. The outcome of these claims is not yet determined and no amounts have been recorded in the accounts relating to these claims and possible claims.

18. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The Ontario Environmental Protection Act sets out regulatory requirements for the closure and maintenance of landfill sites. Under this Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided over the estimated remaining life of active landfill sites based upon usage.

The City has one inactive landfill site. It has previously incurred all costs relating to the closure and retains responsibility for all costs relating to post-closure care which are recorded annually as they are incurred.

The City maintains one active landfill site which has an estimated remaining useful life of approximately 19 years. Based on an environmental assessment performed by consultants \$23,114 has been accrued relating to the closure & post-closure care for this landfill site at 31 December 2018 (2017 - \$18,963).

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

19. SEGMENTED INFORMATION

The City of Kenora is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, public transit, solid waste, water and waste water and recreation. For management reporting purposes the City's operations and activities are organized and reported by Segment. Segments were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these functions. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General Government

General government encompasses all the City's administration including Council, the Administrator's office, finance and administration and human resources.

Protection Services

This segment encompasses contracted police services, fire services and by-law enforcement. The fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. The by-law department is responsible for animal control and for enforcing by-laws passed by council. The building inspectors ensure an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws.

Transportation Services

Transportation services are the responsibility of the public works department. This department delivers municipal public works services related to the planning, development and maintenance of roadway systems, transit, docks, wharfs and street lighting.

Environmental Services

The environmental services segment consists of three areas - water, wastewater and solid waste. The department provides drinking water and treats wastewater to a portion of the City. It also provides collection, disposal and waste minimization programs and facilities for solid waste.

Health Services

Health services includes contributions to the Northwestern Health Unit, the Kenora District Services Board for ambulance services and to the Lake of the Woods Cemetery.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

19. SEGMENTED INFORMATION (continued)

Social and Family Services

The social and family services segment provides Ontario Works services, day care services and includes contributions to the District of Kenora Home for the Aged and to the Kenora District Services Board for social housing.

Recreation and Cultural Services

Recreation and cultural services is responsible for the maintenance of parks and open space. Also included in this segment are the Kenora Recreation Centre (ice surface, swimming pools and workout facilities) and the Keewatin Memorial Arena (ice surface). The operations of the Kenora Library and the Lake of the Woods Museum are also in this segment.

Planning and Development

The planning and development segment includes planning, economic development and tourism. It provides services for the approval of all land development plans and the application and enforcement of zoning by-laws.

In addition, as noted in significant accounting policies, these financial statements consolidate the revenue and expenses of various entities. These entities have been separately disclosed in the segmented information which follows.

THE CORPORATION OF THE CITY OF KENORA
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE

For the year ended 31 December 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Eliminations	2018 Total
Revenues										
Taxation	\$ 2,773,897	\$ 7,012,006	\$ 5,839,116	\$ 291,322	\$ 1,849,264	\$ 2,867,626	\$ 3,554,134	\$ 1,145,024	\$ -	\$ 25,332,389
Fees and user charges	145,269	575,859	1,018,556	11,440,951	166,136	-	1,458,761	297,531	-	15,103,063
Government grants	423,870	1,390,099	4,765,585	612,955	440,804	1,345,341	1,874,211	731,572	(1,163,726)	10,420,711
Net government business enterprise earnings	89,000	-	-	-	-	-	-	-	-	89,000
Other	818,824	558,030	460,914	310,256	145,973	226,358	960,297	112,123	-	3,592,775
	4,250,860	9,535,994	12,084,171	12,655,484	2,602,177	4,439,325	7,847,403	2,286,250	(1,163,726)	54,537,938
Expenses										
Salaries and benefits	2,705,585	2,637,449	2,948,865	3,837,316	198,660	468	3,157,764	928,347	-	16,414,454
Materials and supplies	1,109,184	6,416,569	3,953,758	4,963,679	86,850	-	2,142,074	754,696	-	19,426,810
External transfer	(27,914)	-	331,800	-	2,317,033	3,524,545	1,110,603	63,886	(1,163,726)	6,156,227
Amortization	127,545	395,642	3,821,051	1,871,109	14,210	-	692,587	219,955	-	7,142,099
	3,914,400	9,449,660	11,055,474	10,672,104	2,616,753	3,525,013	7,103,028	1,966,884	(1,163,726)	49,139,590
Net surplus (deficit)	\$ 336,460	\$ 86,334	\$ 1,028,697	\$ 1,983,380	\$ (14,576)	\$ 914,312	\$ 744,375	\$ 319,366	\$ -	\$ 5,398,348

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Eliminations	2017 Total
Revenues										
Taxation	\$ 3,184,539	\$ 6,712,558	\$ 5,419,605	\$ 409,721	\$ 1,675,686	\$ 2,858,235	\$ 3,292,490	\$ 981,368	\$ -	\$ 24,534,202
Fees and user charges	129,608	567,654	927,713	10,910,078	175,602	-	1,546,514	262,592	-	14,519,761
Government grants	572,699	1,681,429	1,288,819	346,009	447,407	466,926	1,570,745	588,653	(1,122,886)	5,839,801
Net government business enterprise earnings	75,000	-	-	-	-	-	-	-	-	75,000
Other	256,931	230,083	185,765	291,661	58,211	97,970	252,831	45,070	-	1,418,522
	4,218,777	9,191,724	7,821,902	11,957,469	2,356,906	3,423,131	6,662,580	1,877,683	(1,122,886)	46,387,286
Expenses										
Salaries and benefits	2,326,076	2,436,852	2,966,217	3,468,868	214,465	539	3,040,117	845,189	-	15,298,323
Materials and supplies	1,125,633	6,345,733	2,250,325	4,379,513	105,123	-	2,071,868	754,562	-	17,032,757
External transfer	(18,268)	-	331,800	-	2,156,284	3,585,258	1,076,735	47,987	(1,122,886)	6,056,910
Amortization	131,054	379,003	3,463,371	1,781,026	4,968	-	641,608	175,160	-	6,576,190
	3,564,495	9,161,588	9,011,713	9,629,407	2,480,840	3,585,797	6,830,328	1,822,898	(1,122,886)	44,964,180
Net surplus (deficit)	\$ 654,282	\$ 30,136	\$ (1,189,811)	\$ 2,328,062	\$ (123,934)	\$ (162,666)	\$ (167,748)	\$ 54,785	\$ -	\$ 1,423,106

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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes, certain government grants and interest income have been apportioned based on a percentage of budgeted expenses.

THE CORPORATION OF THE CITY OF KENORA
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE BY ENTITY
For the year ended 31 December 2018

	City	Lake of the Woods Museum	Kenora Public Library	Provincial Offences	LOW Development Corporation	2018 Total
Revenues						
Taxation	\$ 25,332,389	\$ -	\$ -	\$ -	\$ -	25,332,389
Fees and user charges	14,388,812	95,914	41,978	416,524	159,835	15,103,063
Government grants	10,336,856	29,096	42,303	-	12,456	10,420,711
Net government business enterprise earnings	89,000	-	-	-	-	89,000
Other	2,919,208	643,799	24,651	-	5,117	3,592,775
	53,066,265	768,809	108,932	416,524	177,408	54,537,938
Expenses						
Salaries and benefits	15,387,270	312,456	508,075	206,653	-	16,414,454
Materials and supplies	18,697,281	258,012	140,646	89,577	241,294	19,426,810
External transfer	7,148,216	(315,102)	(613,001)	-	(63,886)	6,156,227
Amortization	7,086,405	-	55,694	-	-	7,142,099
	48,319,172	255,366	91,414	296,230	177,408	49,139,590
Net surplus (deficit)	\$ 4,747,093	\$ 513,443	\$ 17,518	\$ 120,294	\$ -	\$ 5,398,348

	City	Lake of the Woods Museum	Kenora Public Library	Provincial Offences	LOW Development Corporation	2017 Total
Revenues						
Taxation	\$ 24,534,202	\$ -	\$ -	\$ -	\$ -	24,534,202
Fees and user charges	13,918,332	104,761	39,929	342,390	114,349	14,519,761
Government grants	5,720,372	29,966	70,364	-	19,099	5,839,801
Net government business enterprise earnings	75,000	-	-	-	-	75,000
Other	1,323,018	93,708	6,357	-	(4,561)	1,418,522
	45,570,924	228,435	116,650	342,390	128,887	46,387,286
Expenses						
Salaries and benefits	14,374,220	301,802	485,202	137,099	-	15,298,323
Materials and supplies	16,413,325	174,476	145,669	122,413	176,874	17,032,757
External transfer	7,006,132	(286,601)	(614,634)	-	(47,987)	6,056,910
Amortization	6,516,746	-	59,444	-	-	6,576,190
	44,310,423	189,677	75,681	259,512	128,887	44,964,180
Net surplus (deficit)	\$ 1,260,501	\$ 38,758	\$ 40,969	\$ 82,878	\$ -	\$ 1,423,106

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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes, certain government grants and interest income have been apportioned based on a percentage of budgeted expenses.