



The City of Kenora, Ontario, Canada

Annual Report
2003

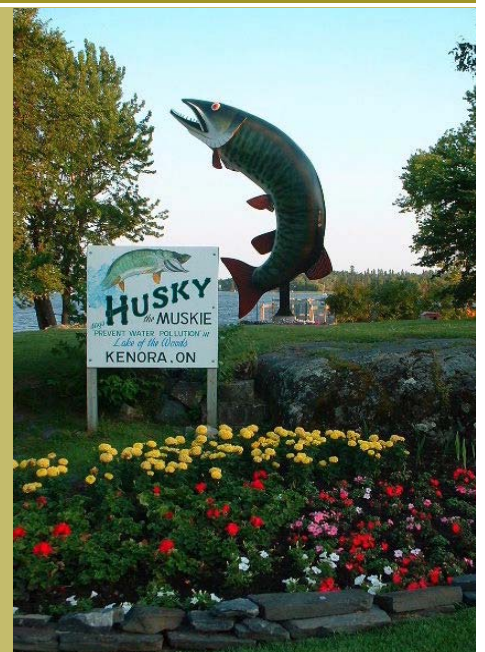


Table of Contents

Introductory Information

City Council	3
City Structure	4
City History and Overview	5
Strategic Plan	5
Guiding Principles for the Corporation	5

Financial Highlights

2003 Financial Information	6
Current Fund	6
Capital Fund	8
Reserves and Reserve Funds	8
Government Business Enterprises	9
Kenora Hydro Electric Corporation Ltd.	9
KMTS	9

Financial Information

Auditor's Report	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Financial Activities	12
Consolidated Statement of Changes in Financial Position	13
Notes to Consolidated Financial Statements	14
Schedule of Current Fund Operations	22
Schedule of Capital Fund Operations	23
Schedule of Reserves and Reserve Funds	24

Table of Contents



City Council

From Left to Right:

- ❑ Councillor Andrew Poirier, Chair of Operations
- ❑ Councillor Ted Szajewski , Chair of Community Services
- ❑ Councillor Len Compton, Chair of Utilities and Communications
- ❑ Mayor Dave Canfield
- ❑ Councillor Colin Wasacase, Chair of Property and Community Planning
- ❑ Councillor Ingrid Parkes, Chair of Emergency Services
- ❑ Councillor Rory McMillan, Chair of Finance and Administration

Introductory Information

City Council

City Structure

The City operates through a standing committee structure. Each standing committee is comprised of three Members of Council. These committees meet on a bi-weekly basis, and are responsible for making recommendations to Committee of the Whole within their respective mandates. Standing committees currently include:

- ❑ Community Services Committee
- ❑ Emergency Services Committee
- ❑ Finance and Administration Committee
- ❑ Operations Committee
- ❑ Property and Community Planning Committee
- ❑ Utilities and Communications Committee

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. These include:

- ❑ Kenora Police Services Board
- ❑ KMTS Commission
- ❑ Kenora Hydro Electric Corporation Ltd. Board
- ❑ Other Boards and Committees, such as, but not limited to:
 - Kenora Handi Transit Board
 - Kenora Public Library Board
 - Lake of the Woods Museum Board
 - Leisure Services Committee

The City of Kenora also has an Audit Committee, comprised of three Members of Council, as well as two citizen representatives. This Committee is responsible for making recommendations directly to Council regarding the following:

- ❑ Internal Audit Function
- ❑ Corporate Control Framework
- ❑ Performance Measures / Benchmarking
- ❑ External Audit Function
- ❑ Financial and Other Reporting
- ❑ General and Administrative

Ultimately Council is responsible for City direction, policy and decisions. The City CAO, Bill Preisanz, is directly responsible for the City's operations. The CAO oversees a team of Managers who are also responsible to work directly with their respective standing committees. Together, the CAO and Managers work with the 250 plus City employees who maintain City operations and provide front line customer service to our residents and visitors.

Introductory Information

City Structure

City History and Overview

The Towns of Kenora, Keewatin and Jaffray Melick amalgamated on 1 January 2000 to form the City of Kenora. 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 is a significant component of the City’s economic base. The City currently is pleased to be home to both an Abitibi Consolidated Inc. plant, as well as more recently a newly constructed Trus Joist facility. Additional local participants in this industry include Devlin Timber and Kenora Forest Products.

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. The retail sector is also a significant contributor to the local economy, with a major new development currently scheduled to begin construction.

Strategic Plan

During the four years since its inception, under Council direction, the new City has actively pursued continued improvements, enhancements and growth, working to position itself as a regional leader.

As part of Council’s direction, Council and senior staff undertook a strategic planning exercise, resulting in the development of a City strategic plan, Kenora Vision 2007. This plan lays the foundation for the City’s future, sets out the City’s guiding principles, as well as provides the strategic directions for the City.

Guiding Principles for the Corporation

Kenora Vision 2007 sets out guiding principles for the City. These principles provide the City with guidelines for evaluating and determining its actions. These principles are:

- ❑ Kenora will provide fairness in taxation
- ❑ Kenora will provide value for service to the ratepayer
- ❑ Kenora will ensure sound fiscal management
- ❑ Kenora will provide quality of life amenities and services for citizens and visitors
- ❑ Kenora will explore and pursue new opportunities
- ❑ Kenora will value and be responsible to its employees
- ❑ Kenora will understand and respect its citizens
- ❑ Kenora will inform and engage its citizens
- ❑ Kenora will be a steward of the environment

Introductory Information

City History and Overview

Strategic Plan

Guiding Principles for the Corporation

2003 Financial Information

The financial statements, and all other financial information provided herein, are the responsibility of the management of the City of Kenora, and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The 2003 statements outline the financial position and operations of the City of Kenora. They are presented both on a consolidated basis, as well as on an individual fund basis, including an operating fund, a capital fund and a reserve fund. Various boards and municipal enterprises have also been consolidated into the City's financial statements, as outlined in the significant accounting policies (note 1 to the consolidated financial statements). In addition, the City statements also reflect the City's significant investment in government business enterprises.

Current Fund

The current fund operations 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, Transit)
- ❑ Environmental services (Water and sewer, Garbage, Recycling)
- ❑ Health services (Northwestern Health Unit, Cemeteries, Ambulance)
- ❑ Social and family services (Ontario Works, Day Care, District of Kenora Home for the Aged)
- ❑ Recreational and cultural services (Parks, Recreation Centre, Library, Museum)
- ❑ Planning and development (Planning, Northwest Business Centre, Lake of the Woods Business Incentive Corporation)

The 2003 current fund revenues were \$31.0 million before transfers from government business enterprises. These transfers represented an additional \$1.4 million in current fund revenues to the City, resulting in total combined current revenue of \$32.4 million. Taxation continues to be the primary income source for the City's current fund, representing 48.1% of all total current revenues. Fees and user charges represent an additional 26.7% of total current revenues. An analysis of current revenues by source has been included on the following page.

Overall current fund expenditures in the various functional areas listed above were \$25.8 million in 2003, before debt principal repayment, as well as net transfers to capital and reserve funds. The consolidated current fund balance increased slightly in 2003. An analysis of the current fund expenditures by function, including debt repayment, net transfers to capital and reserve funds, as well as final current fund balance change, has also been included on the following page.

Financial Information

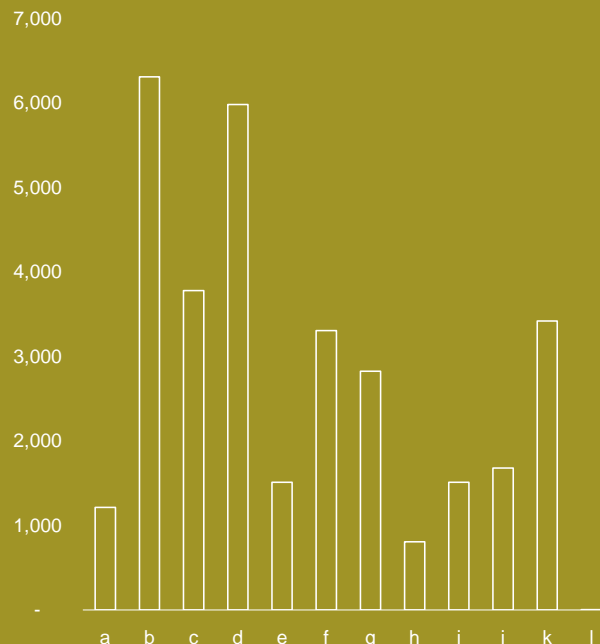
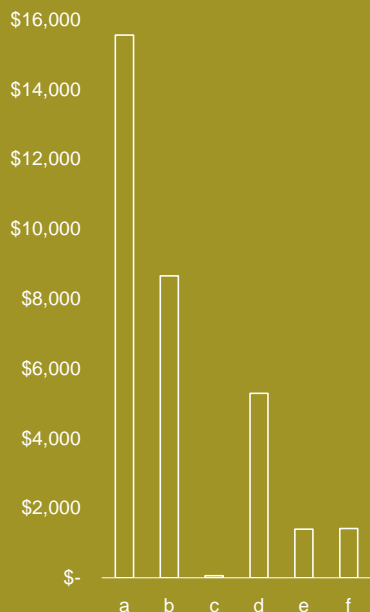
2003 Financial Information

Current Fund

Current Fund

Source of Revenues / Allocation of Expenditures
2003 Actual Results (in thousands of dollars)

Financial Information



Source of Income Dollar (in thousands of dollars)

a Taxation	\$ 15,563	48.1%
b Fees and user charges	8,659	26.7%
c Canada grants	56	0.2%
d Ontario grants	5,289	16.3%
e Other	1,393	4.3%
f Government business enterprise	1,411	4.4%
	\$ 32,371	100.0%

Allocation of Expenditures (in thousands of dollars)

a General government	\$ 1,213	3.7%
b Protection services	6,314	19.5%
c Transportation services	3,782	11.7%
d Environmental services	5,986	18.5%
e Health services	1,514	4.7%
f Social and family services	3,308	10.2%
g Recreational and cultural services	2,827	8.7%
h Planning and development	807	2.5%
i Debt principal repayment	1,513	4.7%
j Net transfers to capital	1,681	5.2%
k Net transfers to reserves and reserve funds	3,422	10.6%
l Change in current fund balance	4	0.0%
	\$ 32,371	100.0%

Capital Fund

The City’s capital fund represents significant expenditures related to physical assets or large projects for the City. These expenditures generally provide the City with a long-term benefit, either through the purchase of new capital assets, improvement to existing City capital assets, or the extension of the life of existing capital assets. These expenditures are also broken out based on the same functional areas as outlined under Current Fund.

Overall capital fund expenditures in the various functional areas were \$9.8 million in 2003. Major capital works for 2003 included:

- ❑ Municipal Paving Program - \$.3 million
- ❑ Keewatin Bridge Painting - \$1.2 million
- ❑ Rabbit Lake Road Reconstruction - \$.4 million
- ❑ Parson Street Bridge - \$.5 million
- ❑ New Public Works Facility - \$.6 million
- ❑ Public Works Yard Relocation / Demolition - \$1.6 million
- ❑ Water Treatment Plant Regulation Compliance - \$.4 million
- ❑ Recreation Facility Retrofit / Expansion - \$.8 million
- ❑ Industrial Development - \$.3 million

The industrial development project relates to the completion of a major industrial expansion project spanning a four-year period, with a combined cost to the City of \$8.5 million net of federal and provincial funding, and offsetting revenue contributions. This project was financed through an internal debenture, the repayment of which is funded directly through increased municipal taxation revenues resulting from the development.

The new public works facility and the recreation facility retrofit / expansion are also both longer-term projects, with anticipated completion dates for late 2004 / early 2005.

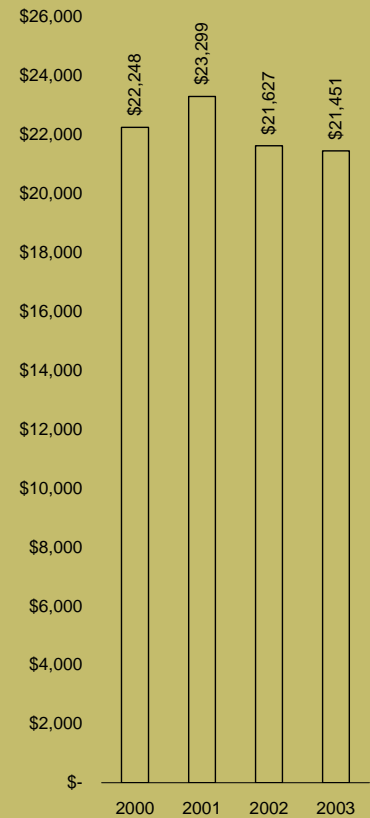
Reserves and Reserve Funds

The City maintains reserves and reserve funds designed to offset future costs related to specific expenditures, as approved by Council. While these reserves are primarily intended for capital expenditures, the City also holds significant working capital (\$1.7 million) and contingency (\$3.5 million) reserves.

As part of the terms of the amalgamation agreement, reserves and reserve funds existing at 1 January 2000 are protected by geographic boundaries of the former Towns of Kenora, Keewatin and Jaffray Melick. This protection remains in effect until 31 December 2004. Any new reserves or reserve funds that have accumulated since the date of amalgamation are considered common reserves, and can be used throughout the new City boundaries.

The combined reserve and reserve fund balance as at the end of 2003 was \$21.5 million. This page includes a chart outlining the reserve and reserve fund combined balances since City inception. These balances exclude any equity related to the Kenora Hydro Electric Corporation Ltd., KMTS, KMTS Net and KMTS Mobility. This equity is reflected separately as net equity in government business enterprises.

City Reserves and Reserve Funds
(in thousands of dollars)



Financial Information

Capital Fund

Reserves and Reserve Funds

Government Business Enterprises

Government business enterprises are separate municipal operations or legal entities that report independently to a separate Board or Commission and do not rely on the City for funding. The City's combined net equity in government business enterprises as at the end of 2003 was \$38.8 million. This page includes a chart outlining the City's net equity in government business enterprises since City inception. This amount is comprised of consolidated net equity from the following:

- ❑ Kenora Hydro Electric Corporation Ltd.
- ❑ Kenora Municipal Telephone System (KMTS)
- ❑ KMTS Mobility
- ❑ KMTS Net

Kenora Hydro Electric Corporation Ltd.

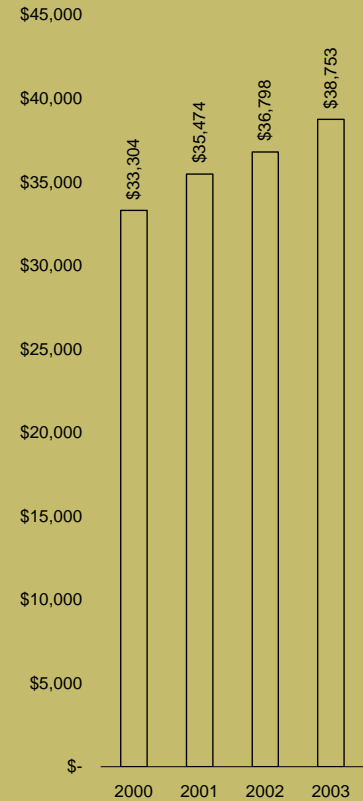
The Kenora Hydro Electric Corporation Ltd. (Kenora Hydro) is a Local Distribution Company (LDC), incorporated under the Ontario Business Corporation Act in compliance with Hydro Deregulation. Kenora Hydro provides hydro distribution services to residents within the boundaries of the former Towns of Kenora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

KMTS

KMTS also operates independently under a separate commission. The KMTS Commission is responsible for the operations of KMTS, KMTS Mobility and KMTS Net. These KMTS organizations provide local, long distance, fibre, wireless, mobility and internet services.

Government Business Enterprises

(in thousands of dollars)



Financial Information

Government Business Enterprises

Kenora Hydro Electric Corporation Ltd.

KMTS

Martin R. Nelson*
CHARTERED ACCOUNTANT

221 Main Street South
Kenora, Ontario P9N 1T3
(807) 468-5656
Fax: (807) 468-3556

AUDITOR'S REPORT

**TO THE MEMBERS OF COUNCIL, INHABITANTS & RATEPAYERS
OF THE CORPORATION OF THE CITY OF KENORA**

I have audited the consolidated statement of financial position of **The Corporation of the City of Kenora** as at **31 December 2003** and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Kenora as at 31 December 2003 and the results of its financial activities and changes in financial position for the year then ended in accordance with the Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of chartered accountants.



CHARTERED ACCOUNTANT

Kenora, Ontario
15 April 2004

*denotes professional corporation

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2003

(in thousands of dollars)

	2003	2002
Financial Assets		
Cash (Note 2)	\$ 14,096	\$ 7,868
Temporary investments (Note 3)	9,803	11,711
Taxes receivable	1,272	1,438
Trade and other receivables	6,904	9,603
Inventory held for resale	24	17
Investment in government business enterprises (Note 4)	38,753	36,799
	70,852	67,436
Non Financial Assets		
Inventories of consumables and prepaids	559	681
	71,411	68,117
Liabilities		
Accounts payable and accrued liabilities	9,600	6,174
Deferred revenue (Note 5)	2,493	1,655
Long term liabilities (Note 6)	7,836	9,041
Employee benefits payable (Note 16)	1,636	2,695
	21,565	19,565
Municipal Position		
Current fund	(55)	(58)
Capital fund	(2,467)	(774)
Reserves and reserve funds	21,451	21,626
Net equity in government business enterprises (Note 4)	38,753	36,799
	57,682	57,593
Amounts to be recovered (Note 7)	(7,836)	(9,041)
	49,846	48,552
	\$ 71,411	\$ 68,117

See Accompanying Notes

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2003

(in thousands of dollars)

	2003 Budget	2003 Actual	2002 Actual
Revenues			
Taxation	\$ 14,124	\$ 15,563	\$ 13,029
Fees and user charges	7,800	8,659	7,294
Canada grants	5	382	1,601
Ontario grants	8,547	5,751	6,582
Other income (Note 8)	2,824	2,044	1,587
	33,300	32,399	30,093
Expenditures			
Current Operations (Note 9)			
General government	1,344	1,213	1,474
Protection to persons and property	6,408	6,314	5,818
Transportation services	3,428	3,782	3,702
Environmental services	5,787	5,986	5,080
Health services	1,733	1,514	1,467
Social and family services	3,384	3,308	2,986
Recreation and cultural services	2,867	2,827	2,769
Planning and development	483	807	546
	25,434	25,751	23,842
Capital			
General government	242	138	281
Protection to persons and property	407	509	322
Transportation services	10,680	6,339	4,236
Environment services	2,215	1,433	2,120
Health services	106	93	13
Social and family services	-	-	9
Recreational and cultural services	1,872	932	538
Planning and development	2,125	348	6,390
	17,647	9,792	13,909
	43,081	35,543	37,751
Net expenditure for the year before financing and transfers	(9,781)	(3,144)	(7,658)
Financing and transfers			
New debt issued	3,800	307	8,169
Debt principal repayments	(334)	(1,513)	(252)
Net transfer from government business enterprises	1,300	1,411	1,110
	4,766	205	9,027
Net revenue (expenditure) for the year	(5,015)	(2,939)	1,369
Surplus/net income for the year of government business enterprises	996	1,954	1,324
Change in fund balances for the year	\$ (4,019)	\$ (985)	\$ 2,693
Fund Balances, beginning of the year	57,593	57,593	54,971
Adjustments			
PSAB recommendations - local improvement receipts	(38)	(38)	(71)
Restatement of employee future benefits repayable (Note 15)	-	1,112	-
Fund Balances, end of the year	\$ 53,536	\$ 57,682	\$ 57,593

See Accompanying Notes

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended 31 December 2003

(in thousands of dollars)

	2003	2002
Cash flows from operating activities		
Net change in fund balances for the year	\$ (985)	\$ 2,693
Adjustment to beginning of year fund balances, Restatement of future benefits payable (Note 15)	<u>1,112</u>	-
Net change in fund balances for the year, as restated	127	2,693
Decrease (increase) in amounts to be recovered	1,205	(7,347)
Decrease in local improvements receivable	<u>(38)</u>	<u>(71)</u>
	1,294	(4,725)
Decrease in taxes receivable	166	45
Decrease in trade and other receivables	2,699	3,782
Decrease (increase) in other assets	115	(687)
Increase (decrease) in accounts payable and accrued liabilities	3,426	(3,467)
Increase (decrease) in employee benefits payable	(1,059)	238
Increase in deferred revenue	<u>838</u>	<u>1,655</u>
	7,479	(3,159)
Cash flows from financing activities		
Increase (decrease) in long term liabilities	(1,205)	7,916
Cash flows from investing activities		
Increase in investment in government business enterprises	<u>(1,954)</u>	<u>(1,324)</u>
Net change in cash and equivalents	4,320	3,433
Cash and equivalents, beginning of year	19,579	16,146
Cash and equivalents, end of year	\$ 23,899	\$ 19,579
Represented by		
Cash	14,096	7,868
Temporary Investments	<u>9,803</u>	<u>11,711</u>
	23,899	19,579

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2003

(in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the City of Kenora are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available; expenditures 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 expenditures of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are owned or controlled by the Municipality. All interfund assets, liabilities, revenues and expenditures have been eliminated on consolidation.

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

- Kenora Handi Transit
- 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 expenditures are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of 71.98% of the Provincial Offences Fund is reflected in the consolidated financial statements.

Government business enterprises and partnerships are separate legal entities which do not rely on the municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. The following government business enterprises are reflected in the consolidated financial statements:

- Kenora Hydro Electric Corporation Ltd.
- Kenora Municipal Telephone System
- KMTS Mobility
- KMTS Net

c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2003

(in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

e) Inventory

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

f) Capital Assets

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities in the period of acquisition.

g) Amounts to be Recovered

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

h) School Boards

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

i) Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

j) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2003

(in thousands of dollars)

2. CASH

	2003	2002
Unrestricted	\$ 11,792	\$ 4,030
Restricted	2,304	3,838
	\$ 14,096	\$ 7,868

3. TEMPORARY INVESTMENTS

	Market Value	2003	2002
Unrestricted	\$ 2,155	\$ 2,155	\$ 2,926
Restricted	7,648	7,648	8,785
	\$ 9,803	\$ 9,803	\$ 11,711

Investments have been recorded at the lower of cost and market value at the end of the year

4. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

The Kenora Hydro Electric Corporation Ltd., the Kenora Municipal Telephone System, KMTS Mobility and KMTS Net are owned and controlled by the City of Kenora and as business enterprises of the City, are accounted for on a modified equity basis in these financial statements. The following information provides condensed supplementary information for the enterprises for the year ended 31 December 2003.

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

	2003	2002
Current assets	\$ 23,009	\$ 17,974
Long term investments	7,023	9,606
Capital assets	15,894	17,008
Goodwill	2,884	2,903
Total Assets	48,810	47,491
Current liabilities	6,585	7,225
Long term liabilities	3,472	3,467
Total Liabilities	10,057	10,692
Net Assets	38,753	36,799

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2003

(in thousands of dollars)

4. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES - continued**i) Financial Position, Results of Operations and Changes in Net Assets - continued**

	2003	2002
Revenues	19,848	19,197
Expenses	16,482	16,762
Net Income	3,366	2,435
Contribution to City of Kenora	(1,411)	(1,110)
	1,955	1,325
Net assets, beginning of year	36,798	35,474
Net assets, end of year	\$ 38,753	\$ 36,799

ii) Balances with other organizations

Due from (to) City of Kenora Revenue Fund	\$ (104)	\$ (5,054)
Long term investments		
Debentures - City of Kenora Capital Fund	\$ 7,526	\$ 8,641
Demand note payable, City of Kenora	\$ 3,069	\$ 3,069

iii) Transactions with other organizations

Administration charges by City of Kenora Revenue Fund	\$ 1,529	\$ 1,701
---	----------	----------

5. DEFERRED REVENUE

	2003	2002
Government of Canada - Wharf Maintenance	\$ 1,440	\$ 1,479
Other deferred revenue	1,053	176
	\$ 2,493	\$ 1,655

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2003

(in thousands of dollars)

6. LONG TERM LIABILITIES

	2003	2002
3.55% debenture payable, maturing 2012	\$ 7,230	\$ 8,169
Other debentures, interest rates 3.55% to 8.125%, maturing 2004 to 2006	606	872
	\$ 7,836	\$ 9,041

Principal payments for the next five fiscal years are as follows:

2004	1,393
2005	1,235
2006	1,072
2007	889
2008	814

7. AMOUNTS TO BE RECOVERED

	2003	2002
Capital outlay financed by long term liabilities and to be recovered in future years	\$ 7,836	\$ 9,041

8. OTHER INCOME

	2003	2002
Penalties and interest on taxation	\$ 294	\$ 272
Investment income	942	1,024
Donations	110	17
Sale of land and miscellaneous	698	274
	\$ 2,044	\$ 1,587

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2003

(in thousands of dollars)

9. EXPENDITURES BY OBJECT

Total operating expenditures for the year reported on the consolidated statement of financial activities are as follows:

	2003	2002
Salaries, wages and employee benefits	\$ 12,997	\$ 12,536
Materials	6,121	5,591
Contracted services	3,298	3,083
Rents and financial expenses	203	192
Interest on long term debt	346	83
Contributions to other organizations	2,786	2,357
	\$ 25,751	\$ 23,842

10. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 225 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2003 was \$227 (2002 - \$nil). As of 31 July 1999, OMERS announced a contribution holiday extending until 1 January 2003.

11. PUBLIC SECTOR SALARY DISCLOSURE

For 2003, the following employee was paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996 of \$100,000 or more.

Name	Position	Salary Paid	Taxable Benefits
William Preisenzanz	City Chief Administrative Officer	\$ 109	\$ 1

12. BUDGET AMOUNTS

Budget data for 2003 included in these consolidated financial statements represents budgets approved by Council.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2003

(in thousands of dollars)

13. OPERATIONS OF SCHOOL BOARDS

During the year, taxation revenue of \$7,985 was raised and remitted to the school boards.

14. TRUST FUNDS

The trust funds administered by the municipality have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At 31 December 2003, the trust funds balances are as follows:

	2003	2002
Lake of the Woods Cemetery		
Land Fund	\$ 14	\$ 13
Perpetual Care Fund	368	348
Langford Estate	44	43
	\$ 426	\$ 404

15. EMPLOYEE FUTURE BENEFITS

The City of Kenora pays certain health and dental benefits on behalf of its retired employees. The City recognizes post-retirement costs in the period in which the employees rendered the services. The expense for the twelve months ended 31 December 2003 was \$72 (2002 - \$226) and the resulting future employee benefit liability was \$1,729 at 31 December 2003 for the City and its business enterprises.

The balance of the Employee Future Benefits Payable at 31 January 2003 has been reduced by \$1,112 to reflect on actuarial valuation for the fiscal year ended 31 December 2003. The accrued benefit obligations for fiscal years prior to 2003 were estimates. Of this amount \$1,113 increased the reserve balance at 1 January 2003 and \$1 reduced the current fund balance at 1 January 2003.

The main assumptions employed for the valuations are as follows:

a) Interest (Discount) Rate

The interest (discount) rate used for fiscal 31 December 2003 expense and funded status is 6%.

b) Salary Levels

Future general salary and wage levels were assumed to increase at 3% per annum.

c) Medical Costs

Medical costs were assumed to increase 10% in 2004 grading down to 5% in 2013.

d) Dental Costs

Dental costs were assumed to increase 5% per year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2003

(in thousands of dollars)

16. EMPLOYEE BENEFITS PAYABLE

	2003	2002
Employee Future Benefits (Note 14)	\$ 1,472	\$ 2,519
Vested sick leave	164	176
	\$ 1,636	\$ 2,695

17. CONTINGENT LIABILITIES

At 31 December 2003, the Corporation of the City of Kenora has guaranteed bank indebtedness of the Kenora Golf and Country Club in the amount of \$567. The maximum amount of the guarantee is \$600.

The Corporation of the City of Kenora is liable for its pro-rata share totalling \$630 (2002 - \$624) of the cumulative operating deficit of the District of Kenora Home for the Aged. 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.

18. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The Ontario Environmental Protection Act set 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 60 years. No amounts have been accrued relating to the closure and post-closure care for this landfill site.

SCHEDULE OF CURRENT FUND OPERATIONS

for the year ended 31 December 2003

(in thousands of dollars)

	2003 Budget	2003 Actual	2002 Actual
Revenues			
Taxation	\$ 14,124	\$ 15,563	\$ 13,029
Fees and user charges	7,800	8,659	7,294
Canada grants	5	56	93
Ontario grants	5,312	5,289	5,171
Other	849	1,393	1,030
	28,090	30,960	26,617
Expenditures			
General government	1,344	1,213	1,474
Protection services	6,408	6,314	5,818
Transportation services	3,428	3,782	3,702
Environmental services	5,787	5,986	5,080
Health services	1,733	1,514	1,467
Social and family services	3,384	3,308	2,986
Recreation and cultural services	2,867	2,827	2,769
Planning and development	483	807	546
	25,434	25,751	23,842
Net revenue for the year	2,656	5,209	2,775
Financing and transfers			
Debt principal repayments	(334)	(1,513)	(252)
Transfers to capital fund	(2,267)	(1,681)	(1,617)
Transfers to reserves and reserve funds	(1,913)	(3,805)	(1,856)
Transfers from reserves and reserve funds	558	383	3
Net transfer from government business enterprises	1,300	1,411	1,110
	(2,656)	(5,205)	(2,612)
Change in fund balances for the year	-	4	163
Current fund, beginning of year	(58)	(58)	(221)
Adjustment to current fund balance, beginning of the year, restatement of employee future benefits payable (Note 15)	-	(1)	-
Adjusted current fund, beginning of year	(58)	(59)	(221)
Current fund, end of the year	\$ (58)	\$ (55)	\$ (58)
Analyzed as follows:			
City of Kenora		7	6
Kenora Handi Transit		2	2
Lake of the Woods Museum		11	(17)
Kenora Public Library		(75)	(49)
		(55)	(58)

SCHEDULE OF CAPITAL FUND OPERATIONS

for the year ended 31 December 2003

(in thousands of dollars)

	2003 Budget	2003 Actual	2002 Actual
Revenues			
Canada grants	-	\$ 326	\$ 1,508
Ontario grants	3,235	462	1,411
Other	1,669	347	115
	4,904	1,135	3,034
Expenditures			
General government	242	138	281
Protection services	407	509	323
Transportation services	10,680	6,339	4,236
Environmental services	2,215	1,433	2,120
Health services	105	94	13
Social and family services	-	-	9
Recreation and cultural services	1,872	932	538
Planning and development	2,125	348	6,390
	17,646	9,793	13,910
Net expenditures for the year	(12,742)	(8,658)	(10,876)
Financing and transfers			
New debt issued	3,800	307	8,169
Transfers to reserves and reserve funds	-	(408)	-
Transfers from current fund operations	2,267	1,681	1,617
Transfers from reserves and reserve funds	6,675	5,423	3,968
	12,742	7,003	13,754
Change in fund balance for the year	-	(1,655)	2,878
Capital fund, beginning of the year	(1,201)	(1,201)	(4,079)
Adjustment for Public Sector Accounting Recommendations			
Opening balances - local improvements receivable	427	427	497
Activity for the year - local improvements receipts	(38)	(38)	(70)
	389	389	427
Adjusted capital fund balance, beginning of year	(812)	(812)	(3,652)
Capital fund, end of the year	(812)	\$ (2,467)	\$ (774)

SCHEDULE OF RESERVES AND RESERVE FUNDS

for the year ended 31 December 2003

(in thousands of dollars)

	2003 Budget	2003 Actual	2002 Actual
Revenue	\$ 392	\$ 392	\$ 443
Expenditures	87	87	-
Net revenue for the year	305	305	443
Net transfers from (to) other funds			
Transfer from current fund operations	1,913	4,213	1,856
Transfer to capital fund operations	(6,675)	(5,423)	(3,968)
Transfer to current fund operations	(558)	(383)	(3)
	(5,320)	(1,593)	(2,115)
Change in balance for the year	(5,015)	(1,288)	(1,672)
Reserves and reserve funds, beginning of the year	21,626	21,626	23,298
Adjustment to balance, beginning of the year, restatement of employee future benefits payable (Note 15)	-	1,113	-
Adjusted reserves and reserve funds, beginning of year	21,626	22,739	23,298
Reserves and reserve funds, end of year	\$ 16,611	\$ 21,451	\$ 21,626

Analyzed as follows:

Reserves and reserve funds set aside for specific purpose by Council

Working capital	1,711	1,511
Contingencies	3,537	1,807
Capital expenditure purposes	14,233	16,134
Replacement of equipment'	1,248	1,363
Library	38	49
Museum	574	571
Handi transit	37	79
Cemetery Columbarium	11	37
Current expenditure purposes	62	75
Reserves and reserve funds, end of year	21,451	21,626