



Annual Report 2010



The City of Kenora, Ontario, Canada





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City Council

From left to Right:

- ~ Councillor Ron Lunny , Chair of Finance
- ~ Councillor Louis Roussin, Chair of Property and Planning
- ~ Councillor Sharon Smith, Chair of Economic Development
- ~ Mayor David Canfield
- ~ Councillor Charito Drinkwalter, Chair of Community and Protective Services
- ~ Councillor Rod McKay, Chair of Operations
- ~ Councillor Rory McMillan, Chair of Corporate Services

City CAO and Managers

Not Shown:

- ~ Karen Brown, CAO
- ~ Warren Brinkman, Manager, Emergency Services
- ~ Sharen McDowall, Manager, Human Resources
- ~ Colleen Neil, Manager, Recreation
- ~ Rick Perchuk, Manager, Operations

Introductory Information

City Council

City CAO and
Managers



Mayor's Message

Although the City has faced tough economic challenges over the past 5 to 6 years, we have now turned the page to a new and bright future!

With the majority of the new infrastructure being completed through the Downtown Revitalization Projects Kenora is becoming more beautiful than ever! With the Community Improvement Plan (CIP) on the former mill site in 2011 and the sale of these lands to a Winnipeg developer, we look forward to the development of this site. Many positive things will progress on this property in the next couple of years and we will reinvent the 'Green Forest Industry' on this land as well as other business opportunities.

During the recent presentations by Roger Brooks we gained valuable advice that to truly be a tourism destination we have to learn how to improve our reasons for attracting people to Kenora and give them other reasons for wanting to visit Kenora.

We will continue to move forward to make Kenora a place that people want to visit and possibly relocate to while still seeking ways to hold the line on taxes so this can not only be the most beautiful place to live in Canada but an affordable place to live.

Council looks forward to working with the Lake of the Woods Development Commission and other community partners in working towards continuous improvement with all the players coming together as one team to keep building Kenora. Our many great volunteers and City staff make Kenora the magnificent place that it is today with so many things to offer. With the team approach we have in Kenora a tremendously bright future ahead! **Watch us grow!**

A handwritten signature in black ink that reads "David Canfield". The signature is written in a cursive, flowing style.

Mayor David Canfield

Informative
Information

Mayor's Message



CAO's Message

In 2010, Kenora continued to work to recover from the economic impacts that have affected us so significantly over the past several years. We have actively looked for opportunities to move forward and continued our focus on economic development. With the help of our partners in Senior Government, the City worked on a number of strategic infrastructure improvements in 2010, which included the rehabilitation of the Kenora Harbourfront as part of our downtown revitalization ongoing efforts. This project will be completed in 2011 and will include the installation of a permanent stage and tent structure on the Harbourfront. Other key infrastructure projects pursued in 2010 included the Highway 17 East and West rehabilitation, including gateway signage, the new Discovery Centre, and a new Emergency Services Facility.

Also in 2010, the City approved its new Strategic Plan, Kenora Vision 2015. This plan provides us not only with a reminder of what is important to us as a City, but also direction which is intended to meet both the challenges of today and help us prepare for tomorrow. Key to the successful implementation of the strategic plan is ensuring there are strong linkages between the strategic plan, our budgets and staff work plans. In 2011, under the direction of the new Council, staff will be actively re-evaluating their work plans in conjunction with the new strategic plan. These plans will help us achieve the goals and measure our progress on the actions as outlined within the strategic plan.

The City of Kenora's annual report covers the City's fiscal year, which runs from January 1 to December 31. On behalf of City administration, it is our pleasure to present highlights of our activities for 2010.

Karen Brown
CAO

**Informative
Information**

CAO's Message



City's Strategic Plan

Informative Information

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. This is, for a large part, reflected in the City's corporate strategic plan. The intent of this plan is to provide focus and direction to the City in its journey into the future. The 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.

City's Strategic Plan

It is recognized, however, that the strategic plan does not end simply with the development of a planning document. In fact, one of the key points noted in the introduction portion of the City's strategic plan is that "*the corporate strategic plan is a dynamic document, one that can be adapted as conditions change. As such, it requires regular review and revisiting*". As a result, the City has continued to update its corporate strategic plan on a regular basis, with the most recent update, Kenora Vision 2015, approved in the fall of 2010.

In addition, in 2009, the City expanded its strategic planning process to incorporate a community strategic planning process in addition to its corporate plan. In doing this, the City now has access to a plan which incorporates a broader based vision for the entire community, including various entities within the community. The vision statement that emerged through this process was "*moving forward by celebrating community spirit and diversity*". The thoughtful work of the many who participated in this process is available on the City's portal at www.kenora.ca.



Guiding Principles for the Corporation

The City's current corporate strategic plan, Kenora Vision 2015, sets out guiding principles for the City. These principles provide the City with guidelines for evaluating and determining its actions, and have become the cornerstone for major Council decisions, as well as a primary component of the budget setting process.

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

**Informative
Information**

**Guiding Principles
for the Corporation**



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.

Informative Information

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.

City Profile

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 – “2010 by the Numbers”

Kenora's Population	13,414	
Household Count	7,345	
Total Hectares in the Municipality	24,939	hectares
Total Property Assessment	\$ 1.28	billion
City Employees (excluding Volunteer Fire Fighters)	231	
Employees Receiving First Aid / CPR Training	62	
Fire Calls for Services	519	
Losses due to Structural Fires	\$ 0.87	million
Dogs Licensed	486	
Kilometers of Roads (Excluding Privately Maintained Roads)		
Asphalt	132.1	km
Surface Treatment	37.9	km
Gravel	148.8	km
Number of Bridges within City limits	17	
Kilometers of Sewer Main	136.5	km
Wastewater Treated	3.14	megalitres
Backed Up Wastewater Mains	5	
Kilometers of Water Main	131.2	km
Drinking Water Treated	2.25	megalitres
Water Main Breaks	9	
Tonnes of Recycling Processed	1,834.0	tonnes
Total Hectares of Municipally Owned Open Space	483.1	
Total Kilometers of Municipally Owned Trails	82.3	

Informative Information

Interesting Statistics – “2010 by the Numbers”



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 structure is for the purpose of conducting municipal business and forwarding recommendations to Council. 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.

While six Standing Committees have been established by Council, these are for the purpose of appointing a Council Chairperson to oversee the mandate of the Committee portfolio and for reviewing recommendations at Committee of the Whole, which ultimately go forward to Council. Each Standing Committee of the Committee of the Whole is comprised of 3 Members of Council. Standing Committees currently include:

- ~ Community and Protective Services Committee
- ~ Corporate Services Committee
- ~ Economic Development Committee
- ~ Finance Committee
- ~ Operations Committee
- ~ Property and Planning Committee

Informative Information

City Council and Committee Structure



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
- ~ Lake of the Woods Development Commission
- ~ Kenora Hydro Electric Corporation Ltd. Board
- ~ Other Boards and Committees, such as, but not limited to:
 - o Kenora Public Library Board
 - o Lake of the Woods Museum Board

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, Karen Brown, 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 231 plus City employees who maintain City operations and provide front line customer service to our residents and visitors.

Informative Information

City Council and Committee Structure



2010 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, 2010. These financial statements are prepared in accordance with the Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

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 BDO Canada LLP to perform an independent audit of the City's 2010 financial statements, and their report is included herein. The accuracy and reliability of the financial information is ensured by the City's system of internal controls. The Audit Committee ensures corrective action is taken for weaknesses identified in the City's internal control system.

Financial Highlights

2010 Financial Report



Current Operations

The current operations (which excludes 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, 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, 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 \$40.7 million in 2010. Transfers from the government business enterprise and the Kenora Citizen's Prosperity Trust Fund were an additional \$1.15 million. The City also utilized \$3.90 million in reserves and reserve funds in 2010. As in previous years, taxation accounts for the largest source of current operation revenue, providing 49.1% of current revenues. Fees and user charges represent another 26.0% in current operations revenue. An analysis of current revenues by source in graph form follows on page 16.

Overall current operations expenditures in the various functional areas listed above were \$37.8 million in 2010, before changes in City surplus. An analysis of current expenditures by functions in graph form follows on page 17.

This discussion does not include capital activity of the City.

Financial Highlights

Current Operations



The Corporation of the City of Kenora
Current Fund Operations
Comparison of Actual to Budget
(in thousands of dollars)

Category	2010 Budget	2010 Actual	Variance Fav. (Unfav.)	% Variance Fav. / -Unfav.
Revenues	\$52,572	\$51,951	\$ (621)	-1.2%

Revenue Main impacts include:

- Revenues from user fees for the most part were close to budget. There were higher than anticipated user fees from provincial offences, metered parking, sewer and water and day care programs. Tourism events revenue was also over budget but these were offset by increases in related expenses.
- Canada and Ontario grants were below budget due to the fact that capital projects were carried over into 2011. These projects include: the Discovery Centre, Downtown Revitalization Phase II and the Coney Island water main.

Expenditures	\$37,543	\$37,800	\$ (257)	-0.7%
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Expenditure Main impacts include:

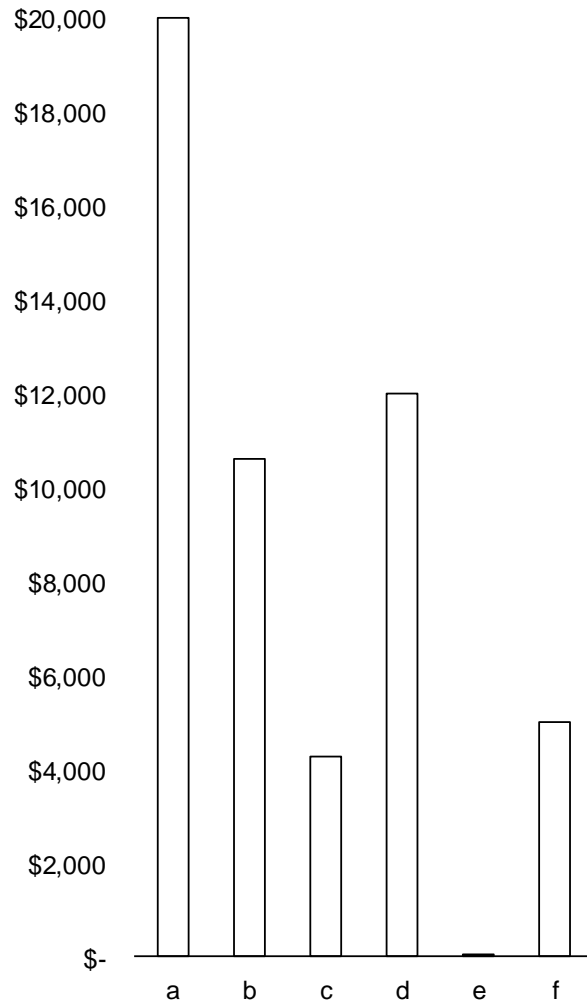
- Ontario Provincial Police. Lower than anticipated OPP contract costs. In 2010 the actual cost for this service was \$558 under budget.
- Transportation Services. Paved and surface treated roads maintenance was marginally over budget.
- Winter Control. Expenses were over budget in the areas of sanding and salting and snow ploughing and removal.
- Streetlighting. Utility costs were more than the budget due to the method of Hydro One billing.
- Sewer and Water. Pumping and lift stations. Repairs and maintenance expenses were over budget to reflect additional work in problem areas.
- Waterworks. The actual expenses for mains connection repairs exceeded the budget.
- Garbage Collection. These expenditures continued to be under budget in 2009 due to a further reduction in wages and contracted services. This was offset by transfer facility wage costs exceeding budget.
- Health Services. Health service costs were over the budget amount due to ambulance costs from the Kenora District Services Board. Actual exceeded budget by \$73.
- Recreation & Cultural Services. The Kenora Recreation Centre operations exceeded budget in the areas of wages and benefits and repairs and maintenance. Budget was also exceeded for repairs and maintenance on external facilities.

Financial Highlights

Current Fund Operations – Actual to Budget



Revenues, Financing and Transfers



Financial Highlights

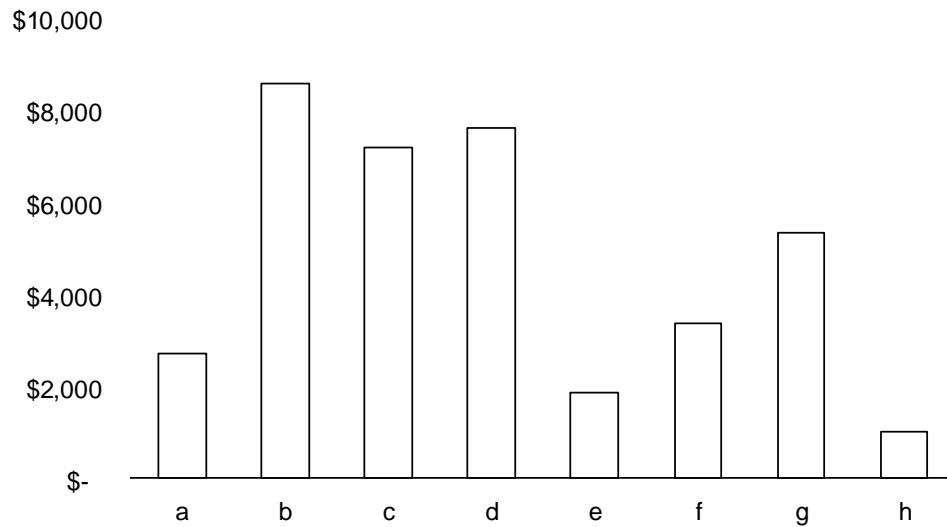
Revenues, Financing and Transfers

Revenues, Financing and Transfers

a Taxation	\$ 20,027	38.6%
b Fees and user charges	10,613	20.4%
c Canada grants	4,253	8.2%
d Ontario grants	12,015	23.1%
e Government business enterprise	48	0.1%
f Other	4,995	9.6%
	\$ 51,951	100.0%



Expenditures, Financing and Transfers



Financial Highlights

Expenditures, Financing and Transfers

Expenditures, Financing and Transfers		
a General government	\$ 2,723	7.1%
b Protection services	8,607	22.8%
c Transportation services	7,213	19.1%
d Environmental services	7,623	20.2%
e Health services	1,869	4.9%
f Social and family services	3,387	9.0%
g Recreational and cultural services	5,354	14.2%
h Planning and development	1,024	2.7%
	\$ 37,800	100.0%

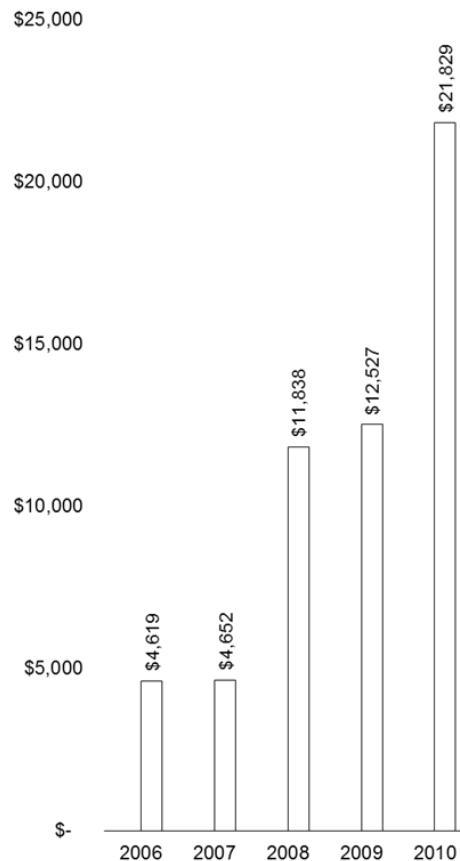


Capital Projects

The City's significant expenditures relating to major projects are described in the balance sheet 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 2010 were \$21.83 million. Major capital projects for 2010 included:

- ~ Downtown Revitalization – Phase II - \$2.7 million spent in 2010 – Phase II includes the redevelopment of the Harbourfront area, including a new venue for special events, refurbishment of the Thistle Pavilion, improvements to Bernier Drive, waterfront landscaping and improvements to the public wharfs. The total value of the contract is \$5.45 million. Expenses were \$.5 million in 2009.
- ~ Fire Hall - \$4.4 million spent in 2010 – The construction of the fire hall was completed in 2010. The total amount capitalized is \$6.6 million. In addition \$.8 million was spent on fire equipment and vehicles.
- ~ Discovery Centre - \$1.3 million – The construction of the Discovery Centre commenced in 2010 with completion in 2011. The total value of the contract is \$2.7 million.
- ~ Highway 17 East and West - \$4.9 million – Reconstruction and rehabilitation of the main provincial highway within the City of Kenora to the east and west boundaries. In 2009 \$1.1 million was spent on this project.



Financial Highlights

Capital Projects



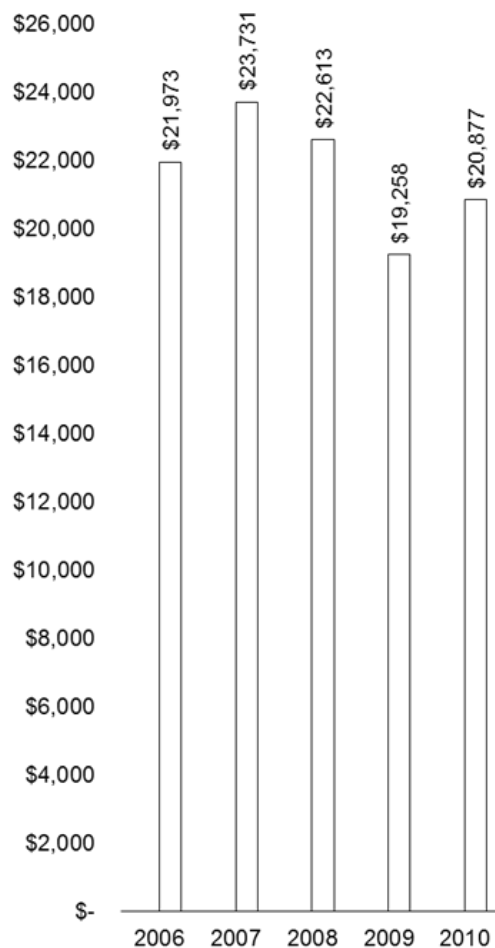
Reserves and Reserve Funds

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 working capital (\$3.1 million) and consolidated contingency (\$5.2 million) reserves.

As part of the terms of the amalgamation agreement, reserves and reserve funds existing at 1 January 2000 were protected by geographic boundaries of the former Towns of Kenora, Keewatin and Jaffray Melick. This protection remained in effect until 31 December 2004. Despite the expiration of this requirement, the City continues to track any pre-amalgamation reserve monies by the separate

geographic areas to which they relate. 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 consolidated reserve and reserve fund balance as at the end of 2010 was \$20.9 million. This chart to the right 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.



Financial Highlights

Revenues and Reserve Funds



Government Business Enterprise

Government business enterprises (GBE) 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.

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

Commencing in 2008, the GBE investment relates strictly to the Kenora Hydro Electric Corporation Ltd. This is as a result of the sale of the KMTS Entities to Bell Aliant on 31 January 2008. The City's net equity in government business enterprises as at the end of 2010 was \$8.3 million. Over the past three years, the City's investment in GBE has been reduced by a combined \$36.6 million, the first drop in 2007 as a result of the liquidation of the long term debt owing by the City to KMTS Mobility at the end of 2007 (\$12.9 million) and the balance resulting from the sale in 2008 (\$23.7 million).

In an effort to ensure there was no impact to property taxes as a result of the sale of KMTS entities, 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. The Kenora Citizens' Prosperity Trust Fund was established in 2008, with a balance of \$41.7 million at the end of 2010. 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, in addition to the elimination of long term debt payments which occurred in 2007. Any erosion of the balance of the trust will result in an additional burden on City taxpayer.



Financial Highlights

Government Business Enterprise



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.

Financial Highlights

Government
Business
Enterprise

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Financial Statements

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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 generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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.

The 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 BDO Canada LLP, independent external auditors appointed by City Council. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's financial statements.

A handwritten signature in blue ink, appearing to read "Karen Brown".

Karen Brown, CAO

Kenora, Ontario
July 11, 2011

Independent Auditor's Report

To the members of Council, Inhabitants and Ratepayers of The Corporation of the City of Kenora

We have audited the accompanying consolidated financial statements of The Corporation of the City of Kenora, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Kenora as at December 31, 2010 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Kenora, Ontario
July 18, 2011

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2010
(in thousands of dollars)

	2010	2009
Financial Assets		
Cash (Note 1)	\$ 3,365	\$ 3,766
Temporary investments (Note 2)	2,010	7,732
Taxes receivable	657	741
Trade and other receivables	11,570	7,333
Inventory held for resale	48	46
Notes receivable and long term investments (Note 3)	4,684	6,703
Citizens' Prosperity Trust Fund Investments (Note 4)	41,733	41,297
Investment in government business enterprises (Note 5)	8,293	8,245
	72,360	75,863
Liabilities		
Accounts payable and accrued liabilities	\$ 4,341	\$ 4,726
Deferred revenue (Note 6)	3,364	3,757
Employee benefits payable (Note 16)	2,147	2,128
	9,852	10,611
NET FINANCIAL ASSETS	62,508	65,252
Non Financial Assets		
Tangible capital assets (Note 8)	136,519	119,610
Inventories of consumables and prepaids	965	979
	137,484	120,589
ACCUMULATED SURPLUS (Note 7)	\$ 199,992	\$ 185,841

See Accompanying Notes

_____ Mayor

_____ Treasurer

**THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended 31 December 2010

(in thousands of dollars)

	2010 Budget (Note 12)	2010 Actual	2009 Actual
Revenues			
Taxation	\$ 19,679	\$ 20,027	\$ 18,891
Fees and user charges	9,569	10,613	9,824
Canada grants	6,661	4,253	1,993
Ontario grants	14,011	12,015	7,672
Net income (loss) from government business enterprises (Note 5)	48	48	51
Other (Note 9)	2,604	4,995	2,856
	<u>52,572</u>	<u>51,951</u>	41,287
Expenses			
General government	2,589	2,723	2,474
Protection services	9,128	8,607	11,113
Transportation services	7,015	7,213	6,772
Environmental services	7,470	7,623	7,881
Health services	1,824	1,869	1,833
Social and family services	3,486	3,387	3,440
Recreation and cultural services	5,031	5,354	5,092
Planning and development	1,000	1,024	815
	<u>37,543</u>	<u>37,800</u>	39,420
Annual surplus	<u>15,029</u>	14,151	1,867
Accumulated surplus, beginning of year,		185,841	183,974
Accumulated surplus, end of year		\$ 199,992	\$ 185,841

See Accompanying Notes

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended 31 December 2010
(in thousands of dollars)

	2010 Budget (Note 12)		2010 Actual		2009 Actual
Annual surplus	15,029	\$	14,151	\$	1,867
Acquisition of tangible capital assets	(26,798)		(21,829)		(12,527)
Amortization of tangible capital assets	4,780		4,780		4,379
Loss on sale of tangible capital assets	-		93		15
Proceeds on sale of tangible capital assets	-		47		20
	(6,989)		(2,758)		(6,246)
Acquisition of prepaid expenses and inventory of supplies	(1,443)		(1,443)		(979)
Net use/consumption of inventories of consumables and prepaids	1,457		1,457		1,006
	14		14		27
Net change in net financial assets (debt)	(6,975)		(2,744)		(6,219)
Net financial assets, beginning of year	65,252		65,252		71,471
Net financial assets, end of year	\$ 58,277	\$	62,508	\$	65,252

See Accompanying Notes

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2010
(in thousands of dollars)

	2010	2009
Operating transactions		
Annual surplus	\$ 14,151	\$ 1,867
Items not involving cash		
Amortization	4,780	4,379
Loss on disposal of tangible capital assets	93	15
Income from government business enterprise	(48)	(51)
	18,976	6,210
Change in non-cash working capital balances		
Decrease in taxes receivable	84	135
(Increase) in trade and other receivables	(4,238)	(288)
Decrease in other assets	12	25
(Decrease) in accounts payable and accrued liabilities	(385)	(341)
(Decrease) in deferred revenue	(391)	(291)
Increase (decrease) in employee benefits payable	18	(413)
	14,076	5,037
Capital transactions		
Acquisition of tangible capital assets	(21,829)	(12,527)
Proceeds on sale of tangible capital assets	47	20
	(21,782)	(12,507)
Investing transactions		
Increase in long term investments	2,019	(3,903)
(Increase) in Citizens' Prosperity Trust Fund	(436)	(9)
	1,583	(3,912)
Net change in cash and equivalents	(6,123)	(11,382)
Cash and equivalents, beginning of year	11,498	22,880
Cash and equivalents, end of year	\$ 5,375	\$ 11,498
Represented by		
Cash	\$ 3,365	\$ 3,766
Temporary investments	2,010	7,732
	\$ 5,375	\$ 11,498

See Accompanying Notes

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

For the year ended 31 December 2010
(in thousands of dollars)

The consolidated financial statements of the City are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The City provides municipal services such as fire, public works, planning, parks, recreation and other government services. Significant aspects of the accounting policies adopted by the City 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 68.70% 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 Canadian generally accepted accounting principles for publicly accountable enterprises, 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 comparative statements.

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.

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

For the year ended 31 December 2010
(in thousands of dollars)

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 2010
(in thousands of dollars)

k) Pension and Other Post-Employment Benefits

The City accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Standards issued by the Canadian Institute of Chartered Accountants with respect to accounting for employee future benefits require the company 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 2010
(in thousands of dollars)

1. CASH

	2010	2009
Unrestricted	\$ 1,155	\$ 700
Restricted	2,210	3,066
	\$ 3,365	\$ 3,766

The City's bank accounts are held at one chartered bank. The accounts earn interest at prime less 1.75%. The City has an authorized unsecured revolving demand line of credit of \$5 million with interest at prime (at 31 December 2010 - 3%). At 31 December 2010 the line of credit was not used.

2. TEMPORARY INVESTMENTS

	Market Value	2010	2009
Unrestricted	\$ 238	\$ 238	\$ 6,108
Restricted	1,772	1,772	1,624
	\$ 2,010	\$ 2,010	\$ 7,732

80% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments are bond funds with interest rates ranging from 1.25% to 4.07%.

3. NOTES RECEIVABLE AND LONG TERM INVESTMENTS

	2010	2009
Loan receivable, Kenora Health Care Centre, interest at 4.05% per annum, repayable interest only until 2010 secured by land, buildings and equipment, blended monthly payments to commence January 1, 2011.	\$ -	\$ 2,500
Loan receivable, Kenora Health Care Centre, interest free until January 1, 2011, secured by land, buildings and equipment, blended monthly payments to commence January 1, 2011.	4,545	3,842
Loan receivable, Ontario Power Generation, repayable \$1,587 monthly including interest at 5%, secured by leasehold improvements, matures 2020.	139	161
Northern Ontario Grow Bond, at cost. Interest earned at 4% per annum, receivable annually, maturing April 11, 2010.	-	200
	\$ 4,684	\$ 6,703

The loans receivable from the Kenora Health Care Centre are approved to a maximum of \$7,475.

4. CITIZENS' PROSPERITY TRUST FUND INVESTMENTS

	2010	2009
Cash	\$ 13	\$ 13
Temporary Investments	41,720	41,284
	\$ 41,733	\$ 41,297

The market value of the temporary investments is \$42,018 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. 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.

23% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investment is a bond fund with an interest rate of 3%. 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 .7% to 5.3%. These investments mature between 2011 and 2015.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010
(in thousands of dollars)

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

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 2010.

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

	2010	2009
Current assets	\$ 3,366	\$ 3,055
Long term investments	1,067	1,129
<u>Capital assets</u>	<u>7,334</u>	<u>6,857</u>
<u>Total Assets</u>	<u>11,767</u>	<u>11,041</u>
Current liabilities	1,898	1,755
Long term liabilities	1,576	1,041
<u>Total Liabilities</u>	<u>3,474</u>	<u>2,796</u>
<u>Net Assets</u>	<u>8,293</u>	<u>8,245</u>
Revenues	\$ 10,799	\$ 10,175
Expenses	10,751	10,124
Net Income	48	51
Contribution to City of Kenora	-	-
	48	51
Net assets, beginning of year	8,245	8,194
Net assets, end of year	\$ 8,293	\$ 8,245

ii) Balances with other organizations

Due from City of Kenora Revenue Fund	\$ 384	\$ 449
--------------------------------------	--------	--------

iii) Transactions with other organizations

Administration charges by City of Kenora	\$ 218	\$ 243
Interest charged to Kenora Hydro	79	75

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 \$1.4 million in 2010 (2009 - \$1.2 million).

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010
(in thousands of dollars)

6. DEFERRED REVENUE

	2010					
	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance	
Federal gas tax	\$ 145	\$ 934	\$ 5	\$ 2	\$ 1,082	
Wharf maintenance	1,245	-	-	732	513	
Dedicated gas tax	608	149	4	-	761	
Investing in Ontario	913	-	-	913	-	
Miscellaneous transit funding	130	-	-	-	130	
Roads deposits	172	-	1	44	129	
Other deferred revenue	544	366	-	161	749	
	\$ 3,757	\$ 1,449	\$ 10	\$ 1,852	\$ 3,364	

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.

Wharf maintenance

In 2002 three federal wharfs were transferred from the Government of Canada to the City of Kenora along with \$1,500 to maintain these wharfs. Any expenditures relating to these wharfs are applied to these funds.

Dedicated gas tax

The Provincial Ministry of Transportation provided 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.

Miscellaneous transit funding

The Provincial Ministry of Transportation provided municipalities with one time funding to be used to improve and expand public transit. These funds will be used for capital purchases in 2011.

Roads deposits

These deposits represent amounts paid by developers with respect to specific roads. They are to be used by the City for maintenance once the City assumes the roads.

7. ACCUMULATED SURPLUS

Accumulated surplus consist of individual fund surplus (deficit), reserves and reserve funds and internally restricted entities as follows:

	2010	2009
Current funds	\$ 344	\$ 183
Investment in tangible capital assets	136,519	119,610
Less: Capital assets to be financed by long term debt	(7,726)	(2,744)
Government business enterprises	8,293	8,245
	\$ 137,430	\$ 125,294
Reserves and Reserve Funds		
Working capital	3,112	2,911
Contingencies	5,244	3,156
Capital expenditure purposes	9,483	9,905
Replacement of equipment	1,788	2,549
Museum	408	403
Cemetery Columbarium	169	139
Current expenditures purposes	674	194
Total Reserves and Reserve Funds	20,878	19,257
Internally Restricted Entity		
Citizens' Prosperity Trust Fund	41,684	41,290
ACCUMULATED SURPLUS	\$ 199,992	\$ 185,841

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 2010
(in thousands of dollars)

8. TANGIBLE CAPITAL ASSETS

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Other	2010
Cost, beginning of year	\$ 10,836	\$ 2,681	\$ 15,449	\$ 2,795	\$ 11,161	\$ 166	\$ 53,886	\$ 35,073	\$ 43,710	\$ 7,553	\$ 183,310
Additions		568	7,585	672	1,350	-	5,286	716	2,729	2,923	21,829
Disposals	-	-	-	-	(219)	-	-	-	-	(121)	(340)
Cost, end of year	\$ 10,836	\$ 3,249	\$ 23,034	\$ 3,467	\$ 12,292	\$ 166	\$ 59,172	\$ 35,789	\$ 46,439	\$ 10,355	\$ 204,799
Accumulated amortization, beginning of year	\$ -	\$ 212	\$ 2,655	\$ 1,586	\$ 5,404	\$ 133	\$ 23,839	\$ 10,728	\$ 16,517	\$ 2,626	\$ 63,700
Amortization	-	109	276	279	685	2	1,767	507	753	402	4,780
Disposals	-	-	-	-	(79)	-	-	-	-	(121)	(200)
Accumulated amortization, end of year	\$ -	\$ 321	\$ 2,931	\$ 1,865	\$ 6,010	\$ 135	\$ 25,606	\$ 11,235	\$ 17,270	\$ 2,907	\$ 68,280
Net carrying amounts, end of year	\$ 10,836	\$ 2,928	\$ 20,103	\$ 1,602	\$ 6,282	\$ 31	\$ 33,566	\$ 24,554	\$ 29,169	\$ 7,448	\$ 136,519

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010
(in thousands of dollars)

8. TANGIBLE CAPITAL ASSETS (continued)

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Other	2009
Cost, beginning of year	\$ 10,836	\$ 1,808	\$ 14,957	\$ 2,580	\$ 10,467	\$ 166	\$ 51,269	\$ 32,332	\$ 41,700	\$ 4,713	\$ 170,828
Additions		873	492	215	739	-	2,617	2,741	2,010	2,840	12,527
Disposals	-	-	-	-	(45)	-	-	-	-	-	(45)
Cost, end of year	\$ 10,836	\$ 2,681	\$ 15,449	\$ 2,795	\$ 11,161	\$ 166	\$ 53,886	\$ 35,073	\$ 43,710	\$ 7,553	\$ 183,310
Accumulated amortization, beginning of year	\$ -	\$ 123	\$ 2,405	\$ 1,305	\$ 4,773	\$ 131	\$ 22,274	\$ 10,243	\$ 15,823	\$ 2,254	\$ 59,331
Amortization	-	89	250	281	641	2	1,565	485	694	372	4,379
Disposals	-	-	-	-	(10)	-	-	-	-	-	(10)
Accumulated amortization, end of year	\$ -	\$ 212	\$ 2,655	\$ 1,586	\$ 5,404	\$ 133	\$ 23,839	\$ 10,728	\$ 16,517	\$ 2,626	\$ 63,700
Net carrying amounts, end of year	\$ 10,836	\$ 2,469	\$ 12,794	\$ 1,209	\$ 5,757	\$ 33	\$ 30,047	\$ 24,345	\$ 27,193	\$ 4,927	\$ 119,610

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 \$5,043 (2009 - \$2,516). 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.

During the year, \$1,896 (2009 - \$0) in contributed roads and water and sewer capital assets were recognized in the financial statements.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010
(in thousands of dollars)

9. OTHER INCOME

	2010	2009
Penalties and interest on taxation	\$ 257	\$ 243
Investment income	1,963	1,955
Donations	1,943	55
Miscellaneous	832	603
	\$ 4,995	\$ 2,856

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 259,000 active members and approximately 150,000 retired and other 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, 2010, the estimated accrued pension obligation for all members (including survivors) of the Plan was \$60,035 million (2009 - \$54,253 million). The Plan had an actuarial value of net assets of \$53,349 million at the end of 2010 (2009 - \$47,832 million). The resulting funding deficit was \$4,467 million as at December 31, 2010 (2009 - \$1,519 million). The actuary does not attribute portions of the unfunded liability to individual employers. The Corporation of the City of Kenora paid \$613 for employer contributions to the plan in 2010 (2009 - \$776).

11. PUBLIC SECTOR SALARY DISCLOSURE

For 2010, 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
William Preisentanz	City Chief Administrative Officer	\$ 136	\$ 1
Karen Brown	Manager of Finance and Administration	\$ 115	\$ 1
Sharen McDowall	Human Resources Manager	\$ 104	\$ 1
Richard Perchuk	Operations Manager	\$ 105	\$ 1
Warren Brinkman	Fire & Emergency Services Manager	\$ 103	\$ 1

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010
(in thousands of dollars)

12. BUDGET

The Financial Plan (Budget) By-Law adopted by Council on 8 February 2010 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 to \$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 (debt) represent the Financial Plan adopted by Council on 8 February 2010 with adjustments as follows:

	2010
Financial plan (budget) bylaw surplus for the year	\$ 533
Add:	
Capital expenditures	26,798
Less:	
Budgeted transfers from accumulated surplus	(3,173)
Budgeted proceeds from long-term liabilities	(4,349)
Amortization	(4,780)
Budget surplus per statement of operations	\$ 15,029

13. COLLECTION OF TAXES ON BEHALF OF OTHER TAXATION AUTHORITIES

During the year, taxation revenue of \$5,282 (2009 - \$5,922) 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 financial activities. At 31 December 2010, the trust funds balances are as follows:

	2010	2009
Lake of the Woods Cemetery		
Land Fund	\$ 23	\$ 22
Perpetual Care Fund	487	460
Langford Estate	52	52
	\$ 562	\$ 534

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 2010 was \$6 (2009 - (\$342)), and the resulting future employee benefit liability was \$1,908 at 31 December 2010.

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 2010 expense and accrued obligation is 4.75%.

2. Medical Costs

Medical costs were assumed to increase 7.5% in 2011 grading down by .5% per annum to 5% in 2016 and thereafter.

3. Dental Costs

Dental costs were assumed to increase 4% per year.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010
(in thousands of dollars)

16. EMPLOYEE BENEFITS PAYABLE

	2010	2009
Employee future benefits (Note 15)	\$ 1,908	\$ 1,894
Vested sick leave	129	138
Lieu time accrual	110	96
	\$ 2,147	\$ 2,128

17. CONTINGENT LIABILITIES AND COMMITMENTS

At 31 December 2010, the Corporation of the City of Kenora has guaranteed bank indebtedness of the Kenora Golf and Country Club in the amount of \$607. The maximum amount of the guarantee is \$650.

The Corporation of the City of Kenora is liable for its pro-rata share of the cumulative operating deficit of the District of Kenora Home for the Aged is \$2,587 (2009 - \$2,767). 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.

At 31 December 2010, the City of Kenora had remaining capital project commitments of \$1,387 for the completion of the Lake of the Woods Discovery Centre and \$1,519 for the completion of the Downtown Revitalization project.

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 present value of the estimated total expenses for closure & post-closure care has been estimated at \$14 at 31 December 2010.

The City maintains one active landfill site which has an estimated remaining useful life of approximately 60 years. Based on an environmental assessment performed by consultants \$1 has been accrued relating to the closure & post-closure care for this landfill site.

19. SUBSEQUENT EVENTS

Subsequent to the year end the City awarded various construction contracts totalling \$3,895. The work under these contracts commenced in 2011.

**THE CORPORATION OF THE CITY OF KENORA
SCHEDULE OF SEGMENTED INFORMATION**

For the year ended 31 December 2010
(in thousands of dollars)

20. SEGMENTED INFORMATION

The City of Kenora is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, public transit, solid waste, sewer and water and recreation. For management reporting purposes the City's operations and activities are organized and reported by Fund. Funds 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 funds. 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 to Persons and Property

This segment encompasses police services, fire services and by-law enforcement. The mandate of the Police Services department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce law. 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, 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 contribution 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
SCHEDULE OF SEGMENTED INFORMATION
for the year ended 31 December 2010
(in thousands of dollars)

20. 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.

THE CORPORATION OF THE CITY OF KENORA
SCHEDULE OF SEGMENT DISCLOSURE

For the year ended 31 December 2010
(in thousands of dollars)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Eliminations	2010 Total
Revenues										
Taxation	\$ 2,385	\$ 6,288	\$ 3,859	\$ 479	\$ 1,240	\$ 2,427	\$ 2,728	\$ 621	\$ -	\$ 20,027
Fees and user charges	232	826	750	6,827	176	314	1,338	150	-	10,613
Government grants	716	3,184	4,601	2,043	497	720	4,337	1,206	(1,036)	16,268
Net government business enterprise earnings	48	-	-	-	-	-	-	-	-	48
Other	2,104	206	1,568	552	42	79	357	87	-	4,995
	5,485	10,504	10,778	9,901	1,955	3,540	8,760	2,064	(1,036)	51,951
Expenses										
Salaries and benefits	1,991	1,894	2,175	2,278	173	321	2,852	490	-	12,174
Materials and supplies	628	6,540	2,328	3,820	73	138	1,987	533	-	16,047
External transfer	-	-	82	-	1,748	2,928	971	106	(1,036)	4,799
Amortization	104	174	2,628	1,525	14	-	334	1	-	4,780
	2,723	8,608	7,213	7,623	2,008	3,387	6,144	1,130	(1,036)	37,800
Net surplus (deficit)	\$ 2,762	\$ 1,896	\$ 3,565	\$ 2,278	\$ (53)	\$ 153	\$ 2,616	\$ 934	\$ -	\$ 14,151

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Eliminations	2009 Total
Revenues										
Taxation	\$ 2,095	\$ 6,128	\$ 3,967	\$ 336	\$ 1,071	\$ 2,388	\$ 2,426	\$ 480	\$ -	\$ 18,891
Fees and user charges	238	844	672	6,270	154	277	1,297	72	-	9,824
Government grants	555	1,875	2,448	2,108	491	614	2,234	490	(1,150)	9,665
Net government business enterprise earnings	51	-	-	-	-	-	-	-	-	51
Other	1,356	358	231	160	65	139	444	103	-	2,856
	4,295	9,205	7,318	8,874	1,781	3,418	6,401	1,145	(1,150)	41,287
Expenses										
Salaries and benefits	2,034	6,413	2,227	2,278	173	406	2,760	619	-	16,910
Materials and supplies	743	4,451	2,324	3,628	915	688	1,898	379	-	15,026
External transfer	-	-	79	-	947	2,346	883	-	(1,150)	3,105
Amortization	95	186	2,377	1,406	15	-	299	1	-	4,379
	2,872	11,050	7,007	7,312	2,050	3,440	5,840	999	(1,150)	39,420
Net surplus (deficit)	\$ 1,423	\$ (1,845)	\$ 311	\$ 1,562	\$ (269)	\$ (22)	\$ 561	\$ 146	\$ -	\$ 1,867

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.