



# Annual Report 2011



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

With Council having one full year in their term of office we have been prioritizing and building strong foundations through numerous partners and business opportunities to ensure Kenora is in a solid position for many years to come.

Our Downtown Revitalization Phase II project is complete and we are looking forward to the first full summer where citizens and visitors realize the benefits of the enhancements of the project and enjoy a summer construction free! Our Engineering department is looking towards our future by developing options for Phase III and the priorities that Council must consider with infrastructure and development in the future. Our brand new Fire Hall, Harbourfront Tent and the Lake of the Woods Discovery Centre saw their first season of operation and expanded services through the facilities by both hosting several events that the public were able to view and tour the facilities. These are further examples of strong foundations for many years to come through our City buildings and infrastructure. The City has been very successful over the past several years obtaining funding for many of our projects through various levels of government which has made these projects feasible.

The Roger Brooks presentations and surveys were an eye opener for Council and we can see the vibrant potential that Kenora has to grow and expand tourism in our City but we have a lot of work to do to get to where we want to be. A Brand Leadership Team has been developed and the team will continue to work on all the recommendations that Mr. Brooks has provided to the community. Our City has so much potential for attracting visitors to our City through not only our lake but our fantastic resources such as our newly installed bike trail along with all our fantastic walking trails that have been made accessible to all by hardworking volunteers in our community. Hosting events such as the Allan Cup is proof of the calibre of our facilities and the potential we have.

Our First Nations partnerships and response to building our economic future has been fostering and hosting the Treaty 3 Area Economic Opportunities Conference was a momentous step in moving these relationships forward with the potentials that are before us.

We all know that Kenora is a magnificent City surrounded by natural beauty and that it is one of the main reasons we all choose to live here. What we do with our future and how we grow is up to each and every one of us in the community. Give back to your City, get involved, be part of change and watch us grow!



Mayor David Canfield

## Informative Information

### Mayor's Message





## CAO's Message

In 2011, Kenora continued to work actively to position itself to keep moving forward, in spite of the continued economic impacts, from local to global, felt both throughout our region and around the world. One of the City's primary focuses continues to be economic development, including positioning Kenora as a true, four season destination community, for residents, businesses and visitors alike. In 2011, the City as a whole experienced one of the best visitor seasons it has seen for several years now.

This has included investing in City infrastructure. With the help of our partners in Senior Government, the City worked on a number of strategic infrastructure improvements in 2011, which included the substantial completion of the Kenora Harbourfront rehabilitation as part of our downtown revitalization ongoing efforts. This project included the construction of the Whitecap Pavilion, a permanent stage and tent structure on the Harbourfront. Other key infrastructure projects pursued in 2011 included the extension of the Highway 17 West rehabilitation works, as well a major rehabilitation of City wharfs.

In late 2011 through early 2012, under the leadership of the Lake of the Woods Development Commission, the City undertook a branding exercise. The resulting brand vision was announced during the spring of 2012 and represents the direction and future vision to which the City aspires. The new brand promise is:

Kenora is North America's premiere boating destination. We are the connection to Lake of the Woods and its 14,522 islands.

Through our events and amenities we celebrate our history and build our future.

We are stewards of the lake, nurture its pristine environment, and live the lake life.

The City's strategic plan will be updated in 2012 for current Council priorities, including directions resulting from the City's brand and related promise.

The City of Kenora's annual report covers the City's fiscal year, which runs from January 01 to December 31. On behalf of City administration, it is our pleasure to present highlights of our activities for 2011.

*Karen Brown*  
CAO

## Informative Information

### CAO's Message







## 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.

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.

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.

## Informative Information

### City Profile





## Interesting Statistics – “2011 by the Numbers”

### Informative Information

Kenora's Population	12,401
Youth Population	1,415
Household Count	7,463
Total Hectares in the Municipality	24,939 hectares
Total Property Assessment	\$ 1.33 billion

City Employees	254
(excluding Volunteer Fire Fighters)	

### Interesting Statistics – “2011 by the Numbers”

Total Residential Structural Fires	22
Losses due to Structural Fires	\$ 0.89 million

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	137.4 km
Wastewater Treated	2,515.40 megalitres
Backed Up Wastewater Mains	7

Kilometers of Water Main	131.2 km
Drinking Water Treated	2,183.50 megalitres
Water Main Breaks	16

Tonnes of Recycling Processed	2,029.3 tonnes
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Total Hectares of Municipally Owned Open Space	573.0
------------------------------------------------	-------

Total Kilometers of Municipally Owned Trails	90.0
----------------------------------------------	------





## Look What's New in 2011

Commencing in 2011 the Solid Waste Department of the City of Kenora purchased and installed 32 Big Belly Solar units on City streets. Sixteen are for the disposal of recyclables and sixteen are for garbage.

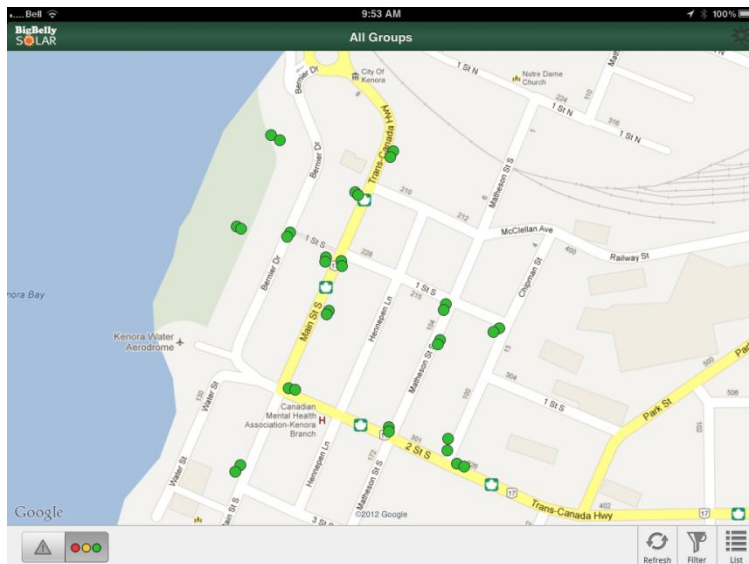
These state of the art units are solar powered compacting collection receptacles that literally have a mind of their own. The receptacles will send emails when it's almost time to change the bag. In fact if an employee wanted to assess the status of the units he has only to log on to the system and he will find out if the bags are getting full (colour changes from green to yellow) or needs changing (colour changes from yellow to red). The receptacles will send alerts if the door is left open or if maintenance is required. The unit will even calculate the compacting rate of the material. In 8 months 1,347 kilograms of recycled materials have been collected.



Solid Waste Supervisor Mike Mostow and Green Team member Arleen Wilcox use the Big Belly receptacles.

## Informative Information

### Look What's New in 2011



The City intends to expand the program by increasing the numbers of units. They decrease the work load for City staff as well as minimizing our carbon footprint. Fifty percent of the total project is funded once the City files an annual report.

For the locations of the Big Bellies please see the map above.





## 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 two Members of Council, as well as three 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 254 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





## 2011 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, 2011. 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 2011 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

### 2011 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 \$41.7 million in 2011 of the total revenues of \$46.7 million. Transfers from the government business enterprise and the Kenora Citizen's Prosperity Trust Fund were an additional \$1.17 million. The City also utilized \$4.02 million in reserves and reserve funds in 2011. As in previous years, taxation accounts for the largest source of current operation revenue, providing 50.5% of current revenues. Fees and user charges represent another 26.5% in current operations revenue. An analysis of total revenues by source in graph form follows on page 15.

Overall current operations expenditures in the various functional areas listed above were \$39.5 million in 2011, before changes in City surplus. An analysis of current expenditures by functions in graph form follows on page 16.

This discussion does not include capital activity of the City.

## Financial Highlights

### Current Operations







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

<b>Category</b>	<b>2011 Budget</b>	<b>2011 Actual</b>	<b>Variance Fav. (Unfav.)</b>	<b>% Variance Fav. / -Unfav.</b>
<b>Revenues</b>	\$ 46,741	\$ 46,699	\$ (42)	-0.1%

*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, sewer and water and recreation centre operations. 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 2 capital projects were not carried out in 2011.

<b>Expenditures</b>	\$ 39,794	\$ 39,507	\$ 287	0.7%
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*Expenditure Main impacts include:*

- Ontario Provincial Police. Lower than anticipated OPP contract costs. In 2011 the actual cost for this service was \$483 under budget.
- Transportation Services. Surface treated and loose top roads maintenance was over budget.
- Winter Control. Expenses were under budget for sanding and salting.
- Streetlighting. Utility costs were more than the budget due to the method of Hydro One billing.
- Traffic Signals. More maintenance work was performed than was originally anticipated.
- Sewer and Water. Lift stations. Repairs and maintenance expenses were over budget to reflect additional work in problem areas.
- Water Treatment Plant. Expenses for chemicals were over budget.
- Garbage Collection. These expenditures continued to be under budget due to a further reduction in wages and contracted services. This was offset by transfer facility wage and hauling costs exceeding budget.
- Recycling Facility. Hauling costs for recycled materials exceeded budget.
- Recreation & Cultural Services. The Kenora Recreation Centre operations exceeded budget in the areas of contracted services, utilities and repairs and maintenance. These were offset by higher than anticipated user fees. The repairs and maintenance at the pool was below budget.
- Planning & Development. Economic Development was over budget in contracted services. Tourism was over budget as well however this was offset by higher than budgeted revenues.

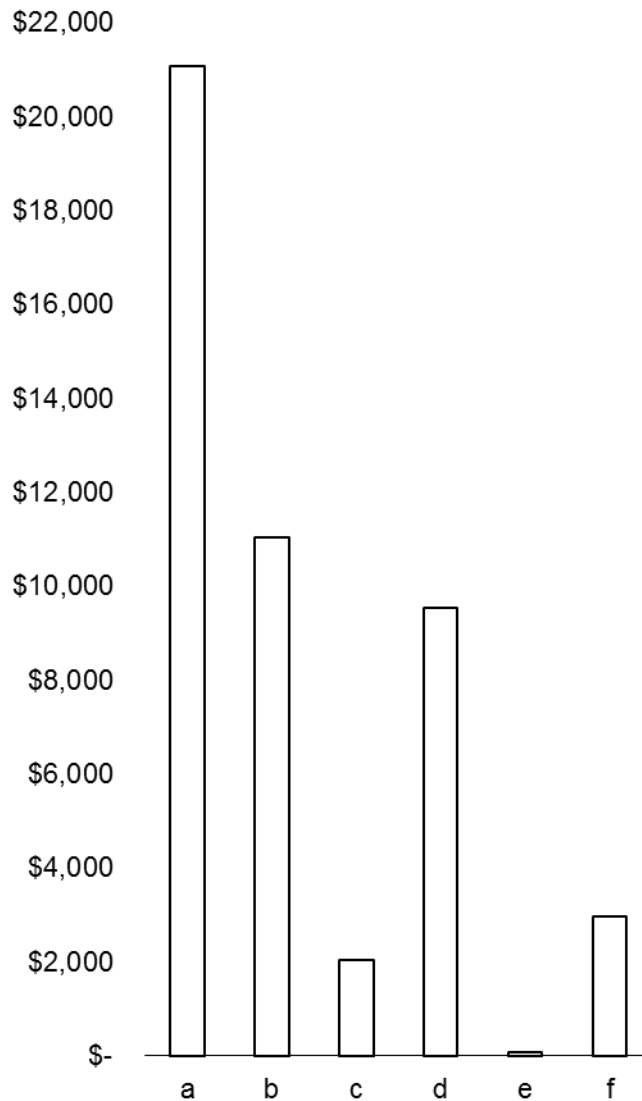
## Financial Highlights

### Consolidated Operations – Actual to Budget





## Revenues, Financing and Transfers



### Financial Highlights

#### Revenues, Financing and Transfers

#### Revenues, Financing and Transfers

a Taxation	\$ 21,064	45.2%
b Fees and user charges	11,034	23.6%
c Canada grants	2,032	4.4%
d Ontario grants	9,546	20.4%
e Government business enterprise	68	0.1%
f Other	2,955	6.3%
	<b>\$ 46,699</b>	<b>100.0%</b>

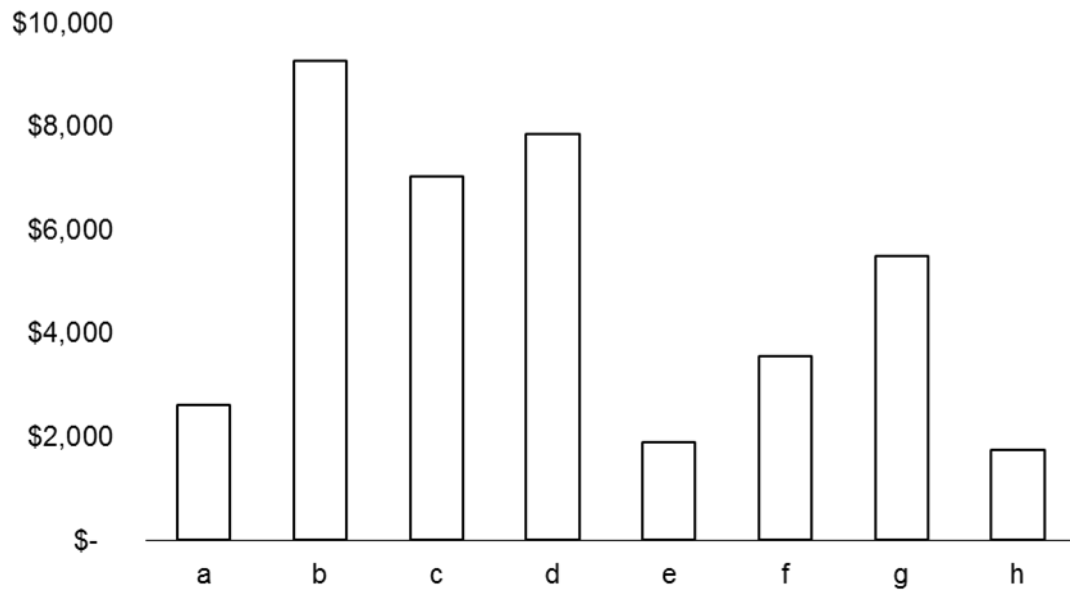




## Expenditures, Financing and Transfers

### Financial Highlights

#### Expenditures, Financing and Transfers



#### Expenditures, Financing and Transfers

a	General government	\$ 2,622	6.6%
b	Protection services	9,282	23.6%
c	Transportation services	7,042	17.8%
d	Environmental services	7,849	19.9%
e	Health services	1,904	4.8%
f	Social and family services	3,555	9.0%
g	Recreational and cultural services	5,505	13.9%
h	Planning and development	1,748	4.4%
		<b>\$ 39,507</b>	<b>100.0%</b>



## Capital Projects

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

Overall tangible capital asset purchases in 2011 were \$11.48 million. Major capital projects for 2011 included:

- ~ Downtown Revitalization – Phase II - \$2.2 million spent in 2011 – 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. Phase II was completed in 2011.
- ~ Discovery Centre - \$1.8 million – The construction of the Discovery Centre commenced in 2010 and was completed in 2011. The total amount capitalized is \$3.1 million.
- ~ Highway 17 East and West - \$0.9 million – Reconstruction and rehabilitation of the main provincial highway within the City of Kenora to the east and west boundaries. In 2009 and 2010 \$6.0 million was spent on this project. The project was completed in 2011.
- ~ Whitecap Pavilion – The Harbourfront tent structure was started and completed in 2011. The construction cost was \$1.6 million with \$0.8 funded by NOHFC and \$0.8 million financed by a debenture.



## Financial Highlights

### Capital Projects



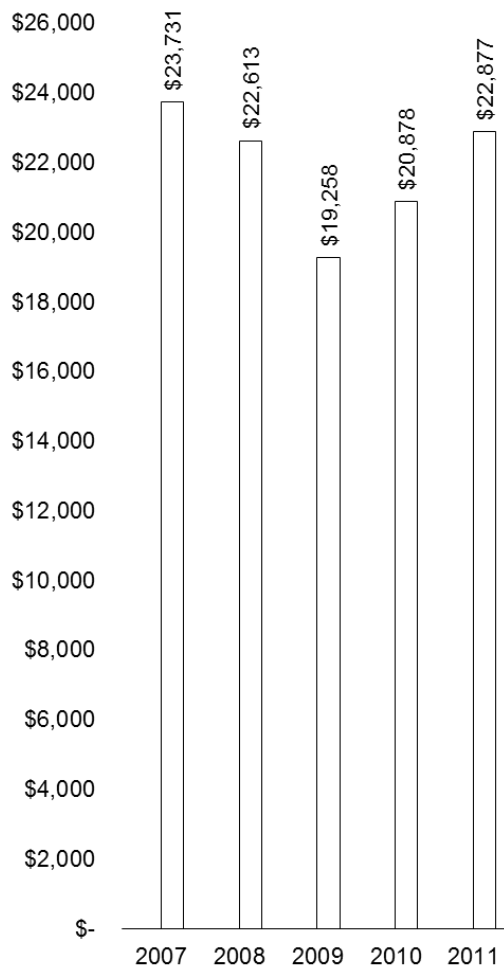


## Reserves and Reserve Funds

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 (\$3.3 million) and consolidated contingency (\$7.0 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 2011 was \$22.9 million. This chart to the left 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

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

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

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 2011 was \$8.4 million.

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



## Financial Highlights

### Government Business Enterprise





## Kenora Citizens' Prosperity Trust Fund

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 (Trust Fund) was established in 2008, with a balance of \$39.5 million at the end of 2011. In order to offset lost net revenues as a result of the sale of the KMTS Entities, the City requires an annual return of \$1.1 million in income from the trust. Any erosion of the balance of the trust will result in an additional burden on City taxpayer.

The balance of cash and investments in the Kenora Citizens' Prosperity Trust Fund was \$39.539 million at 31 December 2011. In 2011 the City of Kenora issued internal debentures totaling \$8.8 million owing to the Trust Fund to finance the Fire Hall, the Discovery Centre, the Highway 17 Rehabilitation project, the Whitecap Pavilion and the marine waterline. The Canadian generally accepted accounting principles, as established by the Public Sector Accounting Board, dictate that such inter-organizational transactions be eliminated on consolidation. As a result the balance of \$30.751 million reflected on the consolidated statement of financial position does not reflect the balance of the debentures at 31 December 2011 of \$8.8 million.

### Financial Highlights

#### Kenora Citizens' Prosperity Trust Fund







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## Financial Statements

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## City of Kenora

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Kenora, ON P9N 3X2  
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Fax: 807-467-2045  
www.kenora.ca

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### Management's Responsibility for the Financial Statements

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The accompanying financial statements of the Corporation of the City of Kenora are the responsibility of the City's management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of 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.

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 Auditor's 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, CA, CAO

Kenora, Ontario  
July 16, 2012



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Kenora ON P9N 4E9 Canada

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## Independent Auditor's Report

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### 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, 2011, 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, 2011 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*

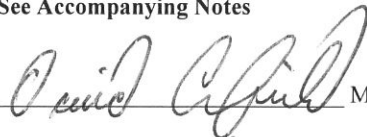
Chartered Accountants, Licensed Public Accountants

Kenora, Ontario  
July 16, 2012

**THE CORPORATION OF THE CITY OF KENORA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
31 December 2011  
(in thousands of dollars)

	2011	2010
<b>Financial Assets</b>		
Cash (Note 1)	\$ 23,387	\$ 3,365
Temporary investments (Note 2)	2,097	2,010
Taxes receivable	482	657
Trade and other receivables	7,912	11,570
Inventory held for resale	40	48
Notes receivable and long term investments (Note 3)	126	4,684
Citizens' Prosperity Trust Fund investments (Note 4)	30,751	41,733
Investment in government business enterprise (Note 5)	8,361	8,293
	<b>73,156</b>	<b>72,360</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 3,619	\$ 4,341
Deferred revenue (Note 6)	3,381	3,364
Employee benefits payable (Note 16)	2,314	2,147
	<b>9,314</b>	<b>9,852</b>
<b>NET FINANCIAL ASSETS</b>	<b>63,842</b>	<b>62,508</b>
<b>Non Financial Assets</b>		
Tangible capital assets (Note 8)	142,375	136,519
Inventories of consumables and prepaids	967	965
	<b>143,342</b>	<b>137,484</b>
<b>ACCUMULATED SURPLUS (Note 7)</b>	<b>\$ 207,184</b>	<b>\$ 199,992</b>

See Accompanying Notes

 Mayor

 Treasurer



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

For the year ended 31 December 2011

(in thousands of dollars)

	2011 Budget (Note 12)	2011 Actual	2010 Actual
<b>Revenues</b>			
Taxation	\$ 20,551	\$ 21,064	\$ 20,027
Fees and user charges	10,248	11,034	10,613
Canada grants	3,806	2,032	4,253
Ontario grants	9,513	9,546	12,015
Net income from government business enterprise (Note 5)	68	68	48
Other (Note 9)	2,555	2,955	4,995
	46,741	46,699	51,951
<b>Expenses</b>			
General government	2,728	2,622	2,723
Protection services	9,653	9,282	8,607
Transportation services	7,032	7,042	7,213
Environmental services	7,809	7,849	7,623
Health services	1,928	1,904	1,869
Social and family services	3,688	3,555	3,387
Recreation and cultural services	5,348	5,505	5,354
Planning and development	1,608	1,748	1,024
	39,794	39,507	37,800
<b>Annual surplus</b>	<u>6,947</u>	<b>7,192</b>	14,151
<b>Accumulated surplus, beginning of year</b>		<b>199,992</b>	185,841
<b>Accumulated surplus, end of year</b>		<b>\$ 207,184</b>	\$ 199,992

See Accompanying Notes

**THE CORPORATION OF THE CITY OF KENORA**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
For the year ended 31 December 2011  
(in thousands of dollars)

	2011 Budget (Note 12)	<b>2011 Actual</b>	2010 Actual
<b>Annual surplus</b>	\$ 6,947	\$ <b>7,192</b>	\$ 14,151
Acquisition of tangible capital assets	(16,056)	<b>(11,483)</b>	(21,829)
Amortization of tangible capital assets	5,483	<b>5,483</b>	4,780
(Gain) Loss on sale of tangible capital assets	-	<b>(132)</b>	93
Proceeds on sale of tangible capital assets	-	<b>276</b>	47
	<b>(3,626)</b>	<b>1,336</b>	<b>(2,758)</b>
Acquisition of prepaid expenses and inventory of supplies	(1,317)	<b>(1,317)</b>	(1,443)
Net use/consumption of inventories of consumables and prepaids	1,315	<b>1,315</b>	1,457
	<b>(2)</b>	<b>(2)</b>	14
<b>Net change in net financial assets</b>	<b>(2,311)</b>	<b>1,334</b>	<b>(2,744)</b>
<b>Net financial assets, beginning of year</b>	62,508	<b>62,508</b>	65,252
<b>Net financial assets, end of year</b>	\$ 60,197	\$ <b>63,842</b>	\$ 62,508

See Accompanying Notes

**THE CORPORATION OF THE CITY OF KENORA  
CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2011

(in thousands of dollars)

	2011	2010
<b>Operating transactions</b>		
Annual surplus	\$ 7,192	\$ 14,151
Items not involving cash		
Amortization	5,483	4,780
(Gain) Loss on disposal of tangible capital assets	(132)	93
Income from government business enterprise	(68)	(48)
	<b>12,475</b>	<b>18,976</b>
Change in non-cash working capital balances		
Decrease in taxes receivable	175	84
Decrease (Increase) in trade and other receivables	3,658	(4,238)
Decrease in other assets	6	12
(Decrease) in accounts payable and accrued liabilities	(722)	(385)
Increase (Decrease) in deferred revenue	17	(391)
Increase in employee benefits payable	167	18
	<b>15,776</b>	<b>14,076</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(11,483)	(21,829)
Proceeds on sale of tangible capital assets	276	47
	<b>(11,207)</b>	<b>(21,782)</b>
<b>Investing transactions</b>		
Decrease in long term investments	4,558	2,019
Decrease (Increase) in Citizens' Prosperity Trust Fund	10,982	(436)
	<b>15,540</b>	<b>1,583</b>
<b>Net change in cash and equivalents</b>	<b>20,109</b>	<b>(6,123)</b>
<b>Cash and equivalents, beginning of year</b>	<b>5,375</b>	<b>11,498</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 25,484</b>	<b>\$ 5,375</b>
<b>Represented by</b>		
Cash	\$ 23,387	\$ 3,365
Temporary investments	2,097	2,010
	<b>\$ 25,484</b>	<b>\$ 5,375</b>

See Accompanying Notes



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

For the year ended 31 December 2011  
(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 68.25% 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 statements.

### **c) Use of Estimates**

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

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

For the year ended 31 December 2011  
(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 2011  
(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 City to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

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

**l) Tangible Capital Assets**

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

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 2011  
(in thousands of dollars)

**1. CASH**

	<b>2011</b>	2010
Unrestricted	\$ 21,020	\$ 1,155
Restricted	2,367	2,210
	<b>\$ 23,387</b>	<b>\$ 3,365</b>

The City has a revolving demand facility to a maximum of \$5,000 by way of prime rate based loans bearing interest at prime plus 0% and letters of credit bearing interest at 0.5% per annum. As at 31 December 2011, \$ - (2010 - \$-) was drawn under this facility. The facility is unsecured. Availability is subject to financial criteria and is at the discretion of the bank.

**2. TEMPORARY INVESTMENTS**

	Market Value	<b>2011</b>	2010
Unrestricted	\$ 248	\$ 246	\$ 238
Restricted	1,852	<b>1,851</b>	1,772
	<b>\$ 2,100</b>	<b>\$ 2,097</b>	<b>\$ 2,010</b>

80% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments are bond funds with an interest rate of 4.12%.

**3. NOTES RECEIVABLE AND LONG TERM INVESTMENTS**

	<b>2011</b>	2010
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
Loan receivable, Ontario Power Generation, repayable \$2 monthly including interest at 5%, secured by leasehold improvements, matures 2020.	126	139
	<b>\$ 126</b>	<b>\$ 4,684</b>

**4. CITIZENS' PROSPERITY TRUST FUND INVESTMENTS**

	<b>2011</b>	2010
Cash	\$ 13	\$ 13
Temporary Investments	<b>30,738</b>	41,720
	<b>\$ 30,751</b>	<b>\$ 41,733</b>

The market value of the temporary investments is \$31,288 at the end of the year. The proceeds from the sale of the Kenora Municipal Telephone System, KMTS Mobility and KMTS Net were transferred to the Citizens' Prosperity Trust Fund in 2008. The purpose of the Fund is to safeguard the principal while using the related investment income to eliminate the negative impacts resulting from the loss of the annual dividends from the telephone operations.

29% 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 4.2%. 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 .8% to 5.4%. These investments mature between 2012 and 2017.

Debentures receivable in the amount of \$8,788 have been eliminated on consolidation. These debentures are due from the City of Kenora and were used to finance a number of capital projects. The interest rate on these debentures is 3%. They mature between 2020 and 2030.

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2011  
(in thousands of dollars)

**5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE**

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 2011.

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

	2011	2010
Current assets	\$ 3,945	\$ 3,366
Long term investments	1,020	1,067
Capital assets	8,027	7,334
<b>Total Assets</b>	<b>12,992</b>	<b>11,767</b>
Current liabilities	2,100	1,898
Long term liabilities	2,531	1,576
<b>Total Liabilities</b>	<b>4,631</b>	<b>3,474</b>
<b>Net assets</b>	<b>\$ 8,361</b>	<b>\$ 8,293</b>
Revenues	\$ 11,912	\$ 10,799
Expenses	11,844	10,751
Net Income	68	48
Contribution to City of Kenora	-	-
	68	48
Net assets, beginning of year	8,293	8,245
<b>Net assets, end of year</b>	<b>\$ 8,361</b>	<b>\$ 8,293</b>

**ii) Balances with other organizations**

Due from City of Kenora Revenue Fund	\$ 744	\$ 384
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**iii) Transactions with other organizations**

Administration charges by City of Kenora	\$ 177	\$ 218
Interest charged to Kenora Hydro	92	79

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 2011 (2010 - \$1.4 million).

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2011  
(in thousands of dollars)

**6. DEFERRED REVENUE**

	<b>2011</b>					
	<b>Opening balance</b>	<b>Contributions received</b>	<b>Externally restricted investment income</b>	<b>Revenue recognized</b>	<b>Ending balance</b>	
Federal gas tax	\$ 1,082	\$ 931	\$ 17	\$ -	\$ 2,030	
Wharf maintenance	513	-	-	513	-	
Dedicated gas tax	761	147	10	440	478	
Miscellaneous transit funding	258	-	-	-	258	
Roads deposits	129	-	2	44	87	
Other deferred revenue	621	92	1	186	528	
	<b>\$ 3,364</b>	<b>\$ 1,170</b>	<b>\$ 30</b>	<b>\$ 1,183</b>	<b>\$ 3,381</b>	

**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.

**7. ACCUMULATED SURPLUS**

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

	<b>2011</b>	<b>2010</b>
Current funds	\$ 479	\$ 344
Investment in tangible capital assets	142,375	136,519
Less: Capital assets to be financed by long term debt	-	(7,726)
Government business enterprises	8,361	8,293
	<b>\$ 151,215</b>	<b>\$ 137,430</b>
Reserves and Reserve Funds		
Working capital	3,311	3,112
Contingencies	7,042	5,244
Capital expenditure purposes	10,002	9,483
Replacement of equipment	1,221	1,788
Museum	416	408
Cemetery Columbarium	100	169
Current expenditures purposes	785	674
Total Reserves and Reserve Funds	<b>22,877</b>	<b>20,878</b>
Internally Restricted Entity		
Citizens' Prosperity Trust Fund	33,092	41,684
<b>ACCUMULATED SURPLUS</b>	<b>\$ 207,184</b>	<b>\$ 199,992</b>

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 2011  
(in thousands of dollars)

**8. TANGIBLE CAPITAL ASSETS**

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Work in Progress and Other	2011
Cost, beginning of year	\$ 10,803	\$ 3,282	\$ 23,034	\$ 3,477	\$ 12,294	\$ 166	\$ 59,091	\$ 35,914	\$ 46,395	\$ 10,355	\$ <b>204,811</b>
Additions/transfers	125	2,143	7,075	599	1,792	1,391	2,607	338	284	(4,871)	<b>11,483</b>
Disposals	(51)	-	(109)	(11)	(969)	-	-	-	-	(71)	<b>(1,211)</b>
Cost, end of year	\$ 10,877	\$ 5,425	\$ 30,000	\$ 4,065	\$ 13,117	\$ 1,557	\$ 61,698	\$ 36,252	\$ 46,679	\$ 5,413	\$ <b>215,083</b>
Accumulated amortization, beginning of year	\$ -	\$ 330	\$ 2,922	\$ 1,875	\$ 6,011	\$ 136	\$ 25,605	\$ 11,236	\$ 17,271	\$ 2,906	\$ <b>68,292</b>
Amortization	-	168	539	364	739	26	1,932	516	780	419	<b>5,483</b>
Disposals	-	-	(86)	(11)	(899)	-	-	-	-	(71)	<b>(1,067)</b>
Accumulated amortization, end of year	\$ -	\$ 498	\$ 3,375	\$ 2,228	\$ 5,851	\$ 162	\$ 27,537	\$ 11,752	\$ 18,051	\$ 3,254	\$ <b>72,708</b>
Net carrying amounts, end of year	\$ 10,877	\$ 4,927	\$ 26,625	\$ 1,837	\$ 7,266	\$ 1,395	\$ 34,161	\$ 24,500	\$ 28,628	\$ 2,159	\$ <b>142,375</b>



**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2011  
(in thousands of dollars)

**8. TANGIBLE CAPITAL ASSETS (continued)**

	Land	Site Improve-ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Work in Progress and Other	2010
Cost, beginning of year	\$ 10,803	\$ 2,714	\$ 15,449	\$ 2,805	\$ 11,162	\$ 166	\$ 53,886	\$ 35,073	\$ 43,710	\$ 7,553	\$ 183,321
Additions/transfers	-	568	7,585	672	1,350	-	5,205	841	2,685	2,923	21,829
Disposals	-	-	-	-	(218)	-	-	-	-	(121)	(339)
Cost, end of year	\$ 10,803	\$ 3,282	\$ 23,034	\$ 3,477	\$ 12,294	\$ 166	\$ 59,091	\$ 35,914	\$ 46,395	\$ 10,355	\$ 204,811
Accumulated amortization, beginning of year	\$ -	\$ 221	\$ 2,647	\$ 1,597	\$ 5,404	\$ 133	\$ 23,839	\$ 10,728	\$ 16,517	\$ 2,625	\$ 63,711
Amortization	-	109	275	279	685	2	1,767	507	753	403	4,780
Disposals	-	-	-	-	(78)	-	-	-	-	(121)	(199)
Accumulated amortization, end of year	\$ -	\$ 330	\$ 2,922	\$ 1,876	\$ 6,011	\$ 135	\$ 25,606	\$ 11,235	\$ 17,270	\$ 2,907	\$ 68,292
Net carrying amounts, end of year	\$ 10,803	\$ 2,952	\$ 20,112	\$ 1,601	\$ 6,283	\$ 31	\$ 33,485	\$ 24,679	\$ 29,125	\$ 7,448	\$ 136,519

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 \$23 (2010 - \$5,043). The municipality holds various works of art and historical treasures pertaining to the Lake of the Woods Museum. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

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

For the year ended 31 December 2011  
(in thousands of dollars)

**9. OTHER INCOME**

	2011	2010
Penalties and interest on taxation	\$ 222	\$ 257
Investment income	1,645	1,963
Donations	119	1,943
Miscellaneous	969	832
	<b>\$ 2,955</b>	<b>\$ 4,995</b>

**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 263,000 active members and approximately 156,000 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, 2011, the estimated accrued pension obligation for all members (including survivors) of the Plan was \$64,548 million (2010 - \$60,035 million). The Plan had an actuarial value of net assets of \$55,083 million at the end of 2011 (2010 - \$53,349 million). The resulting funding deficit was \$9,627 million as at December 31, 2011 (2010 - \$6,745 million). The actuary does not attribute portions of the unfunded liability to individual employers. The Corporation of the City of Kenora paid \$721 for employer contributions to the plan in 2011 (2010 - \$613).

**11. PUBLIC SECTOR SALARY DISCLOSURE**

For 2011, the following employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more:

Name	Position	Salary Paid	Taxable Benefits
Karen Brown	Chief Administrative Officer	\$ 122	\$ 1
Sharen McDowall	Human Resources Manager	\$ 106	\$ 1
Richard Perchuk	Operations Manager	\$ 111	\$ 1
Warren Brinkman	Fire & Emergency Services Manager	\$ 108	\$ 1
Charlotte Edie	Treasurer	\$ 103	\$ 1

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2011  
(in thousands of dollars)

**12. BUDGET**

The Financial Plan (Budget) By-Law adopted by Council on 18 April 2011 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 represent the Financial Plan adopted by Council on 18 April 2011 with adjustments as follows:

	<b>2011</b>
Financial plan (budget) bylaw surplus for the year	\$ 358
Add:	
Capital expenditures	16,056
Less:	
Budgeted transfers from accumulated surplus	(2,735)
Budgeted net proceeds from long-term liabilities	(1,249)
Amortization	(5,483)
<b>Budget surplus per statement of operations</b>	<b>\$ 6,947</b>

**13. COLLECTION OF TAXES ON BEHALF OF OTHER TAXATION AUTHORITIES**

During the year, taxation revenue of \$5,147 (2010 - \$5,282) 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, the trust funds balances are as follows:

	<b>2011</b>	<b>2010</b>
Lake of the Woods Cemetery		
Land Fund	\$ -	\$ 23
Perpetual Care Fund	<b>505</b>	487
Langford Estate	<b>53</b>	52
	<b>\$ 558</b>	\$ 562

**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 2011 was \$144 (2010 - \$14), and the resulting future employee benefit liability was \$2,050 at 31 December 2011 (2010 - 1,908).

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 2011 expense and accrued obligation is 3.75%.

**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 2011  
(in thousands of dollars)

**16. EMPLOYEE BENEFITS PAYABLE**

	<b>2011</b>	<b>2010</b>
Employee future benefits (Note 15)	\$ 2,050	\$ 1,908
Vested sick leave	136	129
Lieu time accrual	128	110
	<b>\$ 2,314</b>	<b>\$ 2,147</b>

**17. CONTINGENT LIABILITIES AND COMMITMENTS**

At 31 December 2011, the Corporation of the City of Kenora has guaranteed bank indebtedness of the following: Kenora Golf and Country Club in the amount of \$520 (the maximum amount of the guarantee is \$650) and the Kenora Health Care Centre in the amount of \$7,587.

The Corporation of the City of Kenora's pro-rata share of the cumulative operating deficit of the District of Kenora Home for the Aged is \$2,400 (2010 - \$2,587). The Home's management expects to recover this deficit from projected future operating surpluses. A billing to municipalities for their respective share of the deficit is not anticipated.

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

**18. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES**

The Ontario Environmental Protection Act 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 liability for closure & post-closure care has been estimated at \$11 at 31 December 2011.

The City maintains one active landfill site which has an estimated remaining useful life of approximately 40 years. Based on an environmental assessment performed by consultants \$2 has been accrued relating to the closure & post-closure care for this landfill site.

**19. LAKE OF THE WOODS DEVELOPMENT COMMISSION**

The audited financial statements of the Corporation of the City of Kenora include the activity of the Lake of the Woods Development Commission.

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

For the year ended 31 December 2011  
(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 2011  
(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 2011  
(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	2011 Total
<b>Revenues</b>										
Taxation	\$ 2,879	\$ 6,635	\$ 3,859	\$ 289	\$ 1,340	\$ 2,496	\$ 2,818	\$ 748	\$ -	\$ 21,064
Fees and user charges	224	782	806	6,937	176	332	1,366	411	-	11,034
Government grants	818	2,199	2,910	110	482	760	2,637	2,619	(957)	11,578
Net government business enterprise earnings	68	-	-	-	-	-	-	-	-	68
Other	1,373	333	139	316	176	90	399	129	-	2,955
	<b>5,362</b>	<b>9,949</b>	<b>7,714</b>	<b>7,652</b>	<b>2,174</b>	<b>3,678</b>	<b>7,220</b>	<b>3,907</b>	<b>(957)</b>	<b>46,699</b>
<b>Expenses</b>										
Salaries and benefits	1,925	1,936	2,233	2,634	176	449	3,027	558	-	12,938
Materials and supplies	571	6,964	1,846	3,613	94	142	1,861	1,110	-	16,201
External transfer	-	-	95	-	1,726	2,964	1,057	-	(957)	4,885
Amortization	126	382	2,868	1,602	11	-	414	80	-	5,483
	<b>2,622</b>	<b>9,282</b>	<b>7,042</b>	<b>7,849</b>	<b>2,007</b>	<b>3,555</b>	<b>6,359</b>	<b>1,748</b>	<b>(957)</b>	<b>39,507</b>
<b>Net surplus (deficit)</b>	<b>\$ 2,740</b>	<b>\$ 667</b>	<b>\$ 672</b>	<b>\$ (197)</b>	<b>\$ 167</b>	<b>\$ 123</b>	<b>\$ 861</b>	<b>\$ 2,159</b>	<b>\$ -</b>	<b>\$ 7,192</b>

	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
<b>Revenues</b>										
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
	<b>5,485</b>	<b>10,504</b>	<b>10,778</b>	<b>9,901</b>	<b>1,955</b>	<b>3,540</b>	<b>8,760</b>	<b>2,064</b>	<b>(1,036)</b>	<b>51,951</b>
<b>Expenses</b>										
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
	<b>2,723</b>	<b>8,608</b>	<b>7,213</b>	<b>7,623</b>	<b>2,008</b>	<b>3,387</b>	<b>6,144</b>	<b>1,130</b>	<b>(1,036)</b>	<b>37,800</b>
<b>Net surplus (deficit)</b>	<b>\$ 2,762</b>	<b>\$ 1,896</b>	<b>\$ 3,565</b>	<b>\$ 2,278</b>	<b>\$ (53)</b>	<b>\$ 153</b>	<b>\$ 2,616</b>	<b>\$ 934</b>	<b>\$ -</b>	<b>\$ 14,151</b>

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.