

# Annual Report 2012



The City of Kenora, Ontario, Canada

*Lake of the Woods*  
**KENORA**



Front cover photo by Kim Pirie-Milko



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## Table of Contents

Lake of the Woods  
**KENORA**





## City Council

From left to Right:

- ~ Councillor Ron Lunny, Chair of Business Administration
- ~ Councillor Louis Roussin, Chair of Property and Planning
- ~ Councillor Sharon Smith, Chair of Economic Development
- ~ Mayor David Canfield
- ~ Councillor Charito Drinkwalter, Chair of Emergency Services
- ~ Councillor Rod McKay, Chair of Operations
- ~ Councillor Rory McMillan, Chair of Community 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
- ~ Charlotte Caron, Manager, Property and Planning
- ~ Lauren D'Argis, Manager, Corporate Services

## Introductory Information

City Council

City CAO and Managers

## Mayor's Message

2012 saw the successful completion of our branding process which has led Kenora to be "**North America's Premier Boating Destination**". With the new brand development, the City has been experiencing a lot of outside developers expressing interest in our City and conveying that they are hearing a lot of "buzz" about Kenora. These are all positive investors who are exploring the options of investing in our City, and we couldn't be more excited about it! Economic Development has seen many new small to medium sized businesses open in 2012 and the expansion of others. All of these improvements to our City are proving that we are on the right track!

Events and attractions are growing and the demand for a variety of events is expanding with the first full year of operation for the Whitecap Pavilion. The renamed Matiowski Farmers Market, the Kenora Winter Carnival and countless other community festivals and events continue to fill our new facility on a regular basis. With the closure of the Ontario Tourist Information Centre at the Ontario/Manitoba border we have been experiencing a significant increase of visitors to Kenora which is a benefit to our businesses. It has also, however, brought a cost to our Discovery Centre to provide the additional services and supplies.

The City continues to make customer service and communication a priority. With a partnership with the Kenora Daily Miner and News, we have introduced a successful monthly article that features City information that citizens may not otherwise know. We have also experienced an increase in the use of our Facebook pages and our newly developed website. Council adopted a new Customer Service Policy to deliver a consistent message from all employees to our customers and to raise the bar on our level of customer service delivery. We are fortunate to have great staff working for the City and this policy further solidifies all of our commitment to you, the citizens.

Staff and Council worked hard to pass a budget with only a 1% tax increase and have made a commitment to work diligently in coming years to reduce the tax rate. Council recognizes the need to keep our taxes fair and to maintain service levels wherever possible at the same time. This is our commitment to you, and along with our superior staff, we are confident we can continue to build our City to the **Premier Destination** that it is!



Mayor David S. Canfield

Informative  
Information

Mayor's Message



## CAO's Message

The year 2012 was a year of change for the City. Internally, some fundamental changes needed to happen for the City as an organization. We needed to reconsider how the City was structured, the services we provided, and whether or not we needed to do some things differently. An important corporate culture shift that continued in 2012 was the increased focus by City staff on making the health and safety of City employees, as well as our customers and ratepayers, one of our highest priorities. Also of importance was a review of City Operations, and the recognition that an increased focus on customer service was a priority for City staff. A restructuring of City departments and senior management was approved by Council, this also with the intent of providing increased focus on customer service.

Looking outward, developing the City's brand as "North America's Premier Boating Destination" continued to be a priority, primarily through the new Brand Leadership Team. This was supported through the City through staff participation on that committee, as well as the adoption of a new City logo to support the brand and several 2013 budget initiatives related to the brand implementation. Late in 2012, Council agreed to be a host community for a new gaming facility that would be part of a destination entertainment and tourism venue including high level accommodations and convention centre capabilities, with the intent of further promoting Kenora as a premier destination.

With the help of our partners in Senior Government, as well as the business community, the City actively began work on the design for Phase III Downtown Revitalization, with the design work to be completed in 2013. There were also continued investments in the City's downtown core through partnerships between local businesses and the City via our ongoing Harbourtown Community Improvement Program.

Near the end of 2012, City Council struck a Homelessness and Behavioural Issues Task Force, encompassing a diverse representation of our community. As we turn our sights to 2013, developing a plan to end homelessness and behavioural issues in Kenora will be a City priority. Also in 2013, the City will be undergoing a corporate strategic planning exercise to ensure our plan is updated based current Council priorities and focus, including directions resulting from the new 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 2012.

*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 – “2012 by the Numbers”

### Informative Information

### Interesting Statistics – “2012 by the Numbers”

Kenora's Population	15,348
Youth Population	1,180
Household Count	7,418
Total Hectares in the Municipality	24,939 hectares
Total Property Assessment	\$ 1.38 billion
Total Number of Regular Service Passenger Trips on Conventional Transit	55,245 trips
Participant Hours for Municipal-Run Recreation Programs	371,981 hours
Single Library Uses	316,588
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	2,758.91 megalitres
Backed Up Wastewater Mains	26
Kilometers of Water Main	131.2 km
Drinking Water Treated	2,257.12 megalitres
Water Main Breaks	15
Tonnes of Recycling Processed	1,713.0 tonnes
Total Hectares of Municipally Owned Open Space	573.0
Total Kilometers of Municipally Owned Trails	90.0 km



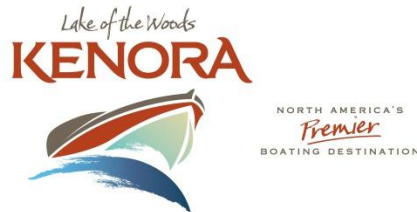
## Look What's New in 2012

In 2012, the City of Kenora undertook a branding exercise to enhance the City's identity to the rest of the world. Here are the resulting brand promise and logo:

*Kenora is North America's Premier 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.*



## Informative Information

### Look What's New in 2012

When considering North America's Premier Boating Destination, the first image that likely comes to mind, is that of a power boat, up on step, racing across the water and creating a large wake. This is a large part of the City's new logo. However, a closer look reveals symbolism representing other popular forms of water travel – a paddle and a sailboat.

Forming the windshield and top rail of the power boat, is the paddle. The paddle represents all current and historical hand-powered transportation on the lake, including kayaks, canoes, rowboats and paddleboards. Eco-tourism and adventure seeking continue to grow in popularity and Lake of the Woods is the perfect setting to explore with a paddle.

Rounding out the collage of images that form the power boat, is the sailboat. It can be found on the lower hull. A mainstay of leisure-seekers on Lake of the Woods, the sailboat provides an elegant and stylish way to experience all that the lake has to offer.

The brand and logo focus on enjoying the lake and protecting the lake – while paying tribute to the people who lived this land before us and those that will live it after us.

*The brand, promise, logo and description were all designed by Mike Newton Design and the Brand Leadership Team at the City of Kenora.*

## 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.

### Informative Information

#### City Council and Committee Structure

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

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 has a lead and an alternate member. Standing Committees of Council currently include:

- ~ Community Services
- ~ Business Administration
- ~ Economic Development
- ~ Emergency Services
- ~ Operations
- ~ Property and Planning

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



## 2012 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, 2012. 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 2012 financial statements, and its report is included herein. The accuracy and reliability of the financial information is ensured by the City's system of internal controls.

## Financial Highlights

### 2012 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:

### Financial Highlights

#### Current Operations

- ~ 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 \$42.3 million in 2012 of the total revenues of \$42.6 million. Transfers from the government business enterprise and the Kenora Citizen's Prosperity Trust Fund were an additional \$1.42 million. The City also utilized \$2.29 million in reserves and reserve funds in 2012. As in previous years, taxation accounts for the largest source of current operation revenue, providing 51.4% 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 14.

Overall current operations expenditures in the various functional areas listed above were \$40.9 million in 2012, before changes in City surplus. An analysis of current expenditures by functions in graph form follows on page 15.

This discussion does not include capital activity of the City.



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

<b>Category</b>	<b>2012 Budget</b>	<b>2012 Actual</b>	<b>Variance Fav (Unfav)</b>	<b>% Variance Fav (Unfav)</b>
<b>Revenues</b>	\$41,888	\$42,631	\$743	1.7%
<i>Revenue main impacts include:</i>				
<ul style="list-style-type: none"> <li>- Revenues from user fees for the most part were close to budget. User fees were higher than anticipated from fire protection agreements, parking revenues, sewer &amp; water and the recreation centre.</li> <li>- Canada and Ontario grants were slightly below budget due to the fact that certain capital projects were not carried out in 2012.</li> </ul>				
<b>Expenditures</b>	\$41,731	\$40,891	\$840	2.1%
<i>Expenditure main impacts include:</i>				
<ul style="list-style-type: none"> <li>- Ontario Provincial Police. Lower than anticipated OPP contract costs. In 2012, the actual cost for this service was \$905 under budget.</li> <li>- Transportation Services. Surface treated and loose top roads maintenance was over budget. Paved road maintenance was under budget.</li> <li>- Winter Control. Expenses were under budget for plowing and snow removal.</li> <li>- Operations Building. Repair and maintenance expenses exceeded budget for non-capital projects.</li> <li>- Sewer and Water. Water Mains. Repairs and maintenance expenses were over budget because of additional work in problem areas.</li> <li>- Recycling Facility. Hauling costs for recycled materials exceeded budget but these were offset by an increase in revenue.</li> <li>- Recreation &amp; 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 and the Thistle Arena were below budget.</li> <li>- Library &amp; Museum. Minor capital projects were either under budget or deferred.</li> <li>- Planning &amp; Development. Tourism was over budget in advertising expense and materials &amp; supplies. Special events were over budget in program expenses.</li> </ul>				

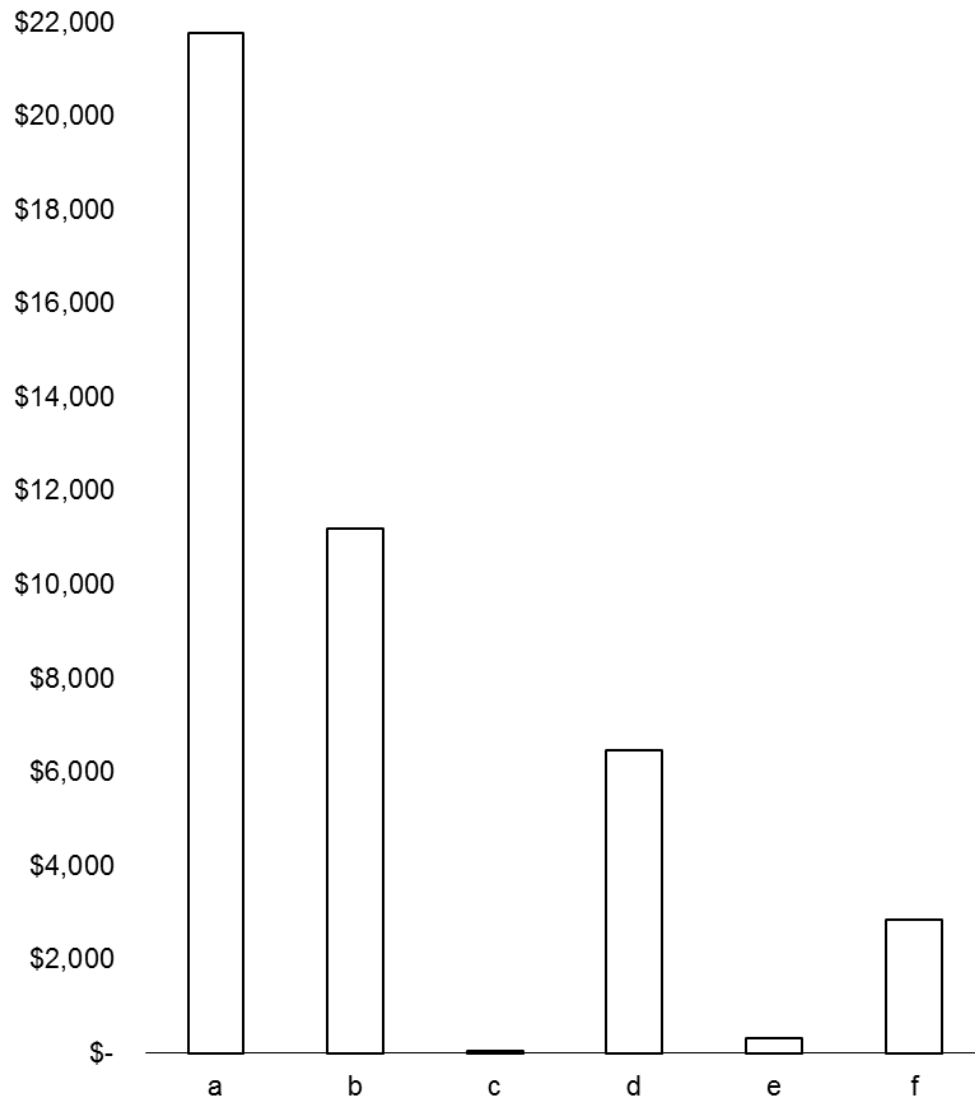
## Financial Highlights

### Consolidated Operations – Actual to Budget

## Revenues, Financing and Transfers

### Financial Highlights

### Revenues, Financing and Transfers

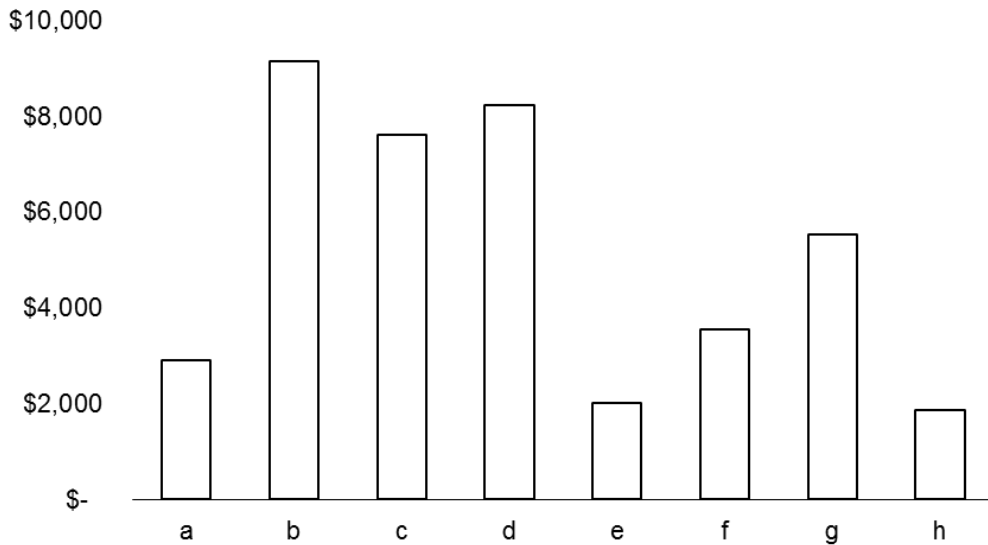


#### Revenues, Financing and Transfers

a Taxation	\$ 21,757	51.1%
b Fees and user charges	11,186	26.2%
c Canada grants	60	0.1%
d Ontario grants	6,475	15.2%
e Government business enterprise	316	0.7%
f Other	2,837	6.7%
	<b>\$ 42,631</b>	<b>100.0%</b>



## Expenditures, Financing and Transfers



## Financial Highlights

### Expenditures, Financing and Transfers

#### Expenditures, Financing and Transfers

a General government	\$ 2,906	7.1%
b Protection services	9,158	22.4%
c Transportation services	7,622	18.6%
d Environmental services	8,247	20.2%
e Health services	2,015	4.9%
f Social and family services	3,544	8.7%
g Recreational and cultural services	5,536	13.5%
h Planning and development	1,863	4.6%
	<b>\$ 40,891</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 2012 were \$3.52 million. Major capital projects for 2012 included:

- ~ Municipal Paving Program - Over \$900,000 was spent on Municipal paving in 2012.
- ~ Dockside Washroom - A new dockside washroom was constructed near the Recreation Centre.
- ~ Basketball Courts - New basketball courts were constructed at the Recreation Centre.



## Financial Highlights

### Capital Projects

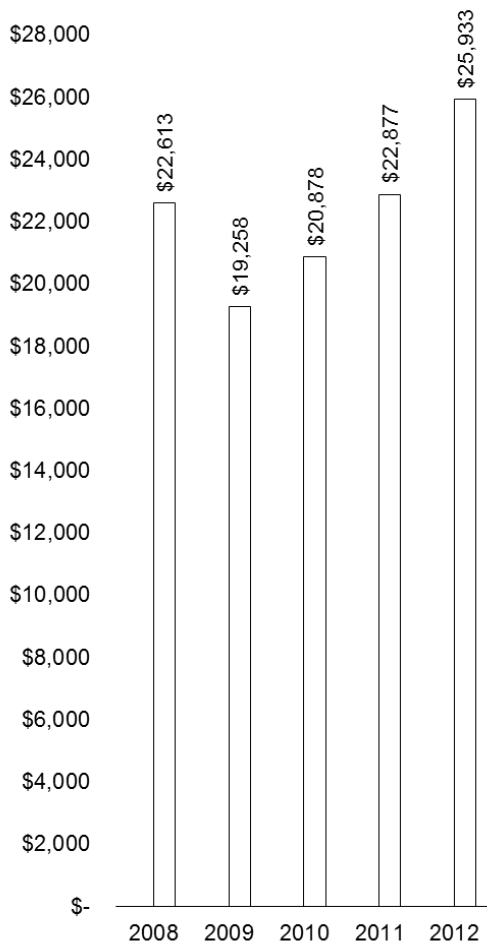


## Reserves and Reserve Funds

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 (\$3.5 million) and consolidated contingency (\$8.5 million) reserves.

## Financial Highlights

### Revenues and Reserve Funds



The reserve and reserve fund balance at the end of 2012 was \$25.9 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.

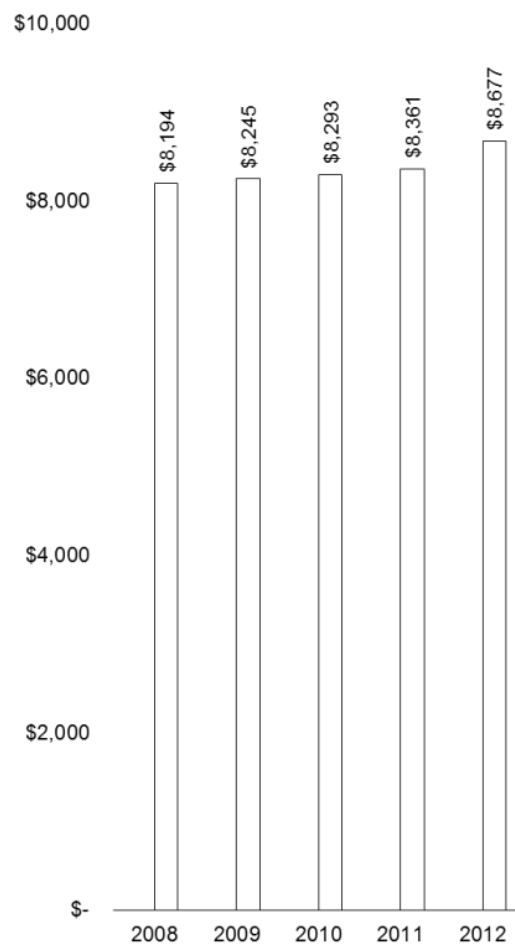
## Government Business Enterprise

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 2012 was \$8.7 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 \$39.9 million at the end of 2012. 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.

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 \$31.5 million reflected on the consolidated statement of financial position does not reflect the balance of the debentures at 31 December 2012 of \$8.3 million.

## Financial Highlights

### Kenora Citizens' Prosperity Trust Fund

*Lake of the Woods*  
**KENORA**





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## Financial Statements

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## City of Kenora

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

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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  
June 21, 2013



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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, 2012, 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, 2012 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

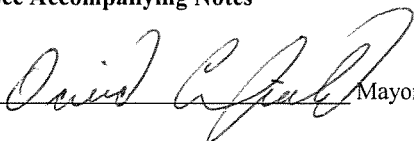
Kenora, Ontario  
July 16, 2013

**THE CORPORATION OF THE CITY OF KENORA  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2012  
(in thousands of dollars)

	2012	2011
<b>Financial Assets</b>		
Cash (Note 1)	\$ 23,222	\$ 23,387
Temporary investments (Note 2)	10,928	2,097
Taxes receivable	615	482
Trade and other receivables	4,916	7,912
Inventory held for resale	34	40
Long term note receivable (Note 3)	113	126
Citizens' Prosperity Trust Fund investments (Note 4)	31,524	30,751
Investment in government business enterprise (Note 5)	8,677	8,361
	<b>80,029</b>	<b>73,156</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 5,146	\$ 3,619
Deferred revenue (Note 6)	4,471	3,381
Employee future benefits payable (Note 16)	2,318	2,314
	<b>11,935</b>	<b>9,314</b>
<b>NET FINANCIAL ASSETS</b>	<b>68,094</b>	<b>63,842</b>
<b>Non Financial Assets</b>		
Tangible capital assets (Note 8)	140,024	142,375
Inventories of consumables and prepaids	806	967
	<b>140,830</b>	<b>143,342</b>
<b>ACCUMULATED SURPLUS (Note 7)</b>	<b>\$ 208,924</b>	<b>\$ 207,184</b>

See Accompanying Notes

 Mayor

 Treasurer

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

For the year ended 31 December 2012  
(in thousands of dollars)

	2012 Budget (Note 12)	2012 Actual	2011 Actual
<b>Revenues</b>			
Taxation	\$ 21,524	\$ 21,757	\$ 21,064
Fees and user charges	10,557	11,186	11,034
Canada grants	523	60	2,032
Ontario grants	6,486	6,475	9,546
Net income from government business enterprise (Note 5)	389	316	68
Other (Note 9)	2,409	2,837	2,955
	<u>41,888</u>	<u>42,631</u>	<u>46,699</u>
<b>Expenses</b>			
General government	3,067	2,906	2,622
Protection services	10,109	9,158	9,282
Transportation services	7,496	7,622	7,042
Environmental services	8,154	8,247	7,849
Health services	2,019	2,015	1,904
Social and family services	3,539	3,544	3,555
Recreation and cultural services	5,637	5,536	5,505
Planning and development	1,710	1,863	1,748
	<u>41,731</u>	<u>40,891</u>	<u>39,507</u>
<b>Annual surplus</b>	<u>157</u>	<b>1,740</b>	7,192
<b>Accumulated surplus, beginning of year,</b>		<b>207,184</b>	199,992
<b>Accumulated surplus, end of year</b>		<b>\$ 208,924</b>	\$ 207,184

See Accompanying Notes

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

For the year ended 31 December 2012  
(in thousands of dollars)

	2012 Budget (Note 12)	<b>2012 Actual</b>	2011 Actual
<b>Annual surplus</b>	\$ 157	\$ <b>1,740</b>	\$ 7,192
Acquisition of tangible capital assets	(6,643)	<b>(3,520)</b>	(11,483)
Amortization of tangible capital assets	5,783	<b>5,783</b>	5,483
(Gain) Loss on sale of tangible capital assets	-	<b>31</b>	(132)
Proceeds on sale of tangible capital assets	-	<b>58</b>	276
	(703)	<b>4,092</b>	1,336
Acquisition of prepaid expenses and inventory of supplies	(1,702)	<b>(1,702)</b>	(1,317)
Net use/consumption of inventories of consumables and prepaids	1,862	<b>1,862</b>	1,315
	160	<b>160</b>	(2)
<b>Net change in net financial assets</b>	(543)	<b>4,252</b>	1,334
<b>Net financial assets, beginning of year</b>	63,842	<b>63,842</b>	62,508
<b>Net financial assets, end of year</b>	\$ 63,299	\$ <b>68,094</b>	\$ 63,842

See Accompanying Notes

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

For the year ended 31 December 2012

(in thousands of dollars)

	2012	2011
<b>Operating transactions</b>		
Annual surplus	\$ 1,740	\$ 7,192
Items not involving cash		
Amortization	5,783	5,483
(Gain) Loss on disposal of tangible capital assets	31	(132)
Income from government business enterprise	(316)	(68)
	<b>7,238</b>	<b>12,475</b>
Change in non-cash working capital balances		
(Increase) Decrease in taxes receivable	(133)	175
Decrease in trade and other receivables	2,996	3,658
Decrease in other assets	166	6
Increase (Decrease) in accounts payable and accrued liabilities	1,527	(722)
Increase in deferred revenue	1,090	17
Increase in employee benefits payable	4	167
	<b>12,888</b>	<b>15,776</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(3,520)	(11,483)
Proceeds on sale of tangible capital assets	58	276
	<b>(3,462)</b>	<b>(11,207)</b>
<b>Investing transactions</b>		
Decrease in long term investments	13	4,558
Decrease (Increase) in Citizens' Prosperity Trust Fund	(773)	10,982
	<b>(760)</b>	<b>15,540</b>
<b>Net change in cash and equivalents</b>	<b>8,666</b>	<b>20,109</b>
<b>Cash and equivalents, beginning of year</b>	<b>25,484</b>	<b>5,375</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 34,150</b>	<b>\$ 25,484</b>
<b>Represented by</b>		
Cash	\$ 23,222	\$ 23,387
Temporary investments	10,928	2,097
	<b>\$ 34,150</b>	<b>\$ 25,484</b>

See Accompanying Notes

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

For the year ended 31 December 2012  
(in thousands of dollars)

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

**a) Basis of Accounting**

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

**b) Basis of Consolidation**

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

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

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

The Provincial Offences Fund is a government partnership where the Municipality has shared control over the board / entity. The Municipality's pro rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The Municipality's proportionate interest of 67.97% 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, 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 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 2012

(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 2012  
(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 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 2012  
(in thousands of dollars)

**1. CASH**

	<b>2012</b>		2011	
Unrestricted	\$	<b>21,070</b>	\$	21,020
Restricted		<b>2,152</b>		2,367
	<b>\$</b>	<b>23,222</b>	<b>\$</b>	<b>23,387</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 2012, \$ - (2011 - \$ - ) was drawn under this facility. This facility is unsecured. Availability is subject to financial criteria and is at the discretion of the bank.

**2. TEMPORARY INVESTMENTS**

	Market Value		<b>2012</b>		2011	
Unrestricted	\$	9,044	\$	<b>9,044</b>	\$	246
Restricted		1,884		<b>1,884</b>		1,851
	<b>\$</b>	<b>10,928</b>	<b>\$</b>	<b>10,928</b>	<b>\$</b>	<b>2,097</b>

96% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments are bond funds with a rate of return of 1.54%.

**3. LONG TERM NOTE RECEIVABLE**

	<b>2012</b>		2011	
Loan receivable, Ontario Power Generation, repayable \$2 monthly including interest at 5%, secured by leasehold improvements, matures 2020.		<b>113</b>		126

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

	<b>2012</b>		2011	
Cash	\$	<b>13</b>	\$	13
Temporary Investments		<b>31,511</b>		30,738
	<b>\$</b>	<b>31,524</b>	<b>\$</b>	<b>30,751</b>

The market value of the temporary investments is \$31,511 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.

27% 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 1.54%. The remaining investments are managed by Manulife Asset Management and held with RBC Dexia. The investments are held in various government and bank bonds and debentures. Interest rates range from 1.03% to 5.3%. These investments mature between 2013 and 2017.

Debentures receivable in the amount of \$8,327 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 2012  
(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 2012.

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

	2012	2011
Current assets	\$ 3,500	\$ 3,945
Long term assets	981	1,020
Capital assets	8,514	8,027
<b>Total Assets</b>	<b>12,995</b>	<b>12,992</b>
Current liabilities	1,753	2,100
Long term liabilities	2,565	2,531
<b>Total Liabilities</b>	<b>4,318</b>	<b>4,631</b>
<b>Net Assets</b>	<b>\$ 8,677</b>	<b>\$ 8,361</b>
Revenues	\$ 12,646	\$ 11,912
Expenses	12,330	11,844
Net Income	316	68
Contribution to City of Kenora	-	-
	<b>316</b>	<b>68</b>
Net assets, beginning of year	8,361	8,293
<b>Net assets, end of year</b>	<b>\$ 8,677</b>	<b>\$ 8,361</b>

**ii) Balances with other organizations**

Due from City of Kenora	\$ 312	\$ 744
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**iii) Transactions with other organizations**

Administration charges by City of Kenora	\$ 201	\$ 177
Interest charged to Kenora Hydro	92	92

Purchases from and sales to the City of Kenora and its business enterprises in the normal course of operations are recorded at amounts approximating those charged to unrelated parties and total approximately \$1.5 million in 2012 (2011 - \$1.4 million).

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2012  
(in thousands of dollars)

**6. DEFERRED REVENUE**

	<b>2012</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	\$ 2,031	\$ 931	\$ 29	\$ -	\$ 2,991	
Dedicated gas tax	477	148	6	-	631	
Miscellaneous transit funding	258	-	-	-	258	
Roads deposits	87	-	1	41	47	
Other deferred revenue	528	95	1	80	544	
	<b>\$ 3,381</b>	<b>\$ 1,174</b>	<b>\$ 37</b>	<b>\$ 121</b>	<b>\$ 4,471</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.

**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, reserves and reserve funds and internally restricted entities as follows:

	<b>2012</b>	<b>2011</b>
Current funds	\$ 485	\$ 479
Investment in tangible capital assets	140,024	142,375
Government business enterprises	8,677	8,361
	<b>149,186</b>	<b>151,215</b>
Reserves and Reserve Funds		
Working capital	3,511	3,311
Contingencies	8,466	7,042
Capital expenditure purposes	11,306	10,002
Replacement of equipment	1,243	1,221
Museum	422	416
Cemetery Columbarium	67	100
Current expenditures purposes	918	785
Total Reserves and Reserve Funds	<b>25,933</b>	<b>22,877</b>
Internally Restricted Entity		
Citizens' Prosperity Trust Fund	33,805	33,092
<b>ACCUMULATED SURPLUS</b>	<b>\$ 208,924</b>	<b>\$ 207,184</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 2012  
(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	2012
Cost, beginning 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>
Additions	97	275	346	336	620	-	1,239	276	-	331	<b>3,520</b>
Disposals/transfers	-	23	-	-	(170)	-	-	-	-	(83)	<b>(230)</b>
Cost, end of year	\$ 10,974	\$ 5,723	\$ 30,346	\$ 4,401	\$ 13,567	\$ 1,557	\$ 62,937	\$ 36,528	\$ 46,679	\$ 5,661	\$ <b>218,373</b>
Accumulated amortization, beginning of year	\$ -	\$ 498	\$ 3,375	\$ 2,228	\$ 5,851	\$ 162	\$ 27,537	\$ 11,752	\$ 18,051	\$ 3,254	\$ <b>72,708</b>
Amortization	-	218	645	396	801	51	1,998	525	770	379	<b>5,783</b>
Disposals	-	-	-	-	(82)	-	-	-	-	(60)	<b>(142)</b>
Accumulated amortization, end of year	\$ -	\$ 716	\$ 4,020	\$ 2,624	\$ 6,570	\$ 213	\$ 29,535	\$ 12,277	\$ 18,821	\$ 3,573	\$ <b>78,349</b>
Net carrying amounts, end of year	\$ 10,974	\$ 5,007	\$ 26,326	\$ 1,777	\$ 6,997	\$ 1,344	\$ 33,402	\$ 24,251	\$ 27,858	\$ 2,088	\$ <b>140,024</b>

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 \$227 (2011 - \$23). 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 2012  
(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	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	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 2012  
(in thousands of dollars)

**9. OTHER INCOME**

	<b>2012</b>	2011
Penalties and interest on taxation	\$ 236	\$ 222
Investment income	1,727	1,645
Donations	295	119
Miscellaneous	579	969
	<b>\$ 2,837</b>	<b>\$ 2,955</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 266,000 active members and approximately 163,000 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, 2012, the estimated accrued pension obligation for all members (including survivors) of the Plan was \$69,122 million (2011 - \$64,548 million). The Plan had net assets available for benefits of \$60,767 million at the end of 2012 (2011 - \$55,083 million). The resulting funding deficit was \$8,603 million as at December 31, 2012 (2011 - \$9,627 million). The actuary does not attribute portions of the unfunded liability to individual employers. The Corporation of the City of Kenora paid \$857 for employer contributions to the plan in 2012 (2011 - \$721).

**11. PUBLIC SECTOR SALARY DISCLOSURE**

For 2012, the following employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100 or more:

Name	Position	Salary Paid	Taxable Benefits
Karen Brown	Chief Administrative Officer	\$136	\$1
Sharen McDowall	Human Resources Manager	\$109	\$1
Richard Perchuk	Operations Manager	\$119	\$1
Warren Brinkman	Fire & Emergency Services Manager	\$116	\$1
Charlotte Edie	Treasurer	\$104	\$1
Colleen Neil	Recreation Manager	\$101	\$1

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2012  
(in thousands of dollars)

**12. BUDGET**

The Financial Plan (Budget) By-Law adopted by Council on 13 February 2012 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 requires 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 13 February 2012 with adjustments as follows:

	<b>2012</b>
Financial plan (budget) bylaw surplus for the year	\$ 685
Add:	
Capital expenditures	6,643
Debt principal repayments	624
Less:	
Budgeted transfers from accumulated surplus	(2,012)
Amortization	(5,783)
Budget surplus per statement of operations	\$ 157

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

During the year, taxation revenue of \$4,950 (2011 - \$5,147) was raised and remitted to the school boards.

**14. TRUST FUNDS**

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

	<b>2012</b>	<b>2011</b>
Lake of the Woods Cemetery		
Land Fund	\$ 1	\$ -
Perpetual Care Fund	523	505
Langford Estate	53	53
	\$ 577	\$ 558

**15. EMPLOYEE FUTURE BENEFITS**

The City of Kenora pays certain health and dental benefits on behalf of its retired employees. The City recognizes post-employment costs in the period in which the employees rendered the services. The expense for the twelve months ended 31 December 2012 was \$(8) (2011 - \$(20)), and the resulting future employee benefit liability was \$2,049 at 31 December 2012 (2011 - \$2,050).

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 2012 expense and accrued obligation is 3.75%.

**2. Medical Costs**

Medical costs were assumed to increase 7.0% in 2012 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 2012  
(in thousands of dollars)

**16. EMPLOYEE FUTURE BENEFITS PAYABLE**

	<b>2012</b>	<b>2011</b>
Employee future benefits (Note 15)	\$ 2,049	\$ 2,050
Vested sick leave	127	136
Lieu time accrual	142	128
	<b>\$ 2,318</b>	<b>\$ 2,314</b>

**17. CONTINGENT LIABILITIES AND COMMITMENTS**

At 31 December 2012, the Corporation of the City of Kenora has guaranteed bank indebtedness of the following: Kenora Golf and Country Club in the amount of \$477 (the maximum amount of the guarantee is \$650) and the Kenora Health Care Centre in the amount of \$7,334.

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 \$2,117 (2011 - \$2,400). 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.

Kenora Hydro Electric Corporation Ltd. (KHEC) has loans totaling \$1,500 with Infrastructure Ontario. As a condition of the loans, a general security agreement granting Infrastructure Ontario a security interest in all assets and property of the company. In addition, a priority agreement was signed by both KHEC and the Corporation of the City of Kenora providing Infrastructure Ontario priority on all payments received by the City from the company, if the company's current ratio falls below 1.3:1.

**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 \$10 at 31 December 2012.

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 \$1 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 2012  
(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 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 fire services and by-law enforcement. The fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. The by-law department is responsible for animal control and for enforcing by-laws passed by council. The building inspectors ensure an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws.

**Transportation Services**

Transportation services are the responsibility of the public works department. This department delivers municipal public works services related to the planning, development and maintenance of roadway systems, 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 2012  
(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 2012  
(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	2012 Total
<b>Revenues</b>										
Taxation	\$ 2,467	\$ 7,030	\$ 4,214	\$ 426	\$ 1,436	\$ 2,385	\$ 3,057	\$ 742	\$ -	\$ 21,757
Fees and user charges	219	659	844	7,313	171	363	1,377	240	-	11,186
Government grants	652	2,143	1,153	112	463	635	1,754	580	(957)	6,535
Net government business enterprise earnings	316	-	-	-	-	-	-	-	-	316
Other	1,405	224	390	327	111	76	166	138	-	2,837
	<b>5,059</b>	<b>10,056</b>	<b>6,601</b>	<b>8,178</b>	<b>2,181</b>	<b>3,459</b>	<b>6,354</b>	<b>1,700</b>	<b>(957)</b>	<b>42,631</b>
<b>Expenses</b>										
Salaries and benefits	2,139	1,984	2,467	2,879	182	486	3,060	708	-	13,905
Materials and supplies	632	6,756	2,146	3,725	57	91	1,964	993	-	16,364
External transfer	-	-	78	-	1,861	2,967	890	-	(957)	4,839
Amortization	135	418	2,931	1,643	9	-	485	162	-	5,783
	<b>2,906</b>	<b>9,158</b>	<b>7,622</b>	<b>8,247</b>	<b>2,109</b>	<b>3,544</b>	<b>6,399</b>	<b>1,863</b>	<b>(957)</b>	<b>40,891</b>
<b>Net surplus (deficit)</b>	<b>\$ 2,153</b>	<b>\$ 898</b>	<b>\$ (1,021)</b>	<b>\$ (69)</b>	<b>\$ 72</b>	<b>\$ (85)</b>	<b>\$ (45)</b>	<b>\$ (163)</b>	<b>\$ -</b>	<b>\$ 1,740</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	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>

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.