

Annual Report 2016



The City of Kenora, Ontario, Canada



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Introductory Information

City Council



From left to Right:

- ~ Councillor Dan Reynard
- ~ Councillor Mort Goss
- ~ Mayor David Canfield
- ~ Councillor Rory McMillan
- ~ Councillor Sharon Smith
- ~ Councillor Colin Wasacase
- ~ Councillor Louis Roussin



Senior Leadership Team

- ~ Karen Brown, CAO
- ~ Matt Boscariol, Manager of Community & Development Services
- ~ Jeff Hawley, Manager of Operations & Infrastructure
- ~ Todd Skene, Manager of Fire & Emergency Services
- ~ Charlotte Edie, Treasurer
- ~ Heather Kasprick, City Clerk
- ~ Sharen McDowall, HR Strategist



Mayor's Message

Council continues to focus on partnerships and 2016 demonstrated what a difference a giving community can make when everyone works together. Through various grant applications and partnerships between the City and community groups, special projects could proceed for the betterment of our City. These projects add to not only the lifestyle that our citizens desire, but add a further attraction to visitors to our community and demonstrate why Kenora is the most beautiful place to live.

While partnerships for projects prove to be successful, Council is part of the collaboration on improving our overall available health care in our community by the development of the Community Health Care Working Group along with an All Nations Hospital focus. This group continues to work diligently on health care recruitment and was successful in retaining a full time health care recruiter who is making great strides on building Kenora's health care team with excellent health care providers in Kenora.

Our natural beauty and attractions have brought national attention to Kenora but most recently, partnerships with Scotiabank's Hockey Day in Canada and the Canada Summer Games Rowing event have played a huge part in the national attention. Kenora experienced a national honour when we celebrated our rich hockey heritage hosting Scotiabank Hockey Day in Canada. Through community volunteerism, this event demonstrated our love for hockey, our community spirit, and what coming together in a small community can do. We have left our mark in hockey history with what we can do together in Kenora! I have no doubt that the Canada Summer Games Rowing event that will take place in summer of 2017 will be no different as the partnerships between the Kenora Rowing Club volunteers and the City of Kenora has prepared us to shine once again to the nation. Many people will be wondering what our secret is for such a small City and all the things we are achieving.

We have seen an influx of small business openings and it is encouraging to see youth investing in our community and I strongly believe that this is due to the vibrancy they see in our community and the continued investment that not only the City makes in the community, but what the citizens and volunteers contribute as well.

Council's commitment to the objectives and goals contained within our strategic plan continue to be at the forefront of Council decisions and direction to administration. We continue to strive towards these goals and will continually work for the betterment of our taxpayers and visitors.

I believe in Kenora and the future growth of Kenora. Council is committed to continuing the partnerships we have formed and look forward to the many more new partnerships that will only continue to strengthen the beautiful City we all call home.

Mayor David S. Canfield



CAO's Message

Year end is a time we can both reflect back on our successes and challenges of the past year, as well as look ahead towards the future. Our achievements are a credit to the hard work done by our dedicated City Team, striving to meet our Vision of municipal excellence. Thank you to our Team, including City Staff, Council and our Partners, the Citizens and Businesses of Kenora, and the role that each of you plays in making our successes a reality.

In 2016, the City reviewed and updated the action items in the City's Strategic Plan. Council upheld the existing mission, vision and values as contained within the plan. An increased focus was placed on customer service and reducing red tape, prioritizing efforts related to labour development and building relationships. Ongoing efforts were made in 2016 towards implementing the remaining recommendations from the City's Organizational Review. This included a fairly significant transition in City staffing. Despite the transition and the staff vacancies, City staff worked hard to ensure our customers were not impacted throughout this time of change. The City puts out a report annually outlining progress made under our strategic plan. For additional information on the City's strategic plan, including the plan itself, the City's Vision, Mission and Values, together with the progress reports for 2015 and 2016, please visit <http://kenora.ca/government/about-the-city-of-kenora/>

Also in 2016, work continued on implementing the recommendations within the City's Human Resource Management Strategy, which included ongoing efforts to shift the City's corporate culture to focus on employee empowerment. Independently, a policy and framework were developed to implement a new City Enterprise Risk Management program, and work began on an updated asset management plan.

As we move into 2017, the City has approved its new Corporate Communications Strategy and policy and has updated our three Community Improvement Programs. In addition, the City has put in place the remaining pieces of its management Team. Together with Council, the new Leadership Team and all City staff will be working together to implement the priorities and actions as identified within the City's strategic plan, ensuring the City actively moves forward with its vision of Kenora being a City of choice, renowned as a sustainable, lifestyle community, supported by a Municipality committed to excellence.

The City 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 2016.

Karen Brown, CAO



Strategic Direction for the Corporation

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

In 2016, the City made significant progress on a number of action items in its Strategic Plan. Among the most significant includes continuing in making progress towards implementation of the Organizational Review recommendations.

To ensure that we are maintaining the momentum in realizing the goals and actions under the Strategic Plan, the City has committed to tracking and communicating our results on an annual basis. The 2016 Strategic Plan Progress Report offers a glimpse into how well we are doing in fulfilling our vision and achieving our mission.

Our Vision:

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

Our Mission:

To deliver quality, cost-effective Municipal services.



City Profile

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

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

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



Interesting Statistics – “2016 by the Numbers”

Kenora’s population.....	15,096
Youth population	3,240
Number of dwellings.....	7,376
Total property assessment (residential 2016)	1.59 billion
Tonnes of waste collected	31,529
Tonnes of solid waste diverted (recycled)	1,732
Tonnes of curbside collection	1,222
Wastewater treated (megalitres)	2806
Drinking water treated (megalitres)	2230
Water Main breaks	17
Total KM of water distribution/transmission pipes.....	135.6 km
Total KM of waste water mains	128.6 km
City-owned roads	
Total paved	332 km
Total unpaved	278 km
Total maintained in winter	610 km
Total km of city-owned trails	90 km
Total number of regular service passenger trips on conventional transit....	63,910
Total number of bridges	21
Total number of culverts.....	374



Look What's New in 2016

With the evolving nature of the organizational review, a number of action items were eliminated. Specifically, the 'Focus on Our People' section contained major changes to reflect the roll-out of the HRM Strategy which is designed to target those action items that were previously captured in the Strategic Plan.

By the end of 2016, the City was making progress in hiring individuals to fill remaining vacancies, and positions were filled in 2017.

To enhance communication with the public, and provide a much needed redesign, the new Kenora.ca website was worked on throughout 2016 and launched on February 14, 2017.

Efforts made towards the efficient street lighting program paid off in 2016 as the city realized a significant reduction in hydro costs for their streetlights and will continue to see these savings in the future.

A draft Keewatin Community Improvement Plan (CIP) was completed in 2015. Based on the success of the 2004 Harbourtown Centre CIP in revitalizing Kenora's downtown, the City recognized the potential that a CIP could have for revitalization in Keewatin. The Keewatin CIP included additional features such as incentives for affordable housing. Many changes were made to the Keewatin Community Improvement Plan in 2016 and the plan is set to be completed in early 2017.





Looking Ahead to 2017

The 2015-2020 Strategic Plan is intended to be a living document and as such, will be regularly updated to reflect the changing internal and external context of the City. As we look to 2017, the City will conduct a review of the Strategic Plan to ensure it still aligns with current Council priorities.

In 2017 an updated version of the Keewatin Community Improvement Plan will be given to Council for adoption.

2017 promises to have many special moments as Canada Celebrates its 150th Anniversary. Kenora looks forward to hosting Hockey Day in Canada and is excited to help Winnipeg host the Canada Summer Games with the rowing events.



City Council and Committee Structure

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

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

In 2015 Council eliminated the Councillor portfolios that were based on six standing committees. Each department will still be broken down as per the senior manager responsibility for reporting purposes, however there will no longer be a lead Councillor for each area. Without portfolios all members of Council are involved and engaged as a whole with respect to all facets of the City's operations.

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



Financial Highlights

2016 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, 2016. These financial statements are prepared in accordance with the Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada.

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

City Council appointed the accounting firm of MNP LLP to perform an independent audit of the City's 2016 financial statements, and its report is included herein. The accuracy and reliability of the financial information is ensured by the City's system of internal controls.



Current Operations

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

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

Total current operations revenues were \$44.6 million in 2016 of the total revenues of \$47.8 million. Funding for capital projects was an additional \$3.2 million. The City also utilized \$6.5 million in reserves and reserve funds in 2016 for capital and operations. As in previous years, taxation accounts for the largest source of current operations revenues, providing 49.1% of total revenues. Fees and user charges represent another 29.2% of total revenues. 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 \$44.6 million in 2016, before changes in City surplus. An analysis of current expenditures by functions in graph form follows on page 15.

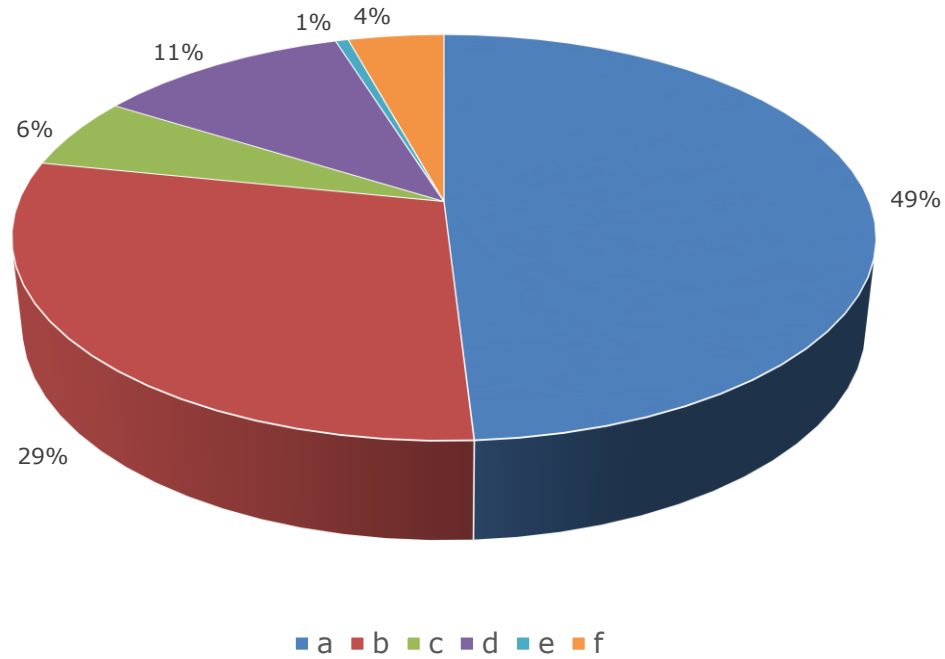
This discussion does not include capital activity of the City.



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

Category	2016 Budget	2016 Actual	Variance Fav (Unfav)	% Variance Fav (Unfav)
Revenues	\$48,976,826	\$47,819,133	(\$ 1,157,693)	-2.4%
<i>Revenue Main impacts include:</i>				
<ul style="list-style-type: none"> - Variance partially related to taxation assessment adjustments relating to two large commercial properties. - Federal and Ontario grant funding did not meet expectations during the year, as many projects were pushed to the 2017 year end such as the Canada Summer Games project and the Keewatin Bridge work did not completely use the budgeted grant. 				
Expenses	\$45,142,558	\$44,647,890	\$494,668	1.1%
<i>Expense Main impacts include:</i>				
<ul style="list-style-type: none"> - Transportation services came in below budget due to vacancies in the engineering department and the mild winter we had meant less snow removal and produced some savings in the Winter Control Maintenance Department. - General Government below budget as Finance and Administration department had a vacant position for part of the year. - Fire department went over budget due to a retroactive payout during the year as part of a settlement. - Economic Development was under budget due to a vacant officer position for half the year. 				

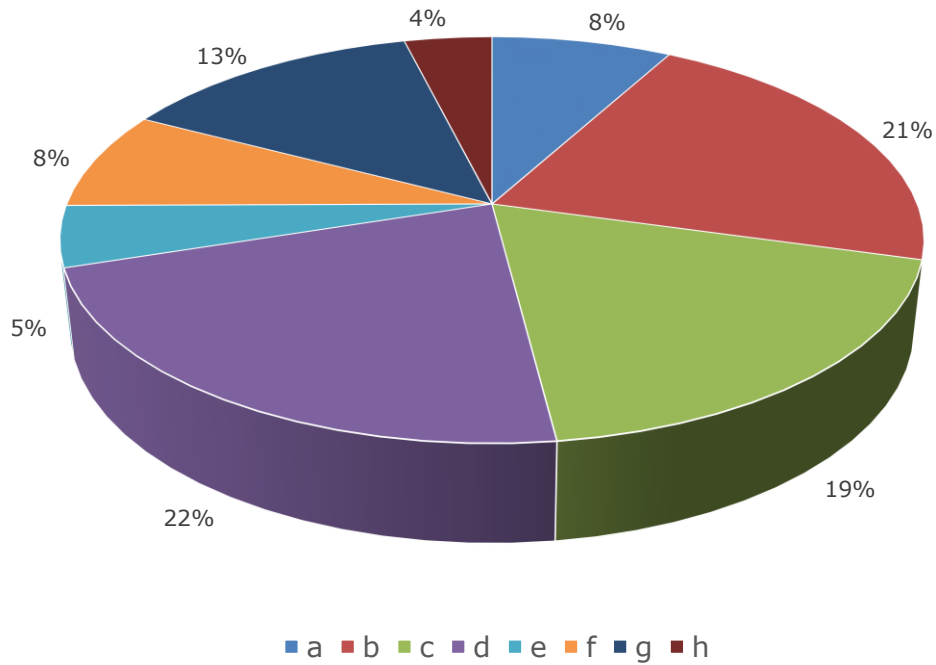
Revenues, Financing and Transfers



Revenues, Financing and Transfers (in thousands of dollars)

a Taxation	\$23,464	49.1%
b Fees and user charges	13,952	29.2%
c Canada grants	2,724	5.7%
d Ontario grants	5,377	11.2%
e Government business enterprise	271	0.6%
f Other	2,032	4.2%
	\$47,820	100.0%

Expenditures, Financing and Transfers



Expenditures, Financing and Transfers (in thousands of dollars)

a General government	\$ 3,568	8.0%
b Protection services	\$ 9,539	21.4%
c Transportation services	\$ 8,320	18.6%
d Environmental services	\$ 9,838	22.0%
e Health services	\$ 2,167	4.9%
f Social and family services	\$ 3,492	7.8%
g Recreational and cultural services	\$ 5,989	13.4%
h Planning and development	\$ 1,735	3.9%
	\$ 44,648	100.0%

Capital Projects

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

Overall tangible capital asset purchases in 2016 were \$9.1 million. Major capital projects for 2016 included:



- ~ Municipal Paving Program: \$1.4 million – larger projects on Ninth Street North and Bunny Street.
- ~ Keewatin Channel Bridge: \$2.5 million
- ~ Lift Station Projects: \$.39 million
- ~ Operations Building Roof repairs: \$.3 million.
- ~ Keewatin Arena improvements: \$.23 million.
- ~ J&M Arena improvements: \$0.24 million.
- ~ Solid Waste Landfill Compactor: \$0.23 million

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 (\$4.3 million) and consolidated contingency (\$8.6 million) reserves.

The reserve and reserve fund balance at the end of 2016 was \$30.1 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.

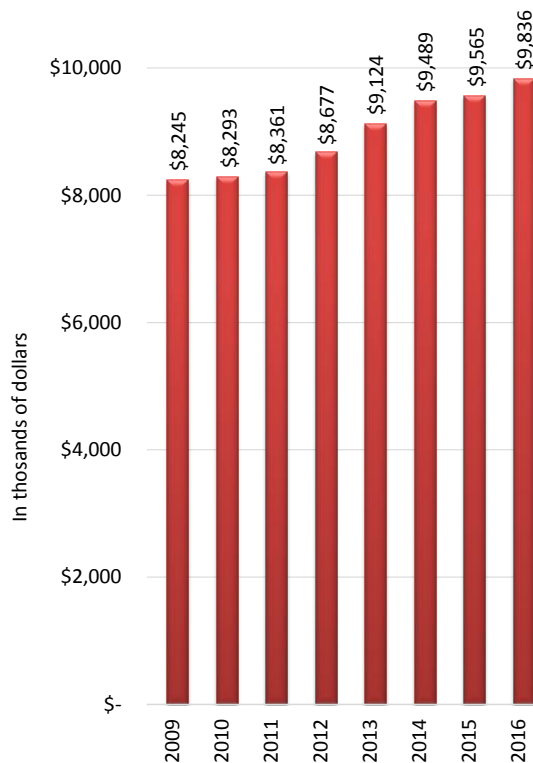




Government Business Enterprise

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.



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.



Kenora Citizens' Prosperity Trust Fund

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

In an effort to ensure there was no impact to property taxes as a result of this sale, the decision was made to transfer the proceeds of disposition from the sale, together with the cash and investments that were excluded from the sale, to a trust fund that would safeguard the funds. Thus, the Kenora Citizens' Prosperity Trust Fund (Trust Fund) was established in 2008, with a balance of \$41.6 million at the end of 2016. 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.

Since the inception of this Trust Fund, the City of Kenora has issued internal debt totaling \$11.5 million owing to the Trust Fund to finance the Fire Hall, the Discovery Centre, the Highway 17 Rehabilitation project, the Whitecap Pavilion, the marine waterline, the street lighting project and the Keewatin Arena upgrades. This debt is being paid back to the Trust Fund on the established schedule with 3% interest.

The Trust Fund is reported on the City's financial statements at \$33.4 million because the Canadian generally accepted accounting principles, as established by the Public Sector Accounting Board, dictate that such inter-organizational transactions be eliminated on consolidation. As a result the balance of \$33.4 million reflected on the consolidated statement of financial position does not reflect the balance of the debentures and interfund balances at 31 December 2016 of \$8.2 million.



Financial Statements

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City of Kenora

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Management's Responsibility for the Financial Statements

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

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

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

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

Karen Brown, CPA, CA, CAO
Kenora, Ontario

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the City of Kenora, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and 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 and fair presentation 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.

Auditors' 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 and fair presentation 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 overall 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, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Kenora, Ontario

Chartered Professional Accountants

September 12, 2017

Licensed Public Accountants

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2016

	2016	2015
Financial Assets		
Cash (Note 1)	\$ 19,170,733	\$ 19,251,255
Temporary investments (Note 2)	15,932,261	15,886,409
Taxes receivable	385,372	425,639
Trade and other receivables	4,711,986	5,421,770
Inventory held for resale	54,476	48,402
Long term notes receivable (Note 3)	53,601	69,564
Citizens' Prosperity Trust Fund investments (Note 4)	33,415,336	32,825,228
Investment in government business enterprise (Note 5)	9,836,000	9,565,000
	83,559,765	83,493,267
Liabilities		
Accounts payable and accrued liabilities	6,715,935	5,340,262
Deferred revenue (Note 6)	1,701,320	3,046,396
Employee future benefits payable (Note 16)	2,620,892	2,683,358
	11,038,147	11,070,016
NET FINANCIAL ASSETS	72,521,618	72,423,251
Non Financial Assets		
Tangible capital assets (Note 8)	152,556,817	150,047,619
Inventories of consumables and prepaids	1,572,888	1,009,210
	154,129,705	151,056,829
ACCUMULATED SURPLUS (Note 7)	\$ 226,651,323	\$ 223,480,080

See Accompanying Notes

_____ Mayor

_____ Treasurer

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended 31 December 2016

	2016 Budget (Note 12)	2016 Actual	2015 Actual
Revenues			
Taxation	\$ 24,089,733	\$ 23,463,618	\$ 23,433,838
Fees and user charges	13,375,496	13,952,259	13,042,708
Canada grants	3,409,446	2,723,648	565,139
Ontario grants	5,627,857	5,376,835	6,087,647
Net income from government business enterprise (Note 5)	271,000	271,000	76,000
Other (Note 9)	2,203,294	2,031,773	2,343,527
	<u>48,976,826</u>	<u>47,819,133</u>	<u>45,548,859</u>
Expenses			
General government	3,641,926	3,567,836	3,298,640
Protection services	9,305,264	9,538,479	9,831,687
Transportation services	8,860,392	8,319,997	8,382,716
Environmental services	9,736,232	9,837,813	9,580,715
Health services	2,171,808	2,166,835	1,994,651
Social and family services	3,491,842	3,492,376	3,435,679
Recreation and cultural services	5,961,564	5,989,273	5,724,261
Planning and development	1,973,530	1,735,281	1,567,393
	<u>45,142,558</u>	<u>44,647,890</u>	<u>43,815,742</u>
Annual surplus	<u>3,834,268</u>	3,171,243	1,733,117
Accumulated surplus, beginning of year		223,480,080	221,746,963
Accumulated surplus, end of year		\$ 226,651,323	\$ 223,480,080

See Accompanying Notes

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the year ended 31 December 2016

	2016 Budget (Note 12)	2016 Actual	2015 Actual
Annual surplus	\$ 3,834,268	\$ 3,171,243	\$ 1,733,117
Acquisition of tangible capital assets	(15,767,754)	(9,065,512)	(7,554,847)
Amortization of tangible capital assets	6,471,739	6,471,739	6,379,022
Loss on sale of tangible capital assets	-	35,806	108,446
Proceeds on sale of tangible capital assets	-	48,771	103,816
	(5,461,747)	662,047	769,554
Acquisition of prepaid expenses and inventory of supplies	(1,671,980)	(2,173,811)	(1,727,840)
Net use/consumption of inventories of consumables and prepaids	1,610,132	1,610,131	1,790,396
	(61,848)	(563,680)	62,556
Net change in net financial assets (debt)	(5,523,595)	98,367	832,110
Net financial assets, beginning of year	72,423,251	72,423,251	71,591,141
Net financial assets, end of year	\$ 66,899,656	\$ 72,521,618	\$ 72,423,251

See Accompanying Notes

THE CORPORATION OF THE CITY OF KENORA
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	2016	2015
Operating transactions		
Annual surplus	\$ 3,171,243	\$ 1,733,117
Items not involving cash		
Amortization	6,471,739	6,379,022
Loss on disposal of tangible capital assets	35,806	108,446
Income from government business enterprise	(271,000)	(76,000)
	9,407,788	8,144,585
Change in non-cash working capital balances		
Decrease in taxes receivable	40,267	210,117
Decrease in trade and other receivables	709,784	2,548,805
Decrease (Increase) in other assets	(569,754)	58,646
Increase (Decrease) in accounts payable and accrued liabilities	1,375,673	(127,647)
Increase (Decrease) in deferred revenue	(1,345,076)	931,426
Increase (Decrease) in employee benefits payable	(62,466)	136,959
	9,556,216	11,902,891
Capital transactions		
Acquisition of tangible capital assets	(9,065,512)	(7,554,847)
Proceeds on sale of tangible capital assets	48,771	103,816
	(9,016,741)	(7,451,031)
Investing transactions		
Decrease in long term investments	15,963	15,194
(Increase) in Citizens' Prosperity Trust Fund	(590,108)	(307,402)
	(574,145)	(292,208)
Net change in cash and equivalents	(34,670)	4,159,652
Cash and equivalents, beginning of year	35,137,664	30,978,012
Cash and equivalents, end of year	\$ 35,102,994	\$ 35,137,664
Represented by		
Cash	\$ 19,170,733	\$ 19,251,255
Temporary investments	15,932,261	15,886,409
	\$ 35,102,994	\$ 35,137,664

See Accompanying Notes

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

For the year ended 31 December 2016

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

a) Basis of Accounting

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

b) Basis of Consolidation

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

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

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

The Provincial Offences Fund is a government partnership where the Municipality has shared control over the board / entity. The Municipality's pro rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The Municipality's proportionate interest of 67.91% of the Provincial Offences Fund is reflected in the consolidated financial statements.

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

c) Use of Estimates

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

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

For the year ended 31 December 2016

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 2016

k) Pension and Other Post-Employment Benefits

The City accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Standards issued by Chartered Professional Accountants Canada with respect to accounting for employee future benefits require the City to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

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

l) Tangible Capital Assets

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

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

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. CASH

	2016	2015
Unrestricted	\$ 15,761,033	\$ 14,534,602
Restricted	3,409,700	4,716,653
	\$ 19,170,733	\$ 19,251,255

The City has a revolving demand facility to a maximum of \$5,000,000 by way of prime rate based loans bearing interest at prime less .9% and letters of credit bearing interest at 0.5% per annum. As at 31 December 2016, \$ - (2015 - \$ -) 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	2016	2015
Unrestricted	\$ 14,620,225	\$ 14,095,492	\$ 13,959,290
Restricted	1,836,769	1,836,769	1,927,119
	\$ 16,456,994	\$ 15,932,261	\$ 15,886,409

98% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments are bond funds with rates of return between 0.68% and 13.70%.

3. LONG TERM NOTE RECEIVABLE

	2016	2015
Loan receivable, Ontario Power Generation, repayable \$1,587 monthly including interest at 5%, secured by leasehold improvements, matures 2020.	\$ 53,601	\$ 69,564

4. CITIZENS' PROSPERITY TRUST FUND INVESTMENTS

	2016	2015
Cash	\$ 13,812	\$ 13,701
Temporary Investments	33,401,524	32,811,527
	\$ 33,415,336	\$ 32,825,228

The market value of the temporary investments is \$34,118,352 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.

34% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments are held in bond funds with interest rates of 0.68% and 13.36%. 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 1.2% to 5.45%. These investments mature between 2017 and 2021.

Debentures receivable in the amount of \$8,205,167 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 2016

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

The Kenora Hydro Electric Corporation Ltd. is owned and controlled by the City of Kenora and as a business enterprise of the City, is accounted for on a modified equity basis in these consolidated financial statements. The following information provides condensed supplementary information for the enterprise for the year ended 31 December 2016.

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

	2016	2015
Current assets	\$ 5,714	\$ 5,149
Non-current assets	8,805	8,877
Regulatory deferral account debit balances and related deferred tax	37	32
Total assets and regulatory deferral account balances	14,556	14,058
Current liabilities	2,253	2,197
Non-current liabilities	2,467	2,296
Total Liabilities	4,720	4,493
Net Assets	\$ 9,836	\$ 9,565
Revenue	\$ 15,761	\$ 15,018
Expenses	15,037	14,642
Income from operating activities	724	376
Finance income	65	75
Finance cost	(149)	(144)
Income before provision for payment in lieu taxes	640	307
Provision for payments in lieu taxes	36	4
Profit for the year before net movements in regulatory deferral account balances	604	303
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	(333)	(227)
Total comprehensive income for the year	\$ 271	\$ 76

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

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

	2016	2015
ii) Balances with other organizations		
Due from City of Kenora	\$ 879	\$ 899

iii) Transactions with other organizations

Administration charges by City of Kenora	\$ 205	\$ 232
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 \$1.90 million in 2016 (2015 - \$2.24 million).

iv) Contingent liability

Kenora Hydro Electric Corporation Ltd. did not meet certain targeted energy savings for the period 2011 to 2014 and as a result was not in compliance with Part VII of the Ontario Energy Board Act, 1998. As at the date of these financial statements, no decision has been made by the Ontario Energy Board as to the impact of the breach of compliance. The result, if any, of any loss to the company will be recorded in the year determinable.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

6. DEFERRED REVENUE

	2016				
	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 1,604,917	\$ 933,257	\$ 15,175	\$ 2,534,905	\$ 18,444
Dedicated gas tax	510,214	147,694	5,050	-	662,958
Miscellaneous transit funding	245,019	-	-	-	245,019
Roads deposits	48,316	-	389	-	48,705
Other deferred revenue	637,930	159,620	1,144	72,500	726,194
	\$ 3,046,396	\$ 1,240,571	\$ 21,758	\$ 2,607,405	\$ 1,701,320

Federal gas tax

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

Dedicated gas tax

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

7. ACCUMULATED SURPLUS

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

	2016	2015
Current funds	\$ 856,984	\$ 298,424
Investment in tangible capital assets	152,556,817	150,047,619
Less: Capital assets to be financed by long term debt	(88,903)	(1,785,000)
Government business enterprise	9,836,000	9,565,000
	163,160,898	158,126,043
Reserves and Reserve Funds		
Working capital	4,311,465	4,111,465
Contingencies	8,592,819	9,503,079
Capital expenditure purposes	14,184,535	13,483,504
Replacement of equipment	1,016,925	1,495,612
Museum	430,299	422,165
Cemetery Columbarium	155,700	138,117
Current expenditures purposes	1,393,038	1,236,286
Total Reserves and Reserve Funds	30,084,781	30,390,228
Internally Restricted Entity		
Citizens' Prosperity Trust Fund	33,405,644	34,963,809
ACCUMULATED SURPLUS	\$ 226,651,323	\$ 223,480,080

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 2016

8. TANGIBLE CAPITAL ASSETS

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Work in Progress and Other	2016
Cost, beginning of year	\$ 11,043,743	\$ 6,302,985	\$ 33,741,057	\$ 5,323,352	\$ 14,892,337	\$ 1,999,835	\$ 103,786,687	\$ 38,471,220	\$ 50,079,180	\$ 7,772,093	\$ 273,412,489
Additions	-	81,606	1,073,877	303,329	1,653,442	181,346	4,383,940	102,429	512,971	772,572	9,065,512
Disposals/transfers	-	-	-	(16,850)	(337,459)	-	-	(8,751)	(22,468)	-	(385,528)
Cost, end of year	\$ 11,043,743	\$ 6,384,591	\$ 34,814,934	\$ 5,609,831	\$ 16,208,320	\$ 2,181,181	\$ 108,170,627	\$ 38,564,898	\$ 50,569,683	\$ 8,544,665	\$ 282,092,473
Accumulated amortization, beginning of year	\$ -	\$ 1,416,392	\$ 6,131,321	\$ 3,674,186	\$ 8,032,034	\$ 388,367	\$ 64,613,930	\$ 13,851,100	\$ 21,037,787	\$ 4,219,755	\$ 123,364,872
Amortization	-	248,181	825,824	339,103	820,233	73,047	2,521,927	563,195	815,312	264,917	6,471,739
Disposals	-	-	-	(16,850)	(271,799)	-	-	-	(12,306)	-	(300,955)
Accumulated amortization, end of year	\$ -	\$ 1,664,573	\$ 6,957,145	\$ 3,996,439	\$ 8,580,468	\$ 461,414	\$ 67,135,857	\$ 14,414,295	\$ 21,840,793	\$ 4,484,672	\$ 129,535,656
Net carrying amounts, end of year	\$ 11,043,743	\$ 4,720,018	\$ 27,857,789	\$ 1,613,392	\$ 7,627,852	\$ 1,719,767	\$ 41,034,770	\$ 24,150,603	\$ 28,728,890	\$ 4,059,993	\$ 152,556,817

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

8. TANGIBLE CAPITAL ASSETS

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Work in Progress and Other	2015
Cost, beginning of year	\$ 11,043,743	\$ 6,130,636	\$ 31,949,756	\$ 4,953,822	\$ 14,471,112	\$ 1,767,689	\$ 102,354,845	\$ 37,967,677	\$ 49,256,942	\$ 6,621,502	\$ 266,517,724
Additions		172,349	1,791,301	369,530	789,390	232,146	1,694,269	503,543	851,727	1,219,015	7,623,270
Disposals/transfers		-	-	-	(368,165)	-	(262,427)	-	(29,489)	(68,423)	(728,505)
Cost, end of year	\$ 11,043,743	\$ 6,302,985	\$ 33,741,057	\$ 5,323,352	\$ 14,892,337	\$ 1,999,835	\$ 103,786,687	\$ 38,471,220	\$ 50,079,180	\$ 7,772,093	\$ 273,412,490
Accumulated amortization, beginning of year	\$ -	\$ 1,173,290	\$ 5,364,547	\$ 3,300,334	\$ 7,513,833	\$ 321,845	\$ 62,255,698	\$ 13,290,290	\$ 20,251,678	\$ 3,962,153	\$ 117,433,668
Amortization	-	243,102	766,774	373,852	829,310	66,522	2,477,387	560,810	803,663	257,602	6,379,022
Disposals	-	-	-	-	(311,109)	-	(119,155)	-	(17,555)	-	(447,818)
Accumulated amortization, end of year	\$ -	\$ 1,416,392	\$ 6,131,321	\$ 3,674,186	\$ 8,032,034	\$ 388,367	\$ 64,613,930	\$ 13,851,100	\$ 21,037,787	\$ 4,219,755	\$ 123,364,871
Net carrying amounts, end of year	\$ 11,043,743	\$ 4,886,593	\$ 27,609,736	\$ 1,649,166	\$ 6,860,303	\$ 1,611,468	\$ 39,172,757	\$ 24,620,120	\$ 29,041,393	\$ 3,552,339	\$ 150,047,619

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 \$659,788 (2015 - \$494,857). 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 2016

9. OTHER INCOME

	2016	2015
Penalties and interest on taxation	\$ 289,627	\$ 286,320
Investment income	1,118,239	1,176,156
Donations	27,998	191,970
Miscellaneous	595,909	689,081
	\$ 2,031,773	\$ 2,343,527

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 470,000 active, deferred and retired members.

Each year an independent actuary determines the Plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2016, the estimated accrued pension obligation for all members (including survivors) of the Plan was \$86,959 million (2015 - \$81,924 million). The Plan had net assets available for benefits of \$85,360 million at the end of 2016 (2015 - \$77,245 million). The resulting funding deficit was \$2,341 million as at December 31, 2016 (2015 - \$5,259 million). The actuary does not attribute portions of the unfunded liability to individual employers. The Corporation of the City of Kenora paid \$890,502 for employer contributions to the plan in 2016 (2015 - \$942,244).

11. PUBLIC SECTOR SALARY DISCLOSURE

For 2016, 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	\$ 166,171	\$ 1,822
Sharen McDowall	Human Resources Manager	\$ 117,107	\$ 1,412
Richard Perchuk	Operations Manager	\$ 115,285	\$ 772
Donald Skene	Fire & Emergency Services Manager	\$ 106,522	\$ 1,284
Charlotte Edie	Treasurer	\$ 107,194	\$ 1,295
Colleen Neil	Recreation Manager	\$ 100,642	\$ 1,191
Marco Vogrig	Municipal Engineer	\$ 107,201	\$ 1,287
Fred Ralko	Captain, Firefighter	\$ 119,243	\$ 713
Larry Cottom	Captain, Firefighter	\$ 122,774	\$ 707
John Martin	Captain, Firefighter	\$ 112,348	\$ 707
Heather Kasprick	City Clerk	\$ 102,936	\$ 1,212
Michael Mostow	Fleet Supervisor	\$ 100,405	\$ 1,212
Earl Bichon	Firefighter	\$ 104,536	\$ 630
William Chmeliuk	Firefighter	\$ 113,311	\$ 678
Terry McLeod	Firefighter	\$ 102,128	\$ 618
Gary Sinclair	Firefighter	\$ 108,891	\$ 607

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

12. BUDGET

The Financial Plan (Budget) By-Law adopted by Council on 17 May 2016 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues is \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the Financial Plan adopted by Council on 17 May 2016 with adjustments as follows:

	2016
Financial plan (budget) by-law surplus for the year	\$ 108,456
Add:	
Capital expenditures	15,767,754
Debt principal repayments	633,410
Less:	
Debenture financing of capital expenditures	(966,500)
Budgeted transfers from accumulated surplus	(5,237,113)
Amortization	(6,471,739)
Budget surplus per statement of operations	\$ 3,834,268

13. COLLECTION OF TAXES ON BEHALF OF OTHER TAXATION AUTHORITIES

During the year, taxation revenue of \$5,298,913 (2015 - \$5,096,813) 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:

	2016	2015
Lake of the Woods Cemetery		
Land Fund	\$ 4,676	\$ 3,806
Perpetual Care Fund	590,569	573,569
Langford Estate	55,750	55,305
	\$ 650,995	\$ 632,680

15. EMPLOYEE FUTURE BENEFITS

The City of Kenora pays certain health and dental benefits on behalf of its retired employees. Active employees are also eligible to receive non-vesting sick leave benefits. The City recognizes post-employment and non-vesting sick leave costs in the period in which the employees rendered the services. The recovery for the twelve months ended 31 December 2016 was \$45,919 (2015 expense - \$34,913), and the resulting future employee benefit liability was \$2,439,742 at 31 December 2016 (2015 - \$2,450,244).

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 2016 expense and accrued obligation is 2.75%.

2. Medical Costs

Medical costs were assumed to increase 6.25% in 2016 grading down by .25% per annum to 4.5% thereafter.

3. Dental Costs

Dental costs were assumed to increase 2.75% per year.

4. Non-Vesting Sick Leave Costs

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

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

16. EMPLOYEE FUTURE BENEFITS PAYABLE

	2016	2015
Employee future benefits (Note 15)	\$ 2,439,742	\$ 2,450,244
Vested sick leave	85,042	107,948
Lieu time accrual	96,109	125,166
	\$ 2,620,892	\$ 2,683,358

17. CONTINGENT LIABILITIES AND COMMITMENTS

At 31 December 2016, the Corporation of the City of Kenora has guaranteed bank indebtedness of the following: Kenora Golf and Country Club in the amount of \$303,344 (2015 - \$346,676) (the maximum amount of the guarantee is \$650,000) and the Kenora Health Care Centre in the amount of \$6,448,179 (2015 - \$6,445,330). Subsequent to year end the City approved the guarantee of bank indebtedness of the Kenora Airport Authority Inc. to a maximum of \$1,000,000.

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 \$1,677,578 for 2016 (2015 - \$1,961,131). The Home's management expects to recover this deficit from projected future operating surpluses. A billing to municipalities for their respective share of the deficit is not anticipated.

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

18. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

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

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

The City maintains one active landfill site which has an estimated remaining useful life of approximately 40 years. Based on an environmental assessment performed by consultants \$44,896 has been accrued relating to the closure & post-closure care for this landfill site at 31 December 2016.

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

19. SEGMENTED INFORMATION

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

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

General Government

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

Protection to Persons and Property

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

Transportation Services

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

Environmental Services

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

Health Services

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

THE CORPORATION OF THE CITY OF KENORA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016

19. SEGMENTED INFORMATION (continued)

Social and Family Services

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

Recreation and Cultural Services

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

Planning and Development

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

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

THE CORPORATION OF THE CITY OF KENORA
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE
For the year ended 31 December 2016

	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	2016 Total
Revenues										
Taxation	\$ 2,928,260	\$ 6,691,823	\$ 5,265,236	\$ 244,022	\$ 1,548,599	\$ 2,691,277	\$ 3,165,242	\$ 929,159	\$ -	\$ 23,463,618
Fees and user charges	75,299	571,316	915,358	10,369,913	158,565	-	1,456,918	404,890	-	13,952,259
Government grants	557,869	1,647,032	3,770,737	45,147	422,464	497,918	1,847,470	397,258	(1,085,412)	8,100,483
Net government business enterprise earnings	271,000	-	-	-	-	-	-	-	-	271,000
Other	792,940	281,748	221,684	296,382	67,782	113,312	200,443	57,482	-	2,031,773
	4,625,368	9,191,919	10,173,015	10,955,464	2,197,410	3,302,507	6,670,073	1,788,789	(1,085,412)	47,819,133
Expenses										
Salaries and benefits	2,267,003	2,422,518	2,891,598	3,376,162	201,300	534	3,152,999	1,001,680	-	15,313,793
Materials and supplies	1,174,397	6,735,719	1,943,949	4,694,615	78,218	-	2,085,314	611,035	-	17,323,247
External transfer	(6,729)	-	78,229	-	2,009,879	3,491,842	1,051,301	-	(1,085,412)	5,539,110
Amortization	133,034	380,368	3,406,221	1,767,037	13,394	-	599,463	172,222	-	6,471,739
	3,567,704	9,538,605	8,319,997	9,837,814	2,302,791	3,492,376	6,889,077	1,784,937	(1,085,412)	44,647,890
Net surplus (deficit)	\$ 1,057,664	\$ (346,686)	\$ 1,853,018	\$ 1,117,650	\$ (105,381)	\$ (189,869)	\$ (219,004)	\$ 3,852	\$ -	\$ 3,171,243

	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	2015 Total
Revenues										
Taxation	\$ 2,833,142	\$ 7,056,595	\$ 5,029,738	\$ 331,592	\$ 1,438,623	\$ 2,682,283	\$ 3,179,349	\$ 882,516	\$ -	\$ 23,433,838
Fees and user charges	205,851	651,701	899,091	9,543,348	154,788	-	1,324,975	262,954	-	13,042,708
Government grants	592,522	1,810,508	1,275,222	779,792	456,175	538,594	1,672,093	652,535	(1,124,655)	6,652,786
Net government business enterprise earnings	76,000	-	-	-	-	-	-	-	-	76,000
Other	813,871	318,325	226,822	348,921	68,839	120,961	242,408	203,380	-	2,343,527
	4,521,386	9,837,129	7,430,873	11,003,653	2,118,425	3,341,838	6,418,825	2,001,385	(1,124,655)	45,548,859
Expenses										
Salaries and benefits	2,068,906	2,244,732	2,748,050	3,163,558	208,351	728	3,016,825	826,184	-	14,277,335
Materials and supplies	1,086,862	7,205,126	2,190,251	4,681,261	85,025	-	1,994,904	647,370	-	17,890,799
External transfer	(6,262)	-	78,229	-	1,853,532	3,434,951	1,032,792	-	(1,124,655)	5,268,587
Amortization	149,132	381,830	3,366,186	1,735,896	15,047	-	561,032	169,899	-	6,379,021
	3,298,639	9,831,688	8,382,715	9,580,714	2,161,955	3,435,679	6,605,553	1,643,453	(1,124,655)	43,815,742
Net surplus (deficit)	\$ 1,222,747	\$ 5,441	\$ (951,842)	\$ 1,422,939	\$ (43,530)	\$ (93,841)	\$ (186,728)	\$ 357,932	\$ -	\$ 1,733,117

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes, certain government grants and interest income have been apportioned based on a percentage of budgeted expenses.

THE CORPORATION OF THE CITY OF KENORA
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE BY ENTITY
For the year ended 31 December 2016

	City	Lake of the Woods Museum	Kenora Public Library	Provincial Offences	LOW Development Corporation	2016 Total
Revenues						
Taxation	\$ 23,463,618	\$ -	\$ -	\$ -	\$ -	23,463,618
Fees and user charges	13,226,544	92,827	42,433	456,515	133,940	13,952,259
Government grants	7,974,812	51,907	63,764	-	10,000	8,100,483
Net government business enterprise earnings	271,000	-	-	-	-	271,000
Other	1,964,704	39,416	12,792	-	14,861	2,031,773
	46,900,678	184,150	118,989	456,515	158,801	47,819,133
Expenses						
Salaries and benefits	14,381,088	310,292	492,078	130,335	-	15,313,793
Materials and supplies	16,699,110	143,304	165,077	107,299	208,457	17,323,247
External transfer	6,488,567	(285,167)	(614,634)	-	(49,656)	5,539,110
Amortization	6,410,225	-	61,514	-	-	6,471,739
	43,978,991	168,429	104,035	237,634	158,801	44,647,890
Net surplus (deficit)	\$ 2,921,687	\$ 15,721	\$ 14,954	\$ 218,881	\$ -	\$ 3,171,243

	City	Lake of the Woods Museum	Kenora Public Library	Provincial Offences	LOW Development Corporation	2015 Total
Revenues						
Taxation	\$ 23,433,838	\$ -	\$ -	\$ -	\$ -	23,433,838
Fees and user charges	12,303,612	90,696	39,484	455,151	153,765	13,042,708
Government grants	6,517,862	29,096	81,577	-	24,251	6,652,786
Net government business enterprise earnings	76,000	-	-	-	-	76,000
Other	2,267,594	22,191	30,332	-	23,410	2,343,527
	44,598,906	141,983	151,393	455,151	201,426	45,548,859
Expenses						
Salaries and benefits	13,359,446	280,923	500,950	136,016	-	14,277,335
Materials and supplies	17,197,141	147,291	169,884	98,998	277,485	17,890,799
External transfer	6,225,938	(266,658)	(614,634)	-	(76,059)	5,268,587
Amortization	6,312,365	-	66,657	-	-	6,379,022
	43,094,889	161,556	122,857	235,014	201,426	43,815,742
Net surplus (deficit)	\$ 1,504,017	\$ (19,573)	\$ 28,536	\$ 220,137	\$ -	\$ 1,733,117

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.