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**THE CORPORATION OF THE TOWN OF KEARNEY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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**THE CORPORATION OF THE TOWN OF KEARNEY**  
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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 Town of Kearney

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Kearney which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, change 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 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.

## 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 auditor's 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 Town of Kearney as at December 31, 2017, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Grant Thornton LLP*

North Bay, Canada  
May 18, 2018

Chartered Professional Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE TOWN OF KEARNEY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash (Note 4)	\$ 698,338	\$ 844,442
Investments (Note 5)	1,168,314	621,781
Taxes receivable	375,996	403,178
Trade and other receivables (Note 6)	136,149	191,152
	<b>2,378,797</b>	<b>2,060,553</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	406,935	417,506
Deferred revenue-general (Note 7)	30,292	15,680
Deferred revenue-obligatory reserve funds (Note 8)	70,143	111,364
Employee benefits payable (Note 9)	25,429	26,453
Municipal debt (Note 11)	210,664	254,715
Landfill closure and post-closure liability (Note 12)	88,069	84,351
	<b>831,532</b>	<b>910,069</b>
<b>NET FINANCIAL ASSETS</b>	<b>1,547,265</b>	<b>1,150,484</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - net (Note 14)	10,433,034	10,357,257
Inventories of supplies	38,803	45,380
Prepaid expenses	24,463	25,659
	<b>10,496,300</b>	<b>10,428,296</b>
<b>ACCUMULATED SURPLUS (Note 15)</b>	<b>\$ 12,043,565</b>	<b>\$ 11,578,780</b>

Contingencies (see Notes 2 and 13)

APPROVED ON BEHALF OF COUNCIL:

\_\_\_\_\_ Mayor

**THE CORPORATION OF THE TOWN OF KEARNEY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget 2017 <i>(see Note 17)</i>	Actual 2017	Actual 2016
<b>REVENUE</b>			
Property taxes	\$ 2,809,924	\$ 2,859,369	\$ 2,688,976
User charges	101,894	96,532	108,371
Government transfers	896,293	932,348	811,942
Loss on disposal of tangible capital assets	-	(14,876)	(12,068)
Other	201,398	220,749	340,232
<b>TOTAL REVENUE</b>	<b>4,009,509</b>	<b>4,094,122</b>	<b>3,937,453</b>
<b>EXPENSES</b>			
General government	669,704	656,800	615,966
Protection to persons and property	800,548	742,182	729,171
Transportation services	1,362,709	1,148,403	1,194,628
Environmental services	225,004	215,299	214,116
Health services	126,998	126,498	124,052
Social and family services	278,628	277,232	275,050
Recreation and cultural services	386,433	388,096	334,996
Planning and development	76,898	74,827	83,466
<b>TOTAL EXPENSES</b>	<b>3,926,922</b>	<b>3,629,337</b>	<b>3,571,445</b>
<b>ANNUAL SURPLUS</b> <i>(Note 15)</i>	<b>82,587</b>	<b>464,785</b>	<b>366,008</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>11,578,780</b>	<b>11,578,780</b>	<b>11,212,772</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 11,661,367</b>	<b>\$ 12,043,565</b>	<b>\$ 11,578,780</b>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE TOWN OF KEARNEY**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget 2017 <i>(see Note 17)</i>	Actual 2017	Actual 2016
Annual surplus	\$ 82,587	\$ 464,785	\$ 366,008
Acquisition of tangible capital assets	(1,054,521)	(837,154)	(890,662)
Contributed tangible capital assets	-	-	(30,000)
Amortization of tangible capital assets	745,992	746,501	699,981
Loss on disposal of tangible capital assets	-	14,876	12,068
Change in supplies inventories	-	6,577	7,716
Change in prepaid expenses	-	1,196	(2,767)
<b>Increase (decrease) in net financial assets</b>	<b>(225,942)</b>	<b>396,781</b>	<b>162,344</b>
<b>Net financial assets, beginning of year</b>	<b>1,150,484</b>	<b>1,150,484</b>	<b>988,140</b>
<b>Net financial assets, end of year</b>	<b>\$ 924,542</b>	<b>\$ 1,547,265</b>	<b>\$ 1,150,484</b>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE TOWN OF KEARNEY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
<b>Operating transactions</b>		
Annual surplus	\$ 464,785	\$ 366,008
Non-cash charges to operations:		
Amortization	746,501	699,981
Loss on disposal of tangible capital assets	14,876	12,068
Change in employee benefits payable	(1,024)	3,015
Change in landfill closure and post-closure liability	3,718	(114,931)
	1,228,856	966,141
Changes in non-cash items:		
Taxes receivable	27,182	(11,789)
Trade and other receivables	55,003	236,907
Accounts payable and accrued liabilities	(10,571)	69,053
Deferred revenue-general	14,612	(2,446)
Deferred revenue-obligatory reserve funds	(41,221)	17,950
Inventories of supplies	6,577	7,716
Prepaid expenses	1,196	(2,767)
	52,778	314,624
Cash provided by operating transactions	1,281,634	1,280,765
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(837,154)	(890,662)
Contributed tangible capital assets	-	(30,000)
Cash applied to capital transactions	(837,154)	(920,662)
<b>Investing transactions</b>		
Change in investments	(546,533)	(9,861)
Cash applied to investing transactions	(546,533)	(9,861)
<b>Financing transactions</b>		
Debt principal repayments	(44,051)	(50,859)
Cash applied to financing transactions	(44,051)	(50,859)
<b>Net change in cash</b>	<b>(146,104)</b>	<b>299,383</b>
<b>Cash, beginning of year</b>	<b>844,442</b>	<b>545,059</b>
<b>Cash, end of year</b>	<b>\$ 698,338</b>	<b>\$ 844,442</b>
<b>Cash flow supplementary information:</b>		
Cash paid for interest	\$ 9,669	\$ 11,286

The accompanying notes are an integral part of these financial statements



# THE CORPORATION OF THE TOWN OF KEARNEY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

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The consolidated financial statements of the Corporation of the Town of Kearney (the "Town") are the responsibility of 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 Chartered Professional Accountants of Canada. A summary of significant accounting policies is provided in Note 1. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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 consolidated financial statements.

### 1. SIGNIFICANT ACCOUNTING POLICIES

Significant aspects of the accounting policies adopted by the Town are as follows:

#### (a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenue, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

#### (i) Consolidated and proportionally consolidated entities

The following local board is consolidated:

Kearney & Area Public Library

The following local committee is proportionally consolidated:

-Kearney-Perry Joint Waste Management Committee

Inter-organizational transactions and balances between these organizations are eliminated.

#### (ii) Non-consolidated entities

The following joint boards are not consolidated:

North Bay Parry Sound District Health Unit

Parry Sound District Social Services Administration Board

Eastholme, District of Parry Sound (East) Home for the Aged

#### (iii) Accounting for school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

#### (b) Basis of Accounting

#### (i) Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and measurable. 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.

#### (ii) Investments

Investments are recorded at cost plus accrued interest.

## THE CORPORATION OF THE TOWN OF KEARNEY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

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(iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements - 20 to 60 years  
 Buildings - 15 to 95 years  
 Machinery, equipment and furniture - 10 to 20 years  
 Computer hardware and software - 2 to 10 years  
 Vehicles - 10 to 25 years  
 Roads - 3 to 50 years  
 Bridges and culverts - 25 to 60 years  
 Library books - 5 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Estimated closure and post-closure expenses for active landfill sites as well as the land occupied by the sites are amortized annually on the basis of capacity used during the year as a percentage of the estimated total capacity of the landfill site.

Interest related to the acquisition of capital assets is not capitalized, but is expensed in the year incurred.

(b) Inventories of supplies

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(iv) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion, they are turned over to the Town. The Town is not involved in the construction and does not budget for either the contribution from the developer or the capital expenditure.

(v) Local improvement

The Town records capital expenditures funded by local improvement agreements as they are incurred.

(vi) Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Consolidated Statement of Financial Position. The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specific purpose.

## THE CORPORATION OF THE TOWN OF KEARNEY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

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- (vii) Reserves and reserve funds  
Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.
- (viii) Government transfers  
Government transfers are recognized in the financial statements as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Consolidated Statement of Operations as the stipulation liabilities are settled.
- (ix) Taxation and related revenue  
Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. Property tax billings are prepared by the Town based on assessment rolls, supplementary assessment rolls and other assessment adjustments issued by the Municipal Property Assessment Corporation ("MPAC"). Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. The Town is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.
- (x) Pensions and employee benefits  
The Town accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. Sick leave benefits are accrued as the employees render the services necessary to earn the benefits.
- (xi) Use of estimates  
The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Town may undertake in the future. Significant accounting estimates include valuation allowances for taxes and accounts receivable, estimated useful lives of tangible capital assets, employee sick leave benefits liability, solid waste landfill closure and post-closure liabilities and supplementary taxes. Actual results could differ from these estimates.

## THE CORPORATION OF THE TOWN OF KEARNEY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

#### 2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to Note 1(a)(ii), the following contributions were made by the Town to these boards:

	2017	2016
District of Parry Sound Social Services Administration Board	\$ 160,763	\$ 161,397
North Bay Parry Sound District Health Unit	25,227	25,227
Eastholme, District of Parry Sound (East) Home for the Aged	106,064	104,978
	<b>\$ 292,054</b>	<b>\$ 291,602</b>

The Town is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Town's share of the accumulated surpluses (or deficits) of these boards has not been determined at this time.

The Town is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. The Town's share of these long-term liabilities has not been determined at this time.

#### 3. TRANSACTIONS ON BEHALF OF SCHOOL BOARDS

During the year, \$635,810 of taxation was levied on behalf of school boards (2016 \$673,357).

#### 4. CASH

Cash is comprised of:

	2017	2016
Unrestricted cash	\$ 628,195	\$ 733,078
Restricted cash	70,143	111,364
	<b>\$ 698,338</b>	<b>\$ 844,442</b>

Federal and Provincial legislation restricts how restricted cash related to obligatory reserve funds, reported in Note 8, may be used.

# THE CORPORATION OF THE TOWN OF KEARNEY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

5. INVESTMENTS

Investments are comprised of guaranteed and redeemable investment certificates, bearing interest at rates ranging from 1.15% to 2.0% and maturing between January 4, 2018 and September 16, 2018.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	2017	2016
Amounts receivable	\$ 166,299	\$ 233,095
Valuation allowance	(30,150)	(41,943)
	<b>\$ 136,149</b>	<b>\$ 191,152</b>

7. DEFERRED REVENUE -GENERAL

Details of the deferred revenue reported on the Consolidated Statement of Financial Position are as follows:

	2017	2016
Balance, beginning of year:		
Kearney Dog Sled Races	\$ 4,045	\$ 5,580
Kearney & Area Public Library	2,724	-
Other Town of Kearney	8,911	12,546
	15,680	18,126
Received during the year:		
Kearney Dog Sled Races	6,411	4,045
Kearney & Area Public Library	3,820	3,145
Other Town of Kearney	29,753	8,911
Recognized in revenue during the year	(25,372)	(18,003)
Refunded during the year	-	(544)
<b>Balance, end of year</b>	<b>\$ 30,292</b>	<b>\$ 15,680</b>
Kearney Dog Sled Races	\$ 6,411	\$ 4,045
Kearney & Area Public Library	3,820	2,724
Other Town of Kearney	20,061	8,911
<b>Balance, end of year</b>	<b>\$ 30,292</b>	<b>\$ 15,680</b>

## THE CORPORATION OF THE TOWN OF KEARNEY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

#### 8. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Town receives payments in lieu of parkland under the Planning Act, and federal gas tax funding under an agreement with the Association of Municipalities of Ontario. Legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

In the case of payments in lieu of parkland, revenue recognition occurs when the Town has approved eligible expenditures for park and other public recreation purposes. Gas tax revenue recognition occurs when the Town has approved the expenditures for eligible capital works.

Details of the deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position are as follows:

	2017	2016
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 89,401	\$ 93,414
Federal Gas Tax	21,963	-
	<u>111,364</u>	<u>93,414</u>
Received during the year:		
Recreational land (the Planning Act)	5,514	-
Federal Gas Tax	52,044	51,138
Interest earned	821	526
	<u>58,379</u>	<u>51,664</u>
Recognized in revenue during the year	<u>(99,600)</u>	<u>(33,714)</u>
<b>Balance, end of year</b>	<b>\$ 70,143</b>	<b>\$ 111,364</b>
Recreational land (the Planning Act)	\$ 70,143	\$ 89,401
Federal Gas Tax	-	21,963
<b>Balance, end of year</b>	<b>\$ 70,143</b>	<b>\$ 111,364</b>

#### 9. EMPLOYEE BENEFITS PAYABLE

Under the sick leave benefits plan, employees covered by the Town's collective agreement with the Canadian Union of Public Employees are entitled to accumulate unused sick leave to a maximum of 45 days and are entitled to a cash payment of two-thirds of their accumulated time, to a maximum of 20 days, when they leave the Town's employment. Sick leave benefits for management employees are negotiated on an individual basis. The sick leave benefit liability estimates the use of accumulated sick leave prior to retirement as well as lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The liability for these accumulated days amounted to \$25,429 (2016 \$26,453) at the end of the year.

#### 10. CREDIT FACILITY AGREEMENT

The Town's banking facility provides for a maximum operating line of credit of \$300,000 (2016 \$300,000) of which NIL was drawn at the end of the year (2016 NIL). The facility bears interest at Royal Bank prime. Security is as set out in the Town's Borrowing By-Law.

# THE CORPORATION OF THE TOWN OF KEARNEY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

### 11. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2017	2016
Ontario Infrastructure Projects Corporation serial debenture, due June 2030, repayable in semi-annual payments of \$6,597, including interest calculated at 4.88%	\$ 122,384	\$ 129,350
Royal Bank of Canada equipment lien note payable, fully repaid in 2017	-	25,292
Royal Bank of Canada term loan, due July 2024, repayable in monthly payments of \$1,246, including interest calculated at 3.34%	88,280	100,073
	<b>\$ 210,664</b>	<b>\$ 254,715</b>

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2018	\$ 19,503	\$ 8,648
2019	20,278	7,874
2020	21,084	7,067
2021	21,924	6,227
2022	22,798	5,353
2023 onwards	105,077	17,560
	<b>\$ 210,664</b>	<b>\$ 52,729</b>

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2017	2016
Principal payments	\$ 44,051	\$ 50,859
Interest	9,669	11,286
	<b>\$ 53,720</b>	<b>\$ 62,145</b>

## THE CORPORATION OF THE TOWN OF KEARNEY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

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#### 12. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final cover and landscaping of the landfill sites, management of groundwater and leachates, and ongoing environmental monitoring and site inspection and maintenance. Estimated expenditures related to the closure and subsequent maintenance of the sites are recognized in the financial statements over the operating life of the sites, in proportion to their utilized capacity.

The Town is currently responsible for two waste disposal sites as follows:

The Town of Kearney landfill site stopped accepting waste in 2001 and is now in the monitoring stage. The liability for this landfill site is \$34,789 (2016 \$38,722) and represents the present value of closure and post-closure costs for 100% of the total site area, using an estimated long-term borrowing rate of 2.87% (2016 2.72%) and inflation rate of 1.6% (2016 1.6%). Post-closure care is estimated to continue for a period of 9 years (2016 10 years).

The Township of Perry and the Town of Kearney jointly operate a landfill site through the Kearney-Perry Joint Waste Management Committee. The liability for this landfill site is recorded at \$120,000 (2016 \$103,000) and represents the present value of closure and post-closure costs for 23% of the approved site area, using an estimated long-term borrowing rate of 3.31% (2016 3.64%) and inflation rate of 1.6% (2016 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$665,075 (2016 \$579,841), leaving an amount to be recognized of \$545,075 (2016 \$476,841). The estimated remaining capacity of the site is approximately 103,393 cubic metres, estimated to be filled in 56 years. Post-closure care is estimated to be required for a period of 25 years. The Committee has closure reserves of \$266,763 (2016 \$247,908) to fund this liability.

The Town has recognized \$53,280 (2016 \$45,629) in the financial statements related to its proportionate share of this liability.

#### 13. CONTINGENCIES

The Town is involved from time to time in litigation, which arises in the normal course of business. With respect to outstanding claims, the Town believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation in. Therefore, no provision has been made in the accompanying financial statements.



# THE CORPORATION OF THE TOWN OF KEARNEY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

### 14. TANGIBLE CAPITAL ASSETS

The tangible capital assets of the Town by major asset class are outlined below.

<b>2017</b>							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads, Bridges and Other Structures	Assets Under Construction	TOTAL
<b>COST</b>							
Balance, beginning of year	\$ 975,604	\$ 1,098,456	\$ 739,011	\$ 2,131,870	\$ 18,849,351	\$ 52,880	\$ 23,847,172
Additions and betterments	50,951	5,362	150,964	13,080	552,375	64,422	837,154
Disposals and writedowns	(5,949)	(3,360)	(80,564)	-	(244,961)	-	(334,834)
<b>BALANCE, END OF YEAR</b>	<b>1,020,606</b>	<b>1,100,458</b>	<b>809,411</b>	<b>2,144,950</b>	<b>19,156,765</b>	<b>117,302</b>	<b>24,349,492</b>
<b>ACCUMULATED AMORTIZATION</b>							
Balance, beginning of year	604,208	620,908	435,004	808,029	11,021,766	-	13,489,915
Annual amortization	26,437	24,209	70,094	122,209	503,552	-	746,501
Amortization disposals	(2,677)	(3,360)	(72,153)	-	(241,768)	-	(319,958)
<b>BALANCE, END OF YEAR</b>	<b>627,968</b>	<b>641,757</b>	<b>432,945</b>	<b>930,238</b>	<b>11,283,550</b>	<b>-</b>	<b>13,916,458</b>
<b>TANGIBLE CAPITAL ASSETS-NET</b>	<b>\$ 392,638</b>	<b>\$ 458,701</b>	<b>\$ 376,466</b>	<b>\$ 1,214,712</b>	<b>\$ 7,873,215</b>	<b>\$ 117,302</b>	<b>\$ 10,433,034</b>
<b>2016</b>							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads, Bridges and Other Structures	Assets Under Construction	TOTAL
<b>COST</b>							
Balance, beginning of year	\$ 1,006,205	\$ 1,098,525	\$ 722,458	\$ 2,084,493	\$ 18,236,768	\$ 13,087	\$ 23,161,536
Additions and betterments	10,481	-	32,398	85,407	722,583	39,793	890,662
Contributed assets	-	-	-	30,000	-	-	30,000
Disposals and writedowns	(41,082)	(69)	(15,845)	(68,030)	(110,000)	-	(235,026)
<b>BALANCE, END OF YEAR</b>	<b>975,604</b>	<b>1,098,456</b>	<b>739,011</b>	<b>2,131,870</b>	<b>18,849,351</b>	<b>52,880</b>	<b>23,847,172</b>
<b>ACCUMULATED AMORTIZATION</b>							
Balance, beginning of year	626,168	596,854	388,756	750,664	10,650,450	-	13,012,892
Annual amortization	17,839	24,123	62,093	117,593	478,333	-	699,981
Amortization disposals	(39,799)	(69)	(15,845)	(60,228)	(107,017)	-	(222,958)
<b>BALANCE, END OF YEAR</b>	<b>604,208</b>	<b>620,908</b>	<b>435,004</b>	<b>808,029</b>	<b>11,021,766</b>	<b>-</b>	<b>13,489,915</b>
<b>TANGIBLE CAPITAL ASSETS-NET</b>	<b>\$ 371,396</b>	<b>\$ 477,548</b>	<b>\$ 304,007</b>	<b>\$ 1,323,841</b>	<b>\$ 7,827,585</b>	<b>\$ 52,880</b>	<b>\$ 10,357,257</b>

# THE CORPORATION OF THE TOWN OF KEARNEY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

### 15. ACCUMULATED SURPLUS

The 2017 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

	Balance Beginning of Year	Annual Surplus (Deficit)	Balance End of Year
<b>RESERVES AND RESERVE FUNDS</b>			
Working funds	\$ 315,377	\$ -	\$ 315,377
Election	10,900	3,500	14,400
Municipal capital	536,342	-	536,342
Fire equipment	102,389	15,100	117,489
CUPE negotiations	5,300	5,300	10,600
UFCW negotiations	-	15,000	15,000
Recreation	63,902	1,925	65,827
Dog sled races	24,914	(10,433)	14,481
Regatta	25,239	(4,361)	20,878
Kearney Community Centre	4,476	(965)	3,511
Economic development	5,143	(535)	4,608
Library Board	23,140	(3,962)	19,178
Joint Waste Management Committee (2017: 44.4%; 2016: 44.3%)	161,853	12,815	174,668
Reserve funds for capital purposes	23,115	(1,440)	21,675
	<b>1,302,090</b>	<b>31,944</b>	<b>1,334,034</b>
<b>OTHER</b>			
Consolidated tangible capital assets	10,357,257	75,777	10,433,034
General operating surplus -			
Town	277,715	314,562	592,277
Library Board	598	1,978	2,576
Joint Waste Management Committee (2017: 44.4%; 2016: 44.3%)	6,639	(833)	5,806
Unfunded amounts -			
Municipal debt	(254,715)	44,051	(210,664)
Employee benefits	(26,453)	1,024	(25,429)
Landfill closure and post-closure	(84,351)	(3,718)	(88,069)
	<b>\$ 11,578,780</b>	<b>\$ 464,785</b>	<b>\$ 12,043,565</b>

# THE CORPORATION OF THE TOWN OF KEARNEY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

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### 16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

The Town and its Boards and Committees provide a wide range of services to its citizens. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Town's Financial Information Return, which include the following activities:

#### General Government

This segment includes Council, Clerk's Department, and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

#### Protection to Persons and Property

This segment includes fire, police, building inspection, emergency measures and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract. The fire department provides vital emergency services to the community including fire prevention, public education and emergency planning.

#### Transportation Services

Transportation services include work relating to the planning, development and maintenance of roadway systems (including winter control activities) and street lighting.

#### Environmental Services

This segment includes solid waste collection, disposal and recycling services. The Town contracts its recycling services.

#### Health Services

This segment includes contracted ambulance services as well as payments to the district health unit.

#### Social and Family Services

This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

#### Recreation and Culture

This segment includes parks, recreation programs and recreation facilities.

#### Library

This segment includes the consolidated library transactions of the Town and its Library Board.

#### Planning and Development

This segment includes activities related to planning, zoning and economic development.

#### Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges and the Town's annual Ontario Municipal Partnership Fund unconditional grant.

# THE CORPORATION OF THE TOWN OF KEARNEY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

### 16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

#### FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Library Services	Planning and Development	Unallocated Amounts	Consolidated
<b>REVENUE</b>											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,859,369	\$ 2,859,369
User charges	10,586	1,820	600	17,810	-	-	54,049	236	11,431	-	96,532
Government transfers -											
Canada	-	-	74,280	-	-	-	15,267	84	-	-	89,631
Ontario	-	2,094	50,000	38,126	-	21,461	12,377	8,561	2,158	590,900	725,677
Other municipalities	-	117,040	-	-	-	-	-	-	-	-	117,040
Loss on disposal of capital assets	(7,421)	(990)	(3,193)	-	-	-	(3,272)	-	-	-	(14,876)
Other	-	73,831	13,293	5,244	-	133	41,635	1,106	-	85,507	220,749
<b>TOTAL REVENUE</b>	<b>3,165</b>	<b>193,795</b>	<b>134,980</b>	<b>61,180</b>	<b>-</b>	<b>21,594</b>	<b>120,056</b>	<b>9,987</b>	<b>13,589</b>	<b>3,535,776</b>	<b>4,094,122</b>
<b>EXPENSES</b>											
Salaries, wages and benefits	388,083	241,466	299,099	2,548	-	-	138,036	36,785	65,214	-	1,171,231
Long-term debt charges (interest)	-	6,228	3,164	-	-	277	-	-	-	-	9,669
Materials	69,129	83,062	216,859	12,331	-	3,916	123,573	7,623	3,686	-	520,179
Contracted services	180,233	352,333	21,882	185,262	101,271	2,618	31,142	-	5,451	-	880,192
Rents and financial expenses	3,160	2,086	-	-	-	-	916	147	-	-	6,309
External transfers	1,350	-	-	1,852	25,227	266,827	-	-	-	-	295,256
Amortization	14,845	57,007	607,399	13,306	-	3,594	34,061	15,813	476	-	746,501
<b>TOTAL EXPENSES</b>	<b>656,800</b>	<b>742,182</b>	<b>1,148,403</b>	<b>215,299</b>	<b>126,498</b>	<b>277,232</b>	<b>327,728</b>	<b>60,368</b>	<b>74,827</b>	<b>-</b>	<b>3,629,337</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (653,635)</b>	<b>\$ (548,387)</b>	<b>\$ (1,013,423)</b>	<b>\$ (154,119)</b>	<b>\$ (126,498)</b>	<b>\$ (255,638)</b>	<b>\$ (207,672)</b>	<b>\$ (50,381)</b>	<b>\$ (61,238)</b>	<b>\$ 3,535,776</b>	<b>\$ 464,785</b>

# THE CORPORATION OF THE TOWN OF KEARNEY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

### 16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

#### FOR THE YEAR ENDED DECEMBER 31, 2016

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Library Services	Planning and Development	Unallocated Amounts	Consolidated
<b>REVENUE</b>											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,688,976	\$ 2,688,976
User charges	4,903	4,712	-	19,214	-	-	65,776	373	13,393	-	108,371
Government transfers -											
Canada	-	-	29,282	-	-	-	-	-	-	-	29,282
Ontario	-	1,358	25,000	40,921	-	23,352	-	6,440	28,247	559,000	684,318
Other municipalities	-	87,323	-	-	-	-	-	-	11,019	-	98,342
Loss on disposal of capital assets	-	(7,803)	(4,265)	-	-	-	-	-	-	-	(12,068)
Other	-	97,699	25,607	118,321	-	66	21,173	2,165	135	75,066	340,232
<b>TOTAL REVENUE</b>	<b>4,903</b>	<b>183,289</b>	<b>75,624</b>	<b>178,456</b>	<b>-</b>	<b>23,418</b>	<b>86,949</b>	<b>8,978</b>	<b>52,794</b>	<b>3,323,042</b>	<b>3,937,453</b>
<b>EXPENSES</b>											
Salaries, wages and benefits	325,811	264,637	310,985	4,485	-	-	124,875	23,530	69,860	-	1,124,183
Long-term debt charges (interest)	-	6,556	3,551	-	-	1,179	-	-	-	-	11,286
Materials	113,743	81,770	277,826	21,827	-	1,932	114,206	6,274	8,316	-	625,894
Contracted services	159,900	322,032	19,849	182,219	98,825	2,767	18,332	-	5,290	-	809,214
Rents and financial expenses	2,671	1,832	2,106	-	-	-	-	226	-	-	6,835
External transfers	2,050	-	-	-	25,227	266,375	400	-	-	-	294,052
Amortization	11,791	52,344	580,311	5,585	-	2,797	30,830	16,323	-	-	699,981
<b>TOTAL EXPENSES</b>	<b>615,966</b>	<b>729,171</b>	<b>1,194,628</b>	<b>214,116</b>	<b>124,052</b>	<b>275,050</b>	<b>288,643</b>	<b>46,353</b>	<b>83,466</b>	<b>-</b>	<b>3,571,445</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (611,063)</b>	<b>\$ (545,882)</b>	<b>\$ (1,119,004)</b>	<b>\$ (35,660)</b>	<b>\$ (124,052)</b>	<b>\$ (251,632)</b>	<b>\$ (201,694)</b>	<b>\$ (37,375)</b>	<b>\$ (30,672)</b>	<b>\$ 3,323,042</b>	<b>\$ 366,008</b>

## THE CORPORATION OF THE TOWN OF KEARNEY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

#### 17. BUDGET FIGURES

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

	Budget
<b>ADOPTED BUDGET:</b>	
Decrease in general municipal operating surplus	\$ (277,715)
Decrease in Library Board operating surplus	(598)
Decrease in Joint Waste Management Committee operating surplus	(6,655)
Increase in consolidated reserves and reserve funds	14,974
<b>ADJUSTMENTS:</b>	
Acquisition of tangible capital assets	1,054,521
Amortization of tangible capital assets	(745,992)
Decrease in municipal debt	44,052
<b>ANNUAL SURPLUS</b>	<b>\$ 82,587</b>

#### 18. PENSION AGREEMENTS

The Town makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million with respect to benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2017 was \$68,791 (2016 \$51,767) for current and prior-year service and is included as an expense on the Consolidated Statement of Operations.