

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KILLARNEY**

Year ended December 31, 2018

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Municipality of Killarney (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated 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.

The Municipality'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 consolidated financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Gilles Legault
Deputy Treasurer

Candy Beauvais
Clerk-Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of
The Corporation of the Municipality of Killarney

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Killarney (the "Municipality"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its consolidated results of operations and accumulated surplus, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Municipality's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Municipality's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Municipality to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 15, 2019

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Consolidated Financial Statements

Year ended December 31, 2018

Consolidated Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Change in Net Financial Assets	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 19

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash	\$ 3,563,773	\$ 3,164,107
Taxes receivable (note 2)	330,969	305,333
Accounts receivable	434,956	370,168
Water capital debenture (note 4)	356,523	407,714
	<u>4,686,221</u>	<u>4,247,322</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,554,794	368,500
Deferred revenue - obligatory reserve funds (note 5)	78,269	101,316
Deferred revenue	318,091	1,076,463
Landfill closure and post-closure liability (note 6)	955,000	851,000
Long-term debt (note 7)	1,024,574	863,760
	<u>3,930,728</u>	<u>3,261,039</u>
Net financial assets	755,493	986,283
Non-financial assets		
Tangible capital assets (note 8)	10,979,672	10,064,693
Prepaid expenses	20,655	19,611
	<u>11,000,327</u>	<u>10,084,304</u>
Commitments (note 12)		
Contingencies (note 13)		
Accumulated surplus (note 9)	<u>\$ 11,755,820</u>	<u>\$ 11,070,587</u>

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Council:

_____ Mayor

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (note 10)	2018 Actual	2017 Actual
Revenue:			
Taxation	\$ 2,391,147	\$ 2,429,130	\$ 2,308,234
Fees and user charges	760,856	682,087	728,360
Province of Ontario grants	1,012,940	924,384	733,065
Government of Canada grants	955,612	918,350	93,636
Investment income	5,000	29,511	12,208
Loss on sale of capital assets	-	(6,730)	-
Other income	61,046	67,828	69,228
Total revenue	5,186,601	5,044,560	3,944,731
Expenses:			
General government	840,093	868,363	792,591
Protection to persons and property	378,622	365,496	330,370
Transportation services	680,694	654,088	542,114
Environment services	1,002,676	1,055,218	1,033,685
Health, social and family services	1,121,924	1,088,350	1,038,588
Recreational and cultural services	287,741	296,123	242,773
Planning and development	71,775	31,689	24,078
Total expenses	4,383,525	4,359,327	4,004,199
Annual surplus (deficit)	803,076	685,233	(59,468)
Accumulated surplus, beginning of year	11,070,587	11,070,587	11,130,055
Accumulated surplus, end of year	\$ 11,873,663	\$ 11,755,820	\$ 11,070,587

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus (deficit)	\$ 685,233	\$ (59,468)
Loss on sale of tangible capital assets	6,730	-
Proceeds on disposition of tangible capital assets	60,000	-
Acquisition of tangible capital assets	(1,645,437)	(227,488)
Amortization of tangible capital assets	663,728	633,065
Change in prepaid expenses	(1,044)	4,061
	(916,023)	409,638
Change in net financial assets	(230,790)	350,170
Net financial assets, beginning of year	986,283	636,113
Net financial assets, end of year	\$ 755,493	\$ 986,283

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 685,233	\$ (59,468)
Items not involving cash:		
Loss on sale of tangible capital assets	6,730	-
Amortization of tangible capital assets	663,728	633,065
Change in landfill closure and post-closure liability	104,000	46,000
	1,459,691	619,597
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(25,636)	(31,168)
Increase (decrease) in accounts receivable	(64,788)	17,659
Increase (decrease) in prepaid expenses	(1,044)	4,061
Increase in accounts payable and accrued liabilities	1,186,294	46,672
Increase (decrease) in deferred revenue - obligatory reserve funds	(23,047)	32,024
Decrease (increase) in deferred revenue	(758,372)	1,045,626
Net change in cash from operating activities	1,773,098	1,734,471
Capital activities:		
Proceeds on disposition of tangible capital assets	60,000	-
Acquisition of tangible capital assets	(1,645,437)	(227,488)
Net change in cash from capital activities	(1,585,437)	(227,488)
Financing activities:		
Proceeds from issuance of long-term debt	316,650	99,000
Repayment of long-term debt	(155,836)	(167,002)
Net change in cash from financing activities	160,814	(68,002)
Investing activities:		
Payments received on water capital debenture	51,191	51,190
Increase in cash for the year	399,666	1,490,171
Cash and cash equivalents, beginning of year	3,164,107	1,673,936
Cash and cash equivalents, end of year	\$ 3,563,773	\$ 3,164,107

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

The Corporation of the Municipality of Killarney (the "Municipality") is a single-tier municipal corporation located in Northern Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity includes all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

These consolidated financial statements include the Killarney Community Centre and the Killarney Health Centre.

All inter-departmental and inter-organizational transactions and balances between these organizations are eliminated.

Related entities:

The following joint local boards are not consolidated:

The Manitoulin-Sudbury District Social Services Administration
Board

Sudbury & District Health Unit

(b) 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 and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over the estimated useful lives as follows:

Asset	Useful Life - Years
Buildings	25 - 40
Machinery and equipment	5 - 10
Vehicles	5
Plants and facilities	15 - 75
Linear assets	10 - 90

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

(i) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(ii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(d) Landfill closure and post-closure liabilities:

The liability for closure of operational site and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued):

(e) Collection of taxes on behalf of school boards:

The Municipality collects taxation revenue on behalf of school boards. 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.

(f) Revenue recognition:

The Municipality prepared tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(g) Deferred revenue:

Funds received for specific purposes which are for future services 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 services are provided.

(h) Deferred revenue – obligatory reserve funds:

The Municipality receives certain contributions under the authority of federal and provincial legislation. In accordance with Municipal regulation, these contributions are restricted in their use and, until spent on qualifying projects or expenses, are recorded as deferred revenue.

(i) Pension plan:

The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for the past employee service.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued):

(j) Reserves:

The Municipality internally allocates its accumulated surplus to keep reserves to finance the cost of tangible capital assets, purchases, maintenance and related expenditures and operating reserves in order to ensure funds are available for financial relief in the event of a significant loss of revenues or other financial emergency for which no other source of funding is available. These reserve allocations are directed by Council.

(k) Use of estimates:

The preparation of consolidated 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 dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowances for taxes and accounts receivable and estimating provisions for accrued liabilities and landfill closure and post-closure liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Taxes receivable:

	2018	2017
Current	\$ 159,689	\$ 196,912
Previous years	71,627	28,289
Prior years	49,523	39,317
Penalties and interest	50,130	40,815
	<u>\$ 330,969</u>	<u>\$ 305,333</u>

3. Credit facilities:

The Municipality has available an undrawn \$400,000 (2017 - \$400,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

4. Water capital debenture:

The Municipality completed a capital project to provide the service of a water treatment plant to all water users of the village of the Municipality in 2006.

Each property was charged an amount based on their property frontage as per the assessment roll at the time, with the option to pay the full amount up front or over the term of the debenture. The debenture is collected in equal bi-monthly installments as added into the current taxation billings. The debenture is to be collected over 20 years for all residential and commercial property.

The annual payment collected by the Municipality including principal and interest is \$51,190. The balance receivable on December 31, 2018 is \$356,523 (2017 - \$407,714).

5. Deferred revenue - obligatory reserves funds:

The continuity of transactions within the obligatory reserve funds are as described below:

	December 31, 2017	Contributions received	Revenue recognized	December 31, 2018
Federal gas tax reserves	\$ 87,077	33,562	56,847	\$ 63,792
Parkland dedication reserves	14,239	238	–	14,477
	\$ 101,316	33,800	56,847	\$ 78,269

6. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Municipality of Killarney currently operates three solid waste landfill sites at Killarney, Key River and Hartley Bay. The Municipality has title to the Killarney and Key River landfill sites. The liability associated with these sites is based on estimates and assumptions related to events extending over the remaining life of the landfill.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

6. Landfill closure and post-closure liability (continued):

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the most recent 10-year annual average of Long-Term Government of Canada Benchmark Bonds Yields of 2.77% minus the 10-year running average inflation rate for Non-Residential Building Construction Price Indices of 2.03%. The estimated total landfill closure and post-closure care expenses are calculated to be \$1,080,887 (2017 - \$945,828). The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2018, an amount of \$955,000 (2017 - \$851,000) with respect to landfill closure and post-closure liabilities has been accrued.

At December 31, 2018, the Killarney site was operating at near capacity and the Municipality is in the process of expanding the site. The period for post-closure care is estimated to be 25 years.

At December 31, 2018, the Key River site had an estimated remaining life of approximately 27 years which represents 31% of its total estimated capacity. The period for post-closure care is estimated to be 25 years.

Hartley Bay site's operations and maintenance costs are assumed by the Municipality of Killarney which is owned by the Ministry of Natural Resources.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

7. Long-term debt:

The balance of long-term debt is comprised of the following:

	2018	2017
Bank loan, interest at 3.445%, repayable in monthly instalments of \$2,900 principal and interest, secured by specific asset, due August 2027	\$ 260,459	\$ –
Bank loan, interest at 3.255%, repayable in monthly instalments of \$882 principal and interest, secured by specific asset, due December 2023	47,650	–
Bank loan, interest at 1.63%, repayable in monthly instalments of \$1,652 principal and interest, secured by specific asset, due January 2019	1,719	21,146
OSIFA loan, interest at 5.20%, repayable in semi-annual instalments of \$37,285 principal and interest, secured by specific asset, due June 2026	458,260	507,088
Bank loan, interest at 2.38%, repayable in monthly instalments of \$1,467 principal and interest, secured by specific asset, due August 2019	11,634	28,737
Bank loan, interest at 2.38%, repayable in monthly instalments of \$2,651 principal and interest, secured by specific asset, due August 2019	21,023	51,933
Bank loan, interest at 2.671%, repayable in monthly instalments of \$1,350 principal and interest, secured by specific asset, due December 2029	154,254	166,196
Bank loan, interest at 2.183%, repayable in monthly instalments of \$1,350 principal and interest, secured by specific asset, due January 2022	37,137	48,660
Bank loan, interest at 2.78%, repayable in monthly instalments of \$715 principal and interest, secured by specific asset, due December 2022	32,438	40,000
	\$ 1,024,574	\$ 863,760

Principal repayments are as follows:

2019	\$ 151,887
2020	122,505
2021	127,722
2022	123,115
2023	117,182
Thereafter	382,163
	\$ 1,024,574

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

8. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Land	\$ 656,891	-	-	656,891
Buildings and land improvements	5,548,193	145,671	-	5,693,864
Machinery and equipment	773,772	366,376	(133,461)	1,006,687
Vehicles	568,552	48,834	-	617,386
Plant and facilities	5,920,843	-	-	5,920,843
Linear assets	8,226,855	97,648	-	8,324,503
Construction in progress	115,022	986,908	-	1,101,930
Total	\$ 21,810,128	1,645,437	(133,461)	23,322,104

Accumulated Amortization	Balance at December 31, 2017	Amortization	Disposals	Balance at December 31, 2018
Land	\$ -	-	-	-
Buildings and land improvements	1,880,083	190,186	-	2,070,269
Machinery and equipment	631,913	65,363	(66,730)	630,546
Vehicles	527,780	16,532	-	544,312
Plant and facilities	3,381,964	259,471	-	3,641,435
Linear assets	5,323,695	132,175	-	5,455,870
Construction in progress	-	-	-	-
Total	\$ 11,745,435	663,727	(66,730)	12,342,432

	Net book value, December 31, 2017	Net book value, December 31, 2018
Land	\$ 656,891	656,891
Buildings and land improvements	3,668,110	3,623,595
Machinery and equipment	141,859	376,141
Vehicles	40,772	73,074
Plant and facilities	2,538,879	2,279,408
Linear assets	2,903,160	2,868,633
Construction in progress	115,022	1,101,930
Total	\$ 10,064,693	10,979,672

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

8. Tangible capital assets (continued):

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 656,891	-	-	656,891
Buildings and land improvements	5,482,964	65,229	-	5,548,193
Machinery and equipment	743,919	29,853	-	773,772
Vehicles	568,552	-	-	568,552
Plant and facilities	5,920,843	-	-	5,920,843
Linear assets	8,201,397	25,458	-	8,226,855
Construction in progress	8,074	106,948	-	115,022
Total	\$ 21,582,640	227,488	-	21,810,128

Accumulated Amortization	Balance at December 31, 2016	Amortization	Disposals	Balance at December 31, 2017
Land	\$ -	-	-	-
Buildings and land improvements	1,696,723	183,360	-	1,880,083
Machinery and equipment	593,059	38,854	-	631,913
Vehicles	512,900	14,880	-	527,780
Plant and facilities	3,080,338	301,626	-	3,381,964
Linear assets	5,229,350	94,345	-	5,323,695
Construction in progress	-	-	-	-
Total	\$ 11,112,370	633,065	-	11,745,435

	Net book value, December 31, 2016	Net book value, December 31, 2017
Land	\$ 656,891	656,891
Buildings and land improvements	3,786,241	3,668,110
Machinery and equipment	150,860	141,859
Vehicles	55,652	40,772
Plant and facilities	2,840,505	2,538,879
Linear assets	2,972,047	2,903,160
Construction in progress	8,074	115,022
Total	\$ 10,470,270	10,064,693

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

9. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017
Invested in tangible capital assets	\$ 9,955,098	\$ 9,200,933
Operating accumulated surplus	884,738	1,121,145
Amounts to be recovered:		
Landfill closure and post-closure costs	(955,000)	(851,000)
	9,884,836	9,471,078
Reserve and reserve funds set aside for specific purpose by Council:		
Working capital	644,586	440,569
Group of Seven	183	183
Killarney Health Centre capital	58,500	50,500
Fire department capital	45,419	40,419
Landfill closure	225,454	206,003
Water treatment capital	18,075	40,802
Water treatment cost recovery	159,688	157,072
Sewer reserve fund	(5,691)	73,269
Water reserve fund	158,176	113,636
Museum reserve fund	9,735	36,791
Capital reserve fund	447,364	336,634
Community Centre capital	9,632	7,157
Airport maintenance	90,491	89,009
Vet's cabinet	-	2,500
Launch lease	890	-
200 th Celebration	8,482	4,965
	1,870,984	1,599,509
Accumulated surplus	\$ 11,755,820	\$ 11,070,587

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

10. Budget:

The budget was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). As a result, the budget figures presented in the consolidated statement of operations and accumulated surplus required the following adjustments:

Annual surplus per financial plan:	\$	-
Add:		
Principal payments on long-term debt		149,598
Purchase of tangible capital assets		2,053,919
Less:		
Net reserve transfers		171,898
Amortization		663,728
Loan proceeds		549,657
Net Killarney Health Centre activity		15,158
<hr/>		
Budget surplus per consolidated financial statements	\$	803,076

11. Pension agreements:

OMERS provides pension services to more than 451,000 active and retired members and approximately 974 employers. 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, 2018. The results of this valuation disclosed total going concern actuarial liabilities of \$100,081 million (2017 - \$94,431 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$95,890 million (2017 - \$89,028 million) indicating a going concern actuarial deficit of \$4,191 million (2017 - \$5,403 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees and the Municipality's share is not determinable. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2018 was \$44,430 (2017 - \$42,613) for current service and is included as an expense in the consolidated statement of operations and accumulated surplus.

12. Commitments:

The Municipality has entered into an agreement that expires on December 31, 2028 with the Ontario Clean Water Agency to provide water and sewer maintenance service for an annual cost of approximately \$244,993. The cost of the services is adjusted annually for inflation and for any additional items resulting from a change in the scope of services.

The Municipality has entered into a police services contract with the Province of Ontario for the provision of police services within municipal boundaries. The contract is effective until 2020. During the year, \$222,199 (2017 - \$211,753) was expended on police services.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

13. Contingencies:

The Municipality is involved in claims and litigation in the normal course of operations. The outcome of these actions are not determinable and accordingly, no amounts have been reflected in the accounts of the Municipality for this matter. Any settlements or awards will be recorded in the period they become determinable.

14. Operations of School Boards:

Further to note 1(e), the property taxes collected on behalf of the school boards are \$443,851 (2017 - \$459,272).

15. Contributions to non-consolidated entities:

Further to note 1(a), the following contributions were made by the Municipality to these entities:

	2018	2017
Manitoulin-Sudbury District Association		
Services Administration Board	\$ 627,459	\$ 617,219
Sudbury and District Health Unit	15,060	14,940
	<u>\$ 642,519</u>	<u>\$ 632,159</u>

16. Comparative information:

Certain 2017 comparative information have been reclassified to conform with the financial statement presentation adopted for the current year.

17. Segmented information:

The Municipality provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes, the Municipality's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

- (a) General Government: Includes corporate services and governance of the Municipality. General government is responsible for human resource management. Support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2018

17. Segmented information (continued):

- (b) Protection Services: Includes policing, fire protection, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders and enforce the law. Fire protection includes detection, extinguishing and suppression services and prevention education and training programs. The members of the fire department consist of volunteers.
- (c) Transportation Services: This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.
- (d) Environmental Services: Includes the management and maintenance of water and wastewater system, landfills, and the recycling and waste collection system that serves the Municipality.
- (e) Health, Social and Family Services: Health services are comprised of public health services which works to improve the overall health of the population by providing services to individuals and communities. Social and family services provides services that are meant to help the less fortunate in the society. Social housing is provided to help shelter families and elderly in need. Child care funding is provided to subsidize day cares and to provide early learning programs. The ambulance service transports the injured to the hospital and provides emergency medical care to those in distress.
- (f) Recreation and Cultural Services: Provides recreation and leisure programs and facilities, including community halls, libraries, parks, recreation fields and arena. It also provides building maintenance services to all municipal facilities.
- (g) Planning and Development: Manages rural development for business interest, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geographic information services.

For each segment separately reported in the schedule below, the segment revenue 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. These municipal services are funded primarily by taxation such as property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Note 17 - Segmented Information (continued)

Year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health, Social, and Family Services	Recreation and Cultural Services	Planning and Development	2018 Total
Revenue:								
Fees and user charges	\$ 74,222	14,406	7,440	485,034	57,257	43,728	-	682,087
Province of Ontario grants	483,700	-	-	25,539	345,517	69,628	-	924,384
Government of Canada grants	8,740	-	56,846	852,764	-	-	-	918,350
Investment income	17,854	-	1,483	9,589	-	585	-	29,511
Loss on disposal of tangible capital assets	-	-	(6,730)	-	-	-	-	(6,730)
Other	41,200	225	2,584	17,094	6,725	-	-	67,828
	625,716	14,631	61,623	1,390,020	409,499	113,941	-	2,615,430
Expenses:								
Salaries, wages and benefits	474,850	31,856	209,146	100,015	227,128	92,879	559	1,136,433
Interest on long term debt	200	-	10,182	25,742	500	-	-	36,624
Materials	289,922	61,584	295,497	311,475	188,338	100,003	11,077	1,257,896
Contracted services	40,058	263,794	-	294,293	2,864	1,066	20,053	622,128
External agencies	-	-	-	-	642,519	-	-	642,519
Amortization of tangible capital assets	63,333	8,262	139,263	323,693	27,001	102,175	-	663,727
	868,363	365,496	654,088	1,055,218	1,088,350	296,123	31,689	4,359,327
Excess (deficiency) of revenue over expenses	(242,647)	(350,865)	(592,465)	334,802	(678,851)	(182,182)	(31,689)	(1,743,897)
Funded through:								
Taxation								2,429,130
Annual surplus								\$ 685,233

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Note 17 - Segmented Information (continued)

Year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health, Social, and Family Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue:								
Fees and user charges	\$ 118,543	53,489	6,723	457,794	55,166	36,645	-	728,360
Province of Ontario grants	397,591	-	25,458	-	308,950	1,066	-	733,065
Government of Canada grants	2,800	-	15,477	75,359	-	-	-	93,636
Investment income	6,841	-	830	4,537	-	-	-	12,208
Other	48,695	225	2,324	11,277	6,707	-	-	69,228
	574,470	53,714	50,812	548,967	370,823	37,711	-	1,636,497
Expenses:								
Salaries, wages and benefits	455,767	30,109	136,112	100,321	212,522	51,694	369	986,894
Materials	232,154	46,109	295,798	308,813	166,686	88,929	4,969	1,143,458
Contracted services	37,665	250,737	-	299,300	865	1,316	18,740	608,623
External agencies	-	-	-	-	632,159	-	-	632,159
Amortization of tangible capital assets	67,005	3,415	110,204	325,251	26,356	100,834	-	633,065
	792,591	330,370	542,114	1,033,685	1,038,588	242,773	24,078	4,004,199
Deficiency of revenue over expenses	(218,121)	(276,656)	(491,302)	(484,718)	(667,765)	(205,062)	(24,078)	(2,367,702)
Funded through:								
Taxation								2,308,234
Annual deficit								\$ (59,468)