

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF KILLARNEY**

Year ended December 31, 2016

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 Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Killarney

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Killarney which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising 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 our 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, we consider 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.

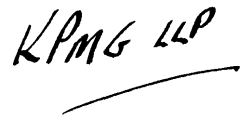
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Killarney as at December 31, 2016 and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

May 17, 2017

Sudbury, Canada

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Consolidated Financial Statements

Year ended December 31, 2016

Consolidated Financial Statements

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THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets		
Cash	\$ 1,673,936	\$ 1,624,446
Taxes receivable (note 2)	274,165	267,303
Accounts receivable	387,827	346,851
Water capital debenture (note 4)	458,904	510,094
	<u>2,794,832</u>	<u>2,748,694</u>
Financial liabilities		
Accounts payable and accrued liabilities	321,828	394,524
Deferred revenue - obligatory reserve funds (note 5)	69,292	34,411
Deferred revenue	30,837	37,682
Landfill closure and post-closure liability (note 6)	805,000	860,000
Long-term debt (note 7)	931,762	1,086,089
	<u>2,158,719</u>	<u>2,412,706</u>
Net financial assets	636,113	335,988
Non-financial assets		
Tangible capital assets (note 8)	10,470,270	10,879,477
Prepaid expenses	23,672	22,503
	<u>10,493,942</u>	<u>10,901,980</u>
Commitments (note 12)		
Contingencies (note 13)		
Accumulated surplus (note 9)	\$ 11,130,055	\$ 11,237,968

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, 2016, with comparative information for 2015

	2016 Budget (note 10)	2016 Actual	2015 Actual
Revenue:			
Taxation	\$ 2,131,640	\$ 2,153,781	\$ 2,076,093
Fees and user charges	679,115	727,887	606,619
Province of Ontario grants	816,846	776,869	839,504
Government of Canada grants	206,995	84,376	37,324
Investment income	3,000	10,377	10,990
Other income	72,795	83,017	70,825
Total revenue	3,910,391	3,836,307	3,641,355
Expenses:			
General government	787,250	804,946	773,809
Protection to persons and property	324,785	295,793	249,669
Transportation services	535,508	573,500	608,337
Environment services	1,069,365	1,003,183	1,042,264
Health, social and family services	666,245	999,102	1,011,715
Recreational and cultural services	149,011	224,245	248,617
Planning and development	57,755	43,451	50,818
Total expenses	3,589,919	3,944,220	3,985,229
Annual surplus (deficit)	320,472	(107,913)	(343,874)
Accumulated surplus, beginning of year	11,237,968	11,237,968	11,581,842
Accumulated surplus, end of year	\$ 11,558,440	\$ 11,130,055	\$ 11,237,968

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, 2016, with comparative information for 2015

	2016	2015
Annual (deficit)	\$ (107,913)	\$ (343,874)
Loss on sale of tangible capital assets	14,314	-
Acquisition of tangible capital assets	(267,421)	(87,475)
Amortization of tangible capital assets	662,314	678,283
Change in prepaid expenses	(1,169)	(1,101)
	408,038	589,707
Change in net financial assets	300,125	245,833
Net financial assets, beginning of year	335,988	90,155
Net financial assets, end of year	\$ 636,113	\$ 335,988

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, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (107,913)	\$ (343,874)
Items not involving cash:		
Loss on sale of tangible capital assets	14,314	
Amortization of tangible capital assets	662,314	678,283
Change in landfill closure and post-closure liability	(55,000)	59,000
	513,715	393,409
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(6,862)	(61,721)
Increase in accounts receivable	(40,976)	(67,443)
Increase in prepaid expenses	(1,169)	(1,101)
Increase (decrease) in accounts payable and accrued liabilities	(72,696)	106,842
Increase in deferred revenue - obligatory reserve funds	34,881	6,949
Decrease in deferred revenue	(6,845)	(5,917)
Net change in cash from operating activities	420,048	371,018
Capital activities:		
Cash used to acquire tangible capital assets	(267,421)	(87,475)
Financing activities:		
Proceeds from issuance of long-term debt	-	200,000
Repayment of long-term debt	(154,327)	(149,335)
Net change in cash from financing activities	(154,327)	50,665
Investing activities:		
Payment received on water capital debenture	51,190	51,191
Cash and cash equivalents	49,490	385,399
Cash and cash equivalents, beginning of year	1,624,446	1,239,047
Cash and cash equivalents, end of year	\$ 1,673,936	\$ 1,624,446

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, 2016

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, 2016

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, 2016

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) 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 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 user charges receivable, accounts receivable, accrued post-retirement benefit obligations 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.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

(h) Pensions and employee benefits:

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. Vacation entitlements are accrued for as entitlements are earned.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

2. Taxes receivable:

	2016	2015
Current	\$ 140,393	\$ 148,668
Previous years	38,873	45,145
Prior years	54,838	45,099
Penalties and interest	40,061	28,391
	\$ 274,165	\$ 267,303

3. Credit facilities:

The Municipality has available an undrawn \$400,000 (2015 - \$400,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate.

4. Water capital debenture:

The Municipality completed the 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 \$51,191. The balance receivable on December 31, 2016 is \$458,904 (2015 - \$510,094).

5. Deferred revenue - obligatory reserves funds:

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

	December 31, 2015	Contributions received	Interest received	December 31, 2016
Federal gas tax reserves	\$ 24,208	30,707	273	\$ 55,188
Parkland dedication reserves	10,203	3,811	90	14,104
	\$ 34,411	34,581	363	\$ 69,292

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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 forever 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.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Municipality's average long-term borrowing rate of 3.38% (2015 – 3.12%). The estimated total landfill closure and post-closure care expenses are calculated to be \$1,055,128. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2016, an amount of \$805,000 (2015 - \$860,000) with respect to landfill closure and post-closure liabilities has been accrued.

At December 31, 2016, 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, 2016, the Key River site had an estimated remaining life of approximately 12 years which represents 53% 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, 2016

7. Long-term debt:

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

	2016	2015
Bank loan, interest at 2.77%, repayable in monthly instalments of \$3,018 principal and interest, secured by specific asset, due December 2016	\$ 32,734	\$ 67,524
Bank loan, interest at 2.77%, repayable in monthly instalments of \$1,652 principal and interest, secured by specific asset, due November 2016	40,259	58,683
OSIFA loan, interest at 5.20%, repayable in semi-annual instalments of \$37,285 principal and interest, secured by specific asset, due June 2026	553,472	597,536
Bank loan, interest at 2.38%, repayable in monthly instalments of \$1,467 principal and interest, secured by specific asset, due August 2019	45,439	61,746
Bank loan, interest at 2.38%, repayable in monthly instalments of \$2,651 principal and interest, secured by specific asset, due August 2019	82,119	111,589
Bank loan, interest at 2.23%, repayable in monthly instalments of \$1,350 principal and interest, secured by specific asset, due December 2029	177,739	189,011
	\$ 931,762	\$ 1,086,089

Principal repayments are as follows:

2017	\$ 154,843
2018	127,146
2019	100,899
2020	66,665
2021	69,855
Thereafter	412,354
	\$ 931,762

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Financial Statements

Year ended December 31, 2016

8. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions	Disposals	Transfers	Balance at December 31, 2016
Land	\$ 656,891	-	-	-	656,891
Buildings	5,132,221	81,153	(14,314)	-	5,199,060
Machinery and equipment	787,803	-	-	-	787,803
Vehicles	510,306	58,246	-	-	568,552
Plant and facilities	7,375,110	114,216	-	-	7,489,326
Linear assets	6,867,202	5,732	-	-	6,872,934
Construction in progress	-	8,074	-	-	8,074
Total	\$ 21,329,533	267,421	(14,314)	-	21,582,640

Accumulated Amortization	Balance at December 31, 2015	Disposals	Amortization	Balance at December 31, 2016
Land	\$ -	-	-	-
Buildings	1,442,954	-	184,593	1,627,547
Machinery and equipment	564,096	-	70,183	634,279
Vehicles	500,614	-	12,285	512,899
Plant and facilities	3,543,319	-	300,162	3,843,481
Linear assets	4,399,073	-	95,091	4,494,164
Construction in progress	-	-	-	-
Total	\$ 10,450,056	-	662,314	11,112,370

	Net book value, December 31, 2015	Net book value, December 31, 2016
Land	\$ 656,891	656,891
Buildings	3,689,267	3,571,513
Machinery and equipment	223,707	153,524
Vehicles	9,692	55,653
Plant and facilities	3,831,791	3,645,845
Linear assets	2,468,129	2,378,770
Construction in progress	-	8,074
Total	\$ 10,879,477	10,470,270

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Financial Statements

Year ended December 31, 2016

8. Tangible capital assets (continued):

Cost	Balance at December 31, 2014	Additions	Disposals	Transfers	Balance at December 31, 2015
Land	\$ 656,891	-	-	-	656,891
Buildings	3,499,071	-	-	1,633,150	5,132,221
Machinery and equipment	745,390	42,413	-	-	787,803
Vehicles	510,306	-	-	-	510,306
Plant and facilities	6,980,045	21,454	-	373,611	7,375,110
Linear assets	6,843,594	23,608	-	-	6,867,202
Construction in progress	2,006,761	-	-	(2,006,761)	-
Total	\$ 21,242,058	87,475	-	-	21,329,533

Accumulated Amortization	Balance at December 31, 2014	Disposals	Amortization	Balance at December 31, 2015
Land	\$ -	-	-	-
Buildings	1,262,403	-	180,551	1,442,954
Machinery and equipment	467,480	-	96,616	564,096
Vehicles	494,153	-	6,461	500,614
Plant and facilities	3,242,335	-	300,984	3,543,319
Linear assets	4,305,402	-	93,671	4,399,073
Construction in progress	-	-	-	-
Total	\$ 9,771,773	-	678,283	10,450,056

	Net book value, December 31, 2014	Net book value, December 31, 2015
Land	\$ 656,891	656,891
Buildings	2,236,668	3,689,267
Machinery and equipment	277,910	223,707
Vehicles	16,153	9,692
Plant and facilities	3,737,710	3,831,791
Linear assets	2,538,192	2,468,129
Construction in progress	2,006,761	-
Total	\$ 11,470,285	10,879,477

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

9. Accumulated surplus:

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

	2016	2015
Invested in tangible capital assets	\$ 9,538,507	\$ 9,793,388
Operating accumulated surplus	858,672	844,901
Amounts to be recovered:		
Landfill closure and post-closure costs	(805,000)	(860,000)
	9,592,179	9,778,289
Reserve and reserve funds set aside for specific purpose by Council:		
Working capital	440,569	440,569
Group of Seven	1,857	1,857
Killarney Health Centre capital	42,500	27,700
Fire department capital	35,419	35,419
Landfill closure	188,194	170,893
Water treatment capital	63,602	109,724
Water treatment cost recovery	155,591	154,425
Sewer reserve fund	49,879	35,452
Water reserve fund	97,212	78,397
Museum reserve fund	36,443	36,171
Capital reserve fund	333,459	281,301
Community Centre capital	6,367	4,071
Airport maintenance	86,784	83,700
	1,537,876	1,459,679
Accumulated surplus	\$ 11,130,055	\$ 11,237,968

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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	116,057
Net reserve transfers	(291,195)
Purchase of tangible capital assets	495,610
<hr/> Budget surplus per consolidated financial statements	<hr/> \$ 320,472

11. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS) (the "Plan"), which is a multi-employer plan, on behalf of 15 members of its staff. The Plan is a defined contribution 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.

The amount contributed to OMERS was \$42,569 (2015 - \$38,254) for current service.

12. Commitments:

The Municipality has entered into an agreement that expires on December 31, 2018 with the Ontario Clean Water Agency to provide water and sewer maintenance service for an annual cost of approximately \$227,774. 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, \$162,810 (2015 - \$109,826) was expended on police services.

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. Comparative information:

Certain 2015 comparative information have been reclassified to conform with the financial statement presentation adopted for the current year.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

15. 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.
- (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.

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

15. Segmented information (continued):

- (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 16 - Segmented Information

Year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Environmental Services	Health, Social, and Family Services	Recreation and Cultural Services	Planning and Development	2016 Total
Revenue:								
Fees and user charges	\$ 111,290	14,040	12,388	462,737	92,679	34,753	-	727,887
Province of Ontario grants	424,373	-	25,000	-	326,430	1,066	-	776,869
Government of Canada grants	3,903	-	80,473	-	-	-	-	84,376
Investment income	5,215	-	321	4,569	-	272	-	10,377
Other	51,332	200	3,017	21,815	6,653	-	-	83,017
	596,113	14,240	121,199	489,121	425,762	36,091	-	1,682,526
Expenses:								
Salaries, wages and benefits	451,293	30,345	140,186	94,549	164,221	35,788	3,432	919,814
Materials	249,108	61,118	299,210	270,557	232,129	79,092	22,254	1,213,468
Contracted services	36,096	203,010	-	314,290	2,698	1,066	17,765	574,925
External agencies	-	-	-	-	573,699	-	-	573,699
Amortization of tangible capital assets	68,449	1,320	134,104	323,787	26,355	108,299	-	662,314
	804,946	295,793	573,500	1,003,183	999,102	224,245	43,451	3,944,220
Deficiency of revenue over expenses	(208,833)	(281,553)	(452,301)	(514,062)	(573,340)	(188,154)	(43,451)	(2,261,694)
Funded through:								
Taxation								2,153,781
Annual deficit								\$ (107,913)

THE CORPORATION OF THE MUNICIPALITY OF KILLARNEY

Note 16 - Segmented Information (continued)

Year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Environmental Services	Health, Social, and Family Services	Recreation and Cultural Services	Planning and Development	2015 Total
Revenue:								
Fees and user charges	\$ 52,132	19,276	11,372	431,467	54,635	37,737	-	606,619
Province of Ontario grants	455,413	680	25,000	-	357,345	1,066	-	839,504
Government of Canada grants	1,200	-	36,124	-	-	-	-	37,324
Investment income	6,540	-	-	4,120	-	330	-	10,990
Other	69,905	-	66	-	-	854	-	70,825
	585,190	19,956	72,562	435,587	411,980	39,987	-	1,565,262
Expenses:								
Salaries, wages and benefits	426,522	35,462	122,341	78,462	121,342	32,630	5,636	822,395
Materials	242,412	50,368	336,912	348,336	236,595	100,540	27,417	1,342,580
Contracted services	36,452	162,519	-	297,812	4,774	-	17,765	519,322
External agencies	-	-	-	-	622,649	-	-	622,649
Amortization of tangible capital assets	68,423	1,320	149,084	317,654	26,355	115,447	-	678,283
	773,809	249,669	608,337	1,042,264	1,011,715	248,617	50,818	3,985,229
Deficiency of revenue over expenses	(188,619)	(229,713)	(535,775)	(606,677)	(599,735)	(208,630)	(50,818)	(2,419,967)
Funded through:								
Taxation								2,076,093
Annual deficit								\$ (343,874)