
THE CORPORATION OF THE TOWN OF KEARNEY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

THE CORPORATION OF THE TOWN OF KEARNEY
CONTENTS

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statements of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 21

Independent auditor's report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Kearney

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Kearney ("the Town"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Kearney as at December 31, 2020, and its results of operations, its changes in its net financial assets, and its 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 responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical 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.

Responsibilities of Management and Those Charged with Governance 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 risks of material misstatement of the consolidated 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, intentional 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 purpose of expressing an opinion on the effectiveness of the Town'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 events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

North Bay, Canada
September 17, 2021

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF KEARNEY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash (Note 4)	\$ 3,956,570	\$ 2,568,929
Investments (Note 5)	615,709	1,204,644
Taxes receivable	332,371	356,107
Trade and other receivables (Note 6)	150,619	200,296
Inventories held for resale	48,126	41,734
	5,103,395	4,371,710
LIABILITIES		
Accounts payable and accrued liabilities	1,340,839	862,062
Deferred revenue-general (Note 7)	39,774	36,272
Deferred revenue-obligatory reserve funds (Note 8)	-	386,180
Employee benefits payable (Note 9)	32,315	26,628
Municipal debt (Note 10)	149,800	170,884
Landfill closure and post-closure liability (Note 11)	149,873	136,970
	1,712,601	1,618,996
NET FINANCIAL ASSETS	3,390,794	2,752,714
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 13)	11,015,385	10,404,653
Inventories of supplies	46,982	60,587
Prepaid expenses	14,012	14,830
	11,076,379	10,480,070
ACCUMULATED SURPLUS (Note 14)	\$ 14,467,173	\$ 13,232,784

Contingencies (see Note 2)
Contractual Obligations (see Note 12)

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, 2020

	Budget 2020 <i>(see Note 16)</i>	Actual 2020	Actual 2019
REVENUE			
Property taxes	\$ 3,181,945	\$ 3,166,495	\$ 3,058,542
User charges	112,024	70,551	96,207
Government transfers	1,410,407	1,568,683	1,375,815
Other	282,241	454,741	392,263
TOTAL REVENUE	4,986,617	5,260,470	4,922,827
EXPENSES			
General government	755,662	681,606	603,935
Protection to persons and property	917,814	851,855	865,428
Transportation services	1,533,116	1,372,510	1,360,235
Environmental services	305,914	335,702	356,084
Health services	143,235	152,851	132,203
Social and family services	284,242	283,790	278,841
Recreation and cultural services	400,501	260,302	391,880
Planning and development	133,441	87,465	79,686
TOTAL EXPENSES	4,473,925	4,026,081	4,068,292
ANNUAL SURPLUS <i>(Note 14)</i>	512,692	1,234,389	854,535
ACCUMULATED SURPLUS, BEGINNING OF YEAR	13,232,784	13,232,784	12,378,249
ACCUMULATED SURPLUS, END OF YEAR	\$ 13,745,476	\$ 14,467,173	\$ 13,232,784

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, 2020

	Budget 2020 <i>(see Note 16)</i>	Actual 2020	Actual 2019
Annual surplus	\$ 512,692	\$ 1,234,389	\$ 854,535
Acquisition of tangible capital assets	(1,865,648)	(1,441,546)	(703,700)
Contributed tangible capital assets	-	-	(18,580)
Amortization of tangible capital assets	828,718	828,751	825,531
(Gain) Loss on disposal of tangible capital assets	-	263	(73,242)
Proceeds from disposal of tangible capital assets	-	1,800	90,753
Transfer of capital assets to inventories held for resale	-	-	31,971
Change in supplies inventories	-	13,605	(17,829)
Change in prepaid expenses	-	818	10,637
Increase (decrease) in net financial assets	(524,238)	638,080	1,000,076
Net financial assets, beginning of year	2,752,714	2,752,714	1,752,638
Net financial assets, end of year	\$ 2,228,476	\$ 3,390,794	\$ 2,752,714

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, 2020

	2020	2019
Operating transactions		
Annual surplus	\$ 1,234,389	\$ 854,535
Non-cash charges to operations:		
Amortization	828,751	825,531
Contributed tangible capital assets	-	(18,580)
Transfer of capital assets to inventories held for resale	-	31,971
(Gain) Loss on disposal of tangible capital assets	263	(73,242)
Change in employee benefits payable	5,687	(495)
Change in landfill closure and post-closure liability	12,903	53,730
	2,081,993	1,673,450
Changes in non-cash items:		
Taxes receivable	23,736	(60,070)
Trade and other receivables	49,677	32,005
Inventories held for resale	(6,392)	(38,019)
Accounts payable and accrued liabilities	478,777	457,524
Deferred revenue-general	3,502	25,077
Deferred revenue-obligatory reserve funds	(386,180)	197,146
Inventories of supplies	13,605	(17,829)
Prepaid expenses	818	10,637
	177,543	606,471
Cash provided by operating transactions	2,259,536	2,279,921
Capital transactions		
Acquisition of tangible capital assets	(1,441,546)	(703,700)
Proceeds from disposal of tangible capital assets	1,800	90,753
Cash applied to capital transactions	(1,439,746)	(612,947)
Investing transactions		
Change in investments	588,935	(530,145)
Cash provided by (applied to) investing transactions	588,935	(530,145)
Financing transactions		
Debt principal repayments	(21,084)	(20,278)
Cash applied to financing transactions	(21,084)	(20,278)
Net change in cash	1,387,641	1,116,551
Cash, beginning of year	2,568,929	1,452,378
Cash, end of year	\$ 3,956,570	\$ 2,568,929
Cash flow supplementary information:		
Cash paid for interest	\$ 7,067	\$ 7,874

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, 2020

MANAGEMENT RESPONSIBILITY

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.

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

(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) Cash

Cash includes cash on hand and balances held at financial institutions.

(iii) Investments

Investments are recorded at cost plus accrued interest.

(iv) 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.

(v) 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

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

Town. The Town is not involved in the construction and does not budget for either the contribution from the developer or the capital expenditure.

- (vi) Local improvement
The Town records capital expenditures funded by local improvement agreements as they are incurred.
- (vii) 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.
- (viii) 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.
- (ix) 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.
- (x) 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.
- (xi) 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.

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

(xii) 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.

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2020	2019
District of Parry Sound Social Services Administration Board	\$ 162,067	\$ 161,499
North Bay Parry Sound District Health Unit	24,928	25,820
Eastholme, District of Parry Sound (East) Home for the Aged	112,475	109,435
	\$ 299,470	\$ 296,754

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, \$590,893 of taxation was levied on behalf of school boards (2019 \$601,786).

4. CASH

Cash is comprised of:

	2020	2019
Unrestricted cash	\$ 3,956,570	\$ 2,182,749
Restricted cash	-	386,180
	\$ 3,956,570	\$ 2,568,929

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, 2020

5. INVESTMENTS

Investments are comprised of guaranteed and redeemable investment certificates, bearing interest at rates ranging from .3% to 3.3% and maturing between March 1, 2021 and October 28, 2021.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	2020	2019
Amounts receivable	\$ 180,769	\$ 230,446
Valuation allowance	(30,150)	(30,150)
	\$ 150,619	\$ 200,296

7. DEFERRED REVENUE -GENERAL

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

	2020	2019
Balance, beginning of year:		
Kearney Dog Sled Races	\$ 1,440	\$ 326
Ontario Cannabis Legalization Implementation Fund	15,000	-
Other Town of Kearney	19,832	10,869
	36,272	11,195
Received during the year:		
Kearney Dog Sled Races	-	1,440
Ontario Cannabis Legalization Implementation Fund	-	15,000
Safe Restart Funding	20,000	-
Other Town of Kearney	3,994	22,887
Recognized in revenue during the year	(20,492)	(14,250)
Balance, end of year	\$ 39,774	\$ 36,272
Kearney Dog Sled Races	\$ -	\$ 1,440
Ontario Cannabis Legalization Implementation Fund	15,000	15,000
Safe Restart Funding	20,000	-
Other Town of Kearney	4,774	19,832
Balance, end of year	\$ 39,774	\$ 36,272

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

8. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Town receives payments in lieu of parkland under the Planning Act, federal gas tax funding and provincial Main Street revitalization funding under agreements with the Association of Municipalities of Ontario and Ontario Community Infrastructure Fund funding under an agreement with the Ministry of Infrastructure. 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, Main Street revitalization and Ontario Community Infrastructure Fund revenue recognition occurs when the Town has approved the expenditures for eligible operating expenditures and capital works.

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

	2020	2019
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 73,789	\$ 77,706
Ontario Community Infrastructure Fund	147,717	57,377
Federal Gas Tax	164,371	53,951
Main Street Revitalization	303	-
	386,180	189,034
Received during the year:		
Recreational land (the Planning Act)	2,379	4,928
Ontario Community Infrastructure Fund	86,630	88,592
Federal Gas Tax	53,513	108,084
Main Street Revitalization	-	38,426
Interest earned	9,065	6,774
	151,587	246,804
Recognized in revenue during the year	(537,767)	(49,658)
Balance, end of year	\$ -	\$ 386,180
Recreational land (the Planning Act)	\$ -	\$ 73,789
Ontario Community Infrastructure Fund	-	147,717
Federal Gas Tax	-	164,371
Main Street Revitalization	-	303
Balance, end of year	\$ -	\$ 386,180

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

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 \$32,315 (2019 \$26,628) at the end of the year.

10. MUNICIPAL DEBT

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

	2020	2019
Ontario Infrastructure Projects Corporation serial debenture, due June 2030, repayable in semi-annual payments of \$6,597, including interest calculated at 4.88%	\$ 99,354	\$ 107,403
Royal Bank of Canada term loan, due July 2024, repayable in monthly payments of \$1,246, including interest calculated at 3.34%	50,446	63,481
	\$ 149,800	\$ 170,884

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

	Principal	Interest
2021	\$ 21,924	\$ 6,227
2022	22,798	5,353
2023	23,709	4,442
2024	18,391	3,528
2025	10,244	2,950
2026 onwards	52,734	6,640
	\$ 149,800	\$ 29,140

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

	2020	2019
Principal payments	\$ 21,084	\$ 20,278
Interest	7,067	7,874
	\$ 28,151	\$ 28,152

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

11. 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 \$74,733 (2019 \$77,300) 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 1.31% (2019 2.55%) and inflation rate of 1.6% (2019 1.7%). Post-closure care is estimated to continue for a period of 6 years (2019 7 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 \$170,000 (2019 \$135,000) and represents the present value of closure and post-closure costs for 28% of the approved site area, using an estimated long-term borrowing rate of 2.15% (2019 2.86%) and inflation rate of 1.6% (2019 1.7%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$965,930 (2019 \$755,357), leaving an amount to be recognized of \$795,930 (2019 \$620,357). The estimated remaining capacity of the site is approximately 97,843 cubic metres, estimated to be filled in 53 years. Post-closure care is estimated to be required for a period of 25 years. The Committee has closure reserves of \$307,713 (2019 \$303,010) to fund this liability.

The Town has recognized \$75,140 (2019 \$59,670) in the financial statements related to its proportionate share of this liability.

12. CONTRACTUAL OBLIGATIONS

In 2020 the Town contracted Tulloch Engineering to provide engineering services related to the replacement of Cashman Creek bridge at an upset limit lump sum fee of \$145,550. To the end of 2020, \$103,798 of services under this contract have been billed. The balance of the work is expected to be completed in 2021.

In 2020 the Town contracted A2Z Civil to replace Cashman Creek bridge at a cost of \$1,134,079. To the end of the year, \$518,887 of work has been completed. The balance of the work is expected to be completed in 2021.

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

13. TANGIBLE CAPITAL ASSETS

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

2020							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads, Bridges and Other Structures	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 1,197,563	\$ 1,223,757	\$ 903,303	\$ 2,285,211	\$ 19,629,187	\$ 32,730	\$ 25,271,751
Additions and betterments	360,349	19,121	64,246	201,214	125,643	670,973	1,441,546
Disposals and writedowns	(250,000)	-	(32,625)	-	(378,201)	-	(660,826)
Transfer between classes	10,990	-	-	-	-	(10,990)	-
BALANCE, END OF YEAR	1,318,902	1,242,878	934,924	2,486,425	19,376,629	692,713	26,052,471
ACCUMULATED AMORTIZATION							
Balance, beginning of year	645,451	676,156	531,737	962,809	12,050,945	-	14,867,098
Annual amortization	38,660	19,824	75,720	143,013	551,534	-	828,751
Amortization disposals	(250,000)	-	(30,693)	-	(378,070)	-	(658,763)
BALANCE, END OF YEAR	434,111	695,980	576,764	1,105,822	12,224,409	-	15,037,086
TANGIBLE CAPITAL ASSETS-NET	\$ 884,791	\$ 546,898	\$ 358,160	\$ 1,380,603	\$ 7,152,220	\$ 692,713	\$ 11,015,385
2019							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads, Bridges and Other Structures	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 1,107,816	\$ 1,217,114	\$ 813,231	\$ 2,011,476	\$ 19,629,640	\$ 28,532	\$ 24,807,809
Additions and betterments	155,918	6,712	119,262	363,304	30,598	27,906	703,700
Contributed assets	-	-	580	18,000	-	-	18,580
Disposals and writedowns	(66,171)	(69)	(34,653)	(107,569)	(49,876)	-	(258,338)
Transfer between classes	-	-	4,883	-	18,825	(23,708)	-
BALANCE, END OF YEAR	1,197,563	1,223,757	903,303	2,285,211	19,629,187	32,730	25,271,751
ACCUMULATED AMORTIZATION							
Balance, beginning of year	647,802	654,734	486,061	938,723	11,523,103	-	14,250,423
Annual amortization	30,153	21,438	77,408	125,833	570,699	-	825,531
Amortization disposals	(32,504)	(16)	(31,732)	(101,747)	(42,857)	-	(208,856)
BALANCE, END OF YEAR	645,451	676,156	531,737	962,809	12,050,945	-	14,867,098
TANGIBLE CAPITAL ASSETS-NET	\$ 552,112	\$ 547,601	\$ 371,566	\$ 1,322,402	\$ 7,578,242	\$ 32,730	\$ 10,404,653

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

14. ACCUMULATED SURPLUS

The 2020 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
RESERVES AND RESERVE FUNDS			
Working funds	\$ 315,377	\$ -	\$ 315,377
Safe Restart funding	-	59,079	59,079
Election	6,727	2,240	8,967
Sick leave	20,000	6,628	26,628
Municipal capital	539,117	6,667	545,784
Modernization funding	410,600	(64,232)	346,368
Municipal buildings	150,000	150,000	300,000
Bridges and culverts	617,405	-	617,405
Roads equipment	100,000	100,000	200,000
Fire equipment	182,489	65,000	247,489
CUPE negotiations	15,900	(11,334)	4,566
UFCW negotiations	15,000	(3,111)	11,889
Recreation and culture	114,246	81,508	195,754
Dog sled races	27,794	393	28,187
Regatta	16,974	(763)	16,211
Kearney Community Centre	5,910	3,764	9,674
Library Board	13,755	(3,044)	10,711
Joint Waste Management Committee (2020: 44.2%; 2019: 44.2%)	191,556	2,905	194,461
Reserve funds for capital purposes	9,373	95	9,468
	2,752,223	395,795	3,148,018
OTHER			
Consolidated tangible capital assets	10,404,653	610,732	11,015,385
General operating surplus (deficit) -			
Town	408,986	224,784	633,770
Library Board	1,469	6,712	8,181
Joint Waste Management Committee (2020: 44.2%; 2019: 44.2%)	(65)	(6,128)	(6,193)
Unfunded amounts -			
Municipal debt	(170,884)	21,084	(149,800)
Employee benefits	(26,628)	(5,687)	(32,315)
Landfill closure and post-closure	(136,970)	(12,903)	(149,873)
	\$ 13,232,784	\$ 1,234,389	\$ 14,467,173

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

15. 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 unconditional grants such as the Town's annual Ontario Municipal Partnership Fund grant.

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

	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
REVENUE											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,166,495	\$ 3,166,495
User charges	7,809	5,897	10,400	14,200	-	-	22,049	70	10,126	-	70,551
Government transfers -											
Canada	-	-	221,632	-	-	-	-	-	-	-	221,632
Ontario	9,571	3,833	238,395	45,488	-	19,133	6,935	5,869	-	886,800	1,216,024
Other municipalities	-	131,027	-	-	-	-	-	-	-	-	131,027
Gain (loss) on disposal of capital assets	-	-	(131)	-	-	(600)	468	-	-	-	(263)
Other	-	159,583	8,282	9,434	-	-	91,247	989	-	185,469	455,004
TOTAL REVENUE	17,380	300,340	478,578	69,122	-	18,533	120,699	6,928	10,126	4,238,764	5,260,470
EXPENSES											
Salaries, wages and benefits	372,879	320,200	403,106	85,771	-	-	94,339	16,882	70,703	-	1,363,880
Long-term debt charges (interest)	-	5,144	1,923	-	-	-	-	-	-	-	7,067
Materials	80,718	84,055	257,602	21,402	-	-	77,013	6,501	5,386	-	532,677
Contracted services	206,159	375,297	42,557	203,270	121,378	4,535	15,348	482	10,940	-	979,966
Rents and financial expenses	3,354	2,697	-	-	-	-	-	124	-	-	6,175
External transfers	1,550	-	-	-	31,473	274,542	-	-	-	-	307,565
Amortization	16,946	64,462	667,322	25,259	-	4,713	36,434	13,179	436	-	828,751
TOTAL EXPENSES	681,606	851,855	1,372,510	335,702	152,851	283,790	223,134	37,168	87,465	-	4,026,081
ANNUAL SURPLUS (DEFICIT)	\$ (664,226)	\$ (551,515)	\$ (893,932)	\$ (266,580)	\$ (152,851)	\$ (265,257)	\$ (102,435)	\$ (30,240)	\$ (77,339)	\$ 4,238,764	\$ 1,234,389

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2019

	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
REVENUE											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,058,542	\$ 3,058,542
User charges	4,665	6,430	10,000	14,073	-	-	52,250	331	8,458	-	96,207
Government transfers -											
Canada	-	1,140	-	-	-	-	18,293	-	-	-	19,433
Ontario	-	6,119	-	45,105	-	22,385	54,729	5,886	-	1,108,000	1,242,224
Other municipalities	-	114,158	-	-	-	-	-	-	-	-	114,158
Gain (loss) on disposal of capital assets	-	(1,629)	76,681	(130)	-	-	(1,680)	-	-	-	73,242
Other	-	152,274	6,148	4,966	-	-	29,432	6,554	-	119,647	319,021
TOTAL REVENUE	4,665	278,492	92,829	64,014	-	22,385	153,024	12,771	8,458	4,286,189	4,922,827
EXPENSES											
Salaries, wages and benefits	342,749	290,592	335,552	82,445	-	-	151,788	23,347	73,017	-	1,299,490
Long-term debt charges (interest)	-	5,523	2,351	-	-	-	-	-	-	-	7,874
Materials	79,350	91,220	313,534	20,457	-	250	129,058	9,170	4,176	-	647,215
Contracted services	156,230	411,752	30,291	240,251	105,883	3,300	28,418	-	1,540	-	977,665
Rents and financial expenses	4,895	5,165	-	-	-	-	-	157	-	-	10,217
External transfers	3,046	-	-	-	26,320	270,934	-	-	-	-	300,300
Amortization	17,665	61,176	678,507	12,931	-	4,357	35,948	13,994	953	-	825,531
TOTAL EXPENSES	603,935	865,428	1,360,235	356,084	132,203	278,841	345,212	46,668	79,686	-	4,068,292
ANNUAL SURPLUS (DEFICIT)	\$ (599,270)	\$ (586,936)	\$ (1,267,406)	\$ (292,070)	\$ (132,203)	\$ (256,456)	\$ (192,188)	\$ (33,897)	\$ (71,228)	\$ 4,286,189	\$ 854,535

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

16. 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
ADOPTED BUDGET:	
Decrease in general municipal operating surplus	\$ (408,986)
Decrease in Library Board operating surplus	(1,469)
Decrease in Joint Waste Management Committee operating deficit	65
Decrease in consolidated reserves and reserve funds	(134,932)
ADJUSTMENTS:	
Acquisition of tangible capital assets	1,865,648
Amortization of tangible capital assets	(828,718)
Decrease in municipal debt	21,084
ANNUAL SURPLUS	\$ 512,692

17. 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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million with respect to benefits accrued for service with actuarial assets at that date of \$109,844 million indicating an actuarial deficit of \$3,211 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 2020 was \$75,415 (2019 \$71,680) for current-year service and is included as an expense on the Consolidated Statement of Operations.

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

18. IMPACTS OF COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Town has received Safe Restart funding in the amount of \$157,400 to cover pandemic-related operating pressures and has identified \$98,321 in related costs in 2020. The costs include a \$29,252 decrease in revenue related to the suspension of interest on current taxes and an additional \$11,101 loss of other revenue such as rentals and Provincial Offences Act revenue. In addition, \$57,968 additional expenses related to staff time, the purchase of COVID-19 supplies and increased contract costs have been identified. Unspent Safe Restart funding in the amount of \$59,079 has been transferred to reserve to be used to cover related costs in future years.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Town for future periods.

19. COMPARATIVE FIGURES

Certain prior year figures presented for comparative purposes have been reclassified to conform with the basis of presentation adopted for the current year.