
THE CORPORATION OF THE TOWN OF KEARNEY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

THE CORPORATION OF THE TOWN OF KEARNEY
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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, 2018, 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, 2018, 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
May 31, 2019

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWN OF KEARNEY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash (Note 4)	\$ 1,452,378	\$ 698,338
Investments (Note 5)	674,499	1,168,314
Taxes receivable	296,037	375,996
Trade and other receivables (Note 6)	232,301	136,149
Inventories held for resale	3,715	-
	2,658,930	2,378,797
LIABILITIES		
Accounts payable and accrued liabilities	404,538	406,935
Deferred revenue-general (Note 7)	11,195	30,292
Deferred revenue-obligatory reserve funds (Note 8)	189,034	70,143
Employee benefits payable (Note 9)	27,123	25,429
Municipal debt (Note 11)	191,162	210,664
Landfill closure and post-closure liability (Note 12)	83,240	88,069
	906,292	831,532
NET FINANCIAL ASSETS	1,752,638	1,547,265
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 15)	10,557,386	10,433,034
Inventories of supplies	42,758	38,803
Prepaid expenses	25,467	24,463
	10,625,611	10,496,300
ACCUMULATED SURPLUS (Note 16)	\$ 12,378,249	\$ 12,043,565

Contingencies (see Notes 2 and 14)
 Commitments (see Note 13)

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

THE CORPORATION OF THE TOWN OF KEARNEY
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 <i>(see Note 18)</i>	Actual 2018	Actual 2017
REVENUE			
Property taxes	\$ 2,948,163	\$ 2,950,923	\$ 2,859,369
User charges	98,733	94,997	96,532
Government transfers	934,566	916,795	932,348
Loss on disposal of tangible capital assets	-	(49,710)	(14,876)
Other	151,135	260,356	220,749
TOTAL REVENUE	4,132,597	4,173,361	4,094,122
EXPENSES			
General government	634,458	601,877	656,800
Protection to persons and property	826,524	799,104	742,182
Transportation services	1,415,815	1,296,156	1,148,403
Environmental services	220,154	229,723	215,299
Health services	130,021	130,021	126,498
Social and family services	278,160	278,307	277,232
Recreation and cultural services	389,764	374,286	388,096
Planning and development	127,056	129,203	74,827
TOTAL EXPENSES	4,021,952	3,838,677	3,629,337
ANNUAL SURPLUS <i>(Note 16)</i>	110,645	334,684	464,785
ACCUMULATED SURPLUS, BEGINNING OF YEAR	12,043,565	12,043,565	11,578,780
ACCUMULATED SURPLUS, END OF YEAR	\$ 12,154,210	\$ 12,378,249	\$ 12,043,565

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, 2018

	Budget 2018 <i>(see Note 18)</i>	Actual 2018	Actual 2017
Annual surplus	\$ 110,645	\$ 334,684	\$ 464,785
Acquisition of tangible capital assets	(1,272,586)	(954,115)	(837,154)
Amortization of tangible capital assets	779,942	780,053	746,501
Loss on disposal of tangible capital assets	-	49,710	14,876
Change in supplies inventories	-	(3,955)	6,577
Change in prepaid expenses	-	(1,004)	1,196
Increase (decrease) in net financial assets	(381,999)	205,373	396,781
Net financial assets, beginning of year	1,547,265	1,547,265	1,150,484
Net financial assets, end of year	\$ 1,165,266	\$ 1,752,638	\$ 1,547,265

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, 2018

	2018	2017
Operating transactions		
Annual surplus	\$ 334,684	\$ 464,785
Non-cash charges to operations:		
Amortization	780,053	746,501
Loss on disposal of tangible capital assets	49,710	14,876
Change in employee benefits payable	1,694	(1,024)
Change in landfill closure and post-closure liability	(4,829)	3,718
	1,161,312	1,228,856
Changes in non-cash items:		
Taxes receivable	79,959	27,182
Trade and other receivables	(96,152)	55,003
Inventories held for resale	(3,715)	-
Accounts payable and accrued liabilities	(2,397)	(10,571)
Deferred revenue-general	(19,097)	14,612
Deferred revenue-obligatory reserve funds	118,891	(41,221)
Inventories of supplies	(3,955)	6,577
Prepaid expenses	(1,004)	1,196
	72,530	52,778
Cash provided by operating transactions	1,233,842	1,281,634
Capital transactions		
Acquisition of tangible capital assets	(954,115)	(837,154)
Cash applied to capital transactions	(954,115)	(837,154)
Investing transactions		
Change in investments	493,815	(546,533)
Cash provided by (applied to) investing transactions	493,815	(546,533)
Financing transactions		
Debt principal repayments	(19,502)	(44,051)
Cash applied to financing transactions	(19,502)	(44,051)
Net change in cash	754,040	(146,104)
Cash, beginning of year	698,338	844,442
Cash, end of year	\$ 1,452,378	\$ 698,338
Cash flow supplementary information:		
Cash paid for interest	\$ 8,648	\$ 9,669

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, 2018

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, 2018

(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, 2018

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, 2018

(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:

	2018	2017
District of Parry Sound Social Services Administration Board	\$ 160,442	\$ 160,763
North Bay Parry Sound District Health Unit	25,227	25,227
Eastholme, District of Parry Sound (East) Home for the Aged	107,418	106,064
	\$ 293,087	\$ 292,054

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, \$622,395 of taxation was levied on behalf of school boards (2017 \$635,810).

4. CASH

Cash is comprised of:

	2018	2017
Unrestricted cash	\$ 1,263,344	\$ 628,195
Restricted cash	189,034	70,143
	\$ 1,452,378	\$ 698,338

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, 2018

5. INVESTMENTS

Investments are comprised of guaranteed and redeemable investment certificates, bearing interest at rates ranging from 1.3% to 2.2% and maturing between February 20, 2019 and October 31, 2019.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	2018	2017
Amounts receivable	\$ 262,451	\$ 166,299
Valuation allowance	(30,150)	(30,150)
	\$ 232,301	\$ 136,149

7. DEFERRED REVENUE -GENERAL

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

	2018	2017
Balance, beginning of year:		
Kearney Dog Sled Races	\$ 6,411	\$ 4,045
Kearney & Area Public Library	3,820	2,724
Other Town of Kearney	20,061	8,911
	30,292	15,680
Received during the year:		
Kearney Dog Sled Races	326	6,411
Kearney & Area Public Library	-	3,820
Other Town of Kearney	21,523	29,753
Recognized in revenue during the year	(40,946)	(25,372)
Balance, end of year	\$ 11,195	\$ 30,292
Kearney Dog Sled Races	\$ 326	\$ 6,411
Kearney & Area Public Library	-	3,820
Other Town of Kearney	10,869	20,061
Balance, end of year	\$ 11,195	\$ 30,292

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

8. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Town receives payments in lieu of parkland under the Planning Act, federal gas tax funding under an agreement 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 and Ontario Community Infrastructure Fund revenue recognition occurs when the Town has approved the expenditures for eligible capital works.

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

	2018	2017
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 70,143	\$ 89,401
Federal Gas Tax	-	21,963
	70,143	111,364
Received during the year:		
Recreational land (the Planning Act)	6,467	5,514
Ontario Community Infrastructure Fund	56,870	-
Federal Gas Tax	53,573	52,044
Interest earned	1,981	821
	118,891	58,379
Recognized in revenue during the year	-	(99,600)
Balance, end of year	\$ 189,034	\$ 70,143
Recreational land (the Planning Act)	\$ 77,706	\$ 70,143
Ontario Community Infrastructure Fund	57,377	-
Federal Gas Tax	53,951	-
Balance, end of year	\$ 189,034	\$ 70,143

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

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 \$27,123 (2017 \$25,429) at the end of the year.

10. CREDIT FACILITY AGREEMENT

The Town's banking facility provides for a maximum operating line of credit of \$300,000 (2017 \$300,000) of which NIL was drawn at the end of the year (2017 NIL). The facility bears interest at Royal Bank prime. Security is as set out in the Town's Borrowing By-Law.

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

11. MUNICIPAL DEBT

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

	2018	2017
Ontario Infrastructure Projects Corporation serial debenture, due June 2030, repayable in semi-annual payments of \$6,597, including interest calculated at 4.88%	\$ 115,074	\$ 122,384
Royal Bank of Canada term loan, due July 2024, repayable in monthly payments of \$1,246, including interest calculated at 3.34%	76,088	88,280
	\$ 191,162	\$ 210,664

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

	Principal	Interest
2019	\$ 20,278	\$ 7,873
2020	21,084	7,067
2021	21,924	6,227
2022	22,798	5,353
2023	23,709	4,442
2024 onwards	81,369	13,118
	\$ 191,162	\$ 44,080

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

	2018	2017
Principal payments	\$ 19,502	\$ 44,051
Interest	8,648	9,669
	\$ 28,150	\$ 53,720

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

12. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

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

The Town of Kearney landfill site stopped accepting waste in 2001 and is now in the monitoring stage. The liability for this landfill site is \$30,848 (2017 \$34,789) 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 3.07% (2017 2.87%) and inflation rate of 1.6% (2017 1.6%). Post-closure care is estimated to continue for a period of 8 years (2017 9 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 \$118,000 (2017 \$120,000) and represents the present value of closure and post-closure costs for 25% of the approved site area, using an estimated long-term borrowing rate of 3.63% (2017 3.31%) and inflation rate of 1.6% (2017 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$598,981 (2017 \$665,075), leaving an amount to be recognized of \$480,981 (2017 \$545,075). The estimated remaining capacity of the site is approximately 101,543 cubic metres, estimated to be filled in 55 years. Post-closure care is estimated to be required for a period of 25 years. The Committee has closure reserves of \$285,930 (2017 \$266,763) to fund this liability.

The Town has recognized \$52,392 (2017 \$53,280) in the financial statements related to its proportionate share of this liability.

13. COMMITMENTS

In 2018 the Town committed to purchasing a portion of Clam Lake Road that trespasses over private property for a cost of \$59,819.40. The purchase is expected to occur in 2019.

14. CONTINGENCIES

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

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

15. TANGIBLE CAPITAL ASSETS

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

2018							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads, Bridges and Other Structures	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 1,020,606	\$ 1,100,458	\$ 809,411	\$ 2,144,950	\$ 19,156,765	\$ 117,302	\$ 24,349,492
Additions and betterments	88,098	27,850	29,747	3,896	776,303	28,221	954,115
Disposals and writedowns	(888)	(11,941)	(25,927)	(137,370)	(303,428)	(16,244)	(495,798)
Transfer between classes	-	100,747	-	-	-	(100,747)	-
BALANCE, END OF YEAR	1,107,816	1,217,114	813,231	2,011,476	19,629,640	28,532	24,807,809
ACCUMULATED AMORTIZATION							
Balance, beginning of year	627,968	641,757	432,945	930,238	11,283,550	-	13,916,458
Annual amortization	20,722	24,919	77,577	118,381	538,454	-	780,053
Amortization disposals	(888)	(11,942)	(24,461)	(109,896)	(298,901)	-	(446,088)
BALANCE, END OF YEAR	647,802	654,734	486,061	938,723	11,523,103	-	14,250,423
TANGIBLE CAPITAL ASSETS-NET	\$ 460,014	\$ 562,380	\$ 327,170	\$ 1,072,753	\$ 8,106,537	\$ 28,532	\$ 10,557,386

2017							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads, Bridges and Other Structures	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 975,604	\$ 1,098,456	\$ 739,011	\$ 2,131,870	\$ 18,849,351	\$ 52,880	\$ 23,847,172
Additions and betterments	50,951	5,362	150,964	13,080	552,375	64,422	837,154
Disposals and writedowns	(5,949)	(3,360)	(80,564)	-	(244,961)	-	(334,834)
BALANCE, END OF YEAR	1,020,606	1,100,458	809,411	2,144,950	19,156,765	117,302	24,349,492
ACCUMULATED AMORTIZATION							
Balance, beginning of year	604,208	620,908	435,004	808,029	11,021,766	-	13,489,915
Annual amortization	26,437	24,209	70,094	122,209	503,552	-	746,501
Amortization disposals	(2,677)	(3,360)	(72,153)	-	(241,768)	-	(319,958)
BALANCE, END OF YEAR	627,968	641,757	432,945	930,238	11,283,550	-	13,916,458
TANGIBLE CAPITAL ASSETS-NET	\$ 392,638	\$ 458,701	\$ 376,466	\$ 1,214,712	\$ 7,873,215	\$ 117,302	\$ 10,433,034

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

16. ACCUMULATED SURPLUS

The 2018 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
Election	14,400	(9,912)	4,488
Municipal capital	536,342	-	536,342
Municipal buildings	-	50,000	50,000
Bridges and culverts	-	172,500	172,500
Fire equipment	117,489	15,000	132,489
CUPE negotiations	10,600	5,300	15,900
UFCW negotiations	15,000	-	15,000
Recreation	65,827	54,999	120,826
Dog sled races	14,481	15,275	29,756
Regatta	20,878	(2,231)	18,647
Kearney Community Centre	3,511	2,214	5,725
Economic development	4,608	(986)	3,622
Library Board	19,178	(2,740)	16,438
Joint Waste Management Committee (2018: 44.4%; 2017: 44.4%)	174,668	9,276	183,944
Reserve funds for capital purposes	21,675	(12,459)	9,216
	1,334,034	296,236	1,630,270
OTHER			
Consolidated tangible capital assets	10,433,034	124,352	10,557,386
General operating surplus -			
Town	592,277	(107,606)	484,671
Library Board	2,576	(765)	1,811
Joint Waste Management Committee (2018: 44.4%; 2017: 44.4%)	5,806	(170)	5,636
Unfunded amounts -			
Municipal debt	(210,664)	19,502	(191,162)
Employee benefits	(25,429)	(1,694)	(27,123)
Landfill closure and post-closure	(88,069)	4,829	(83,240)
	\$ 12,043,565	\$ 334,684	\$ 12,378,249

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

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

General Government

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

Protection to Persons and Property

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

Transportation Services

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

Environmental Services

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

Health Services

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

Social and Family Services

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

Recreation and Culture

This segment includes parks, recreation programs and recreation facilities.

Library

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

Planning and Development

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

Unallocated Amounts

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

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,950,923	\$ 2,950,923
User charges	11,078	5,605	10,000	17,262	-	-	39,705	297	11,050	-	94,997
Government transfers -											
Canada	-	25,193	-	-	-	-	-	-	-	-	25,193
Ontario	-	16,156	-	43,104	-	27,750	17,486	9,689	29,342	650,500	794,027
Other municipalities	-	97,575	-	-	-	-	-	-	-	-	97,575
Loss on disposal of capital assets	(16,464)	(651)	(32,001)	-	-	(73)	(456)	(65)	-	-	(49,710)
Other	-	79,041	4,837	3,752	-	66	24,760	3,259	-	144,641	260,356
TOTAL REVENUE	(5,386)	222,919	(17,164)	64,118	-	27,743	81,495	13,180	40,392	3,746,064	4,173,361
EXPENSES											
Salaries, wages and benefits	349,152	249,546	382,820	2,609	-	-	141,089	23,859	107,193	-	1,256,268
Long-term debt charges (interest)	-	5,884	2,764	-	-	-	-	-	-	-	8,648
Materials	87,557	101,563	252,355	15,834	-	3,413	116,616	8,113	5,456	-	590,907
Contracted services	141,282	380,501	17,691	205,852	104,294	2,725	32,666	-	15,601	-	900,612
Rents and financial expenses	4,402	2,137	-	-	-	-	306	157	-	-	7,002
External transfers	1,600	-	-	-	25,727	267,860	-	-	-	-	295,187
Amortization	17,884	59,473	640,526	5,428	-	4,309	36,474	15,006	953	-	780,053
TOTAL EXPENSES	601,877	799,104	1,296,156	229,723	130,021	278,307	327,151	47,135	129,203	-	3,838,677
ANNUAL SURPLUS (DEFICIT)	\$ (607,263)	\$ (576,185)	\$ (1,313,320)	\$ (165,605)	\$ (130,021)	\$ (250,564)	\$ (245,656)	\$ (33,955)	\$ (88,811)	\$ 3,746,064	\$ 334,684

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

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

THE CORPORATION OF THE TOWN OF KEARNEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

18. 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	\$ (592,277)
Decrease in Library Board operating surplus	(2,577)
Decrease in Joint Waste Management Committee operating surplus	(5,805)
Increase in consolidated reserves and reserve funds	199,157
ADJUSTMENTS:	
Acquisition of tangible capital assets	1,272,586
Amortization of tangible capital assets	(779,942)
Decrease in municipal debt	19,503
ANNUAL SURPLUS	\$ 110,645

19. 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million with respect to benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 2018 was \$78,056 (2017 \$68,791) for current and prior-year service and is included as an expense on the Consolidated Statement of Operations.