

**Corporation of the Municipality
of Red Lake**
Consolidated Financial Statements
For the year ended December 31, 2017

	Contents
Management's Responsibility for the Financial Statements	2
Independent Auditor's Report	3
Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Debt	6
Consolidated Statement of Cash Flows	7
Summary of Significant Accounting Policies	8
Notes to Consolidated Financial Statements	12
Schedule of Segmented Financial Information	24

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Corporation of the Municipality of Red Lake are the responsibility of the Municipality's management and have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in the notes to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgments, 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 financial statements. These systems are monitored and evaluated by management.

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

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



Mark Vermette, Chief Administrative Officer
July 16, 2018



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BDO Canada LLP
301 First Avenue S, Suite 300
Kenora ON P9N 4E9 Canada

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Red Lake

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Red Lake, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of operations, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Municipality of Red Lake as at December 31, 2017 and the results of its operations, changes in net debt and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

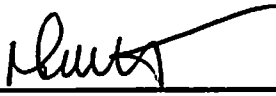

Chartered Professional Accountants, Licensed Public Accountants

Kenora, Ontario
July 16, 2018

**Corporation of the Municipality of Red Lake
Consolidated Statement of Financial Position**

December 31	2017	2016
Financial Assets		
Cash and Bank (Note 1)	\$ 4,596,376	\$ 4,433,961
Investments (Note 2)	1,424,431	1,391,115
Taxes Receivable	1,971,466	1,104,918
Trade and Other Receivables	3,254,126	2,272,620
	<u>11,246,399</u>	<u>9,202,614</u>
Financial Liabilities		
Bank Indebtedness (Note 3)	1,866,555	3,914,546
Accounts Payable and Accrued Liabilities	1,486,468	1,223,650
Deferred Revenue (Note 4)	506,243	530,571
Landfill Closure and Post Closure Liability (Note 5)	808,072	1,121,274
Long Term Liabilities (Note 6)	19,518,272	17,362,327
	<u>24,185,610</u>	<u>24,152,368</u>
Net Debt	<u>(12,939,211)</u>	<u>(14,949,754)</u>
Non-Financial Assets		
Prepaid Expenses and Other Assets	199,217	338,414
Tangible Capital Assets (Note 7)	55,679,485	56,853,741
	<u>55,878,702</u>	<u>57,192,155</u>
Accumulated Surplus (Note 10)	<u>\$42,939,491</u>	<u>\$ 42,242,401</u>

Approved by:

Corporation of the Municipality of Red Lake
Consolidated Statement of Operations

For the Year Ended December 31	Budget	2017	2016
	(Note 8)		
Revenue			
Taxation	\$ 8,496,088	\$9,139,145	\$ 8,442,126
Fees and User Charges	4,969,399	4,717,497	4,785,276
Canada Grants	521,400	645,162	586,973
Ontario Grants	3,090,925	2,826,547	2,898,465
Other Income (Note 12)	471,025	1,156,833	602,160
	17,548,837	18,485,184	17,315,000
Expenses			
General Government	1,769,445	2,065,498	2,278,023
Protection Services	2,292,455	2,199,803	2,431,766
Transportation Services	4,095,881	3,997,863	4,046,557
Environmental Services	3,483,606	3,761,598	3,567,912
Health Services	751,334	745,422	741,467
Social and Family Services	2,646,009	2,668,207	2,616,635
Recreation and Cultural Services	1,728,800	2,051,013	1,848,701
Planning and Development	419,740	298,690	531,403
Total Expenses	17,187,270	17,788,094	18,062,464
Annual Surplus (Deficit)	361,567	697,090	(747,464)
Accumulated Surplus, Beginning of Year	42,242,401	42,242,401	42,989,865
Accumulated Surplus, End of Year	\$42,603,968	\$42,939,491	\$ 42,242,401

The accompanying summary of significant accounting policies and notes are an integral part to these financial statements.

Corporation of the Municipality of Red Lake
Consolidated Statement of Changes in Net Debt

For the Year Ended December 31	Budget	2017	2016
	(Note 8)		
Annual Surplus (Deficit)	\$ 361,567	\$ 697,090	\$ (747,464)
Acquisition of Tangible Capital Assets	(3,313,482)	(1,797,857)	(2,716,086)
Amortization of Tangible Capital Assets	2,678,457	2,822,113	2,749,033
Loss on Disposal of Tangible Capital Assets	-	-	26,051
Proceeds on Sale of Tangible Capital Assets	-	150,000	-
Net Change in Prepaid Expenses	-	139,197	(242,402)
Net Change in Net Debt	(273,458)	2,010,543	(930,868)
Net Debt, Beginning of Year	(14,949,754)	(14,949,754)	(14,018,886)
Net Debt, End of Year	\$(15,223,212)	\$(12,939,211)	\$ (14,949,754)

The accompanying summary of significant accounting policies and notes are an integral part to these financial statements.

Corporation of the Municipality of Red Lake
Consolidated Statement of Cash Flows

For the Year Ended December 31

2017

2016

Operating Transactions

Annual Surplus (Deficit)	\$ 697,090	\$ (747,464)
Adjustments for		
Amortization	2,822,113	2,749,033
Loss on Disposal of Capital Assets	-	26,051

Changes in Non-cash Operating Balances

Taxes Receivable	(866,548)	448,334
Trade and Other Receivables	(981,506)	394,073
Accounts Payable and Accrued Liabilities	262,819	357,896
Prepaid Expenses and Other Assets	139,197	(242,402)
Deferred Revenue	(24,328)	(127,458)
Landfill Closure and Post Closure Liability	(313,202)	47,786

1,735,635	2,905,849
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Financing Transactions

Proceeds of Long Term Debt	4,247,951	237,158
Long Term Debt Repaid	(2,092,007)	(1,950,695)
Bank Indebtedness	(2,047,991)	1,490,455

107,953	(223,082)
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Investing Transactions

Increase in Investments	(33,316)	(170,738)
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Capital Transactions

Acquisition of Tangible Capital Assets	(1,797,857)	(2,716,086)
Proceeds from Sale of Capital Assets	150,000	-

(1,647,857)	(2,716,086)
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Net Change in Cash and Bank

162,415	(204,057)
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Cash and Bank, Beginning of Year

4,433,961	4,638,018
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Cash and Bank, End of Year

\$ 4,596,376	\$ 4,433,961
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The accompanying summary of significant accounting policies and notes are an integral part to these financial statements.

Corporation of the Municipality of Red Lake Summary of Significant Accounting Policies

December 31, 2017

Management Responsibility	The consolidated financial statements of the Corporation of The Municipality of Red Lake are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.
Basis of Consolidation	<p>The consolidated statements reflect the assets, liabilities, sources of financing and expenses of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.</p> <p>The following boards and municipal enterprises owned or controlled by Council have been consolidated:</p> <ul style="list-style-type: none">- Red Lake Public Library Board- Red Lake Regional Heritage Centre Board- Red Lake Airport
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 receipt of goods or services and the creation of a legal obligation to pay.
Government Transfers	Government transfers are recognized in the year in which the events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
Revenue Recognition	<p>Revenues are recognized as follows:</p> <ol style="list-style-type: none">a) Tax revenue is recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.b) Fees and user charges are recognized on a quarterly basis as services are provided.c) Other revenues are recorded when collected or when collection is reasonably assured.
Investments	<p>Temporary investments are recorded at cost, unless the market value has declined below cost, in which case they are written down to market value.</p> <p>Investment income earned on current fund, reserves and reserve fund are reported as revenue in the period earned.</p>

**Corporation of the Municipality of Red Lake
Summary of Significant Accounting Policies**

December 31, 2017

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 specified purpose.

School Boards The municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

Trust Funds Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings	20 to 50 years
Machinery and equipment	15 to 25 years
Furniture and equipment	8 to 15 years
Vehicles	8 years
Roads, sidewalks and streetlights	10 to 20 years
Water and sewer infrastructure	20 to 50 years
Land improvements and leaseholds	15 to 30 years

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

Corporation of the Municipality of Red Lake Summary of Significant Accounting Policies

December 31, 2017

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentration that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

In particular, management's estimate for the Landfill Liability, as described in Note 5, is subject to measurement uncertainty. The estimate is based on assumptions and calculations contained in an engineer's report, modified as necessary for the passage of time and actual use of the landfill site. Other accounts subject to significant estimates include useful lives of tangible capital assets and allowances for doubtful taxes, accounts receivable and contaminated sites. Actual results could differ significantly from those estimates because of the uncertainty related to future cost estimates and future use of the landfill site.

The cost of other post-employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro-rata basis over the years of service in the attribution period commencing at the date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

**Corporation of the Municipality of Red Lake
Summary of Significant Accounting Policies**

December 31, 2017

**Pensions and Employee
Benefits**

Pension Plan

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

Sick Leave

The collective Bargaining Agreement between the Municipality and the Union provides for sick leave credits for its employees. Employees may carry over unused sick time to a maximum of \$420 per employee.

Vacation

Employees are required to take their vacation time before December 31 each year, with a maximum allowable carry over of one week.

Non-Financial Assets

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

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

1. Cash and Bank

	2017	2016
Unrestricted Cash	\$ 613,354	\$ 562,618
Restricted Cash for Reserves	3,983,022	3,871,343
	\$ 4,596,376	\$ 4,433,961

2. Investments

	2017	2016
<u>Restricted</u>		
Red Lake Regional Heritage Centre Board - CIBC Canadian T-Bill fund (market value \$49,243)	\$ 49,243	\$ 49,047
Red Lake Public Library Board - GICs bearing interest at 0.5% and maturing July and December 2018 (market value \$84,761)	84,761	84,340
ONE Funds - gas tax, airport improvement and airport parking investments (market value \$1,290,427)	1,290,427	1,257,728
	\$ 1,424,431	\$ 1,391,115

3. Bank Indebtedness

The Corporation of the Municipality of Red Lake has a revolving credit facility with the Canadian Imperial Bank of Commerce for \$2,000,000. Advances under this facility are due on demand and bear interest at prime, payable monthly.

	2017	2016
Bank overdraft	\$ 366,555	\$ 2,414,546
Revolving credit facility	1,500,000	1,500,000
	\$ 1,866,555	\$ 3,914,546

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

4. Deferred Revenue

Included in deferred revenue are amounts relating to gas tax agreement funds:

	2017	2016
Opening Balance of Unspent Gas Tax Funds	\$ 448,869	\$ 570,072
Add:		
Amounts Received in the Year	283,964	283,965
Externally Restricted Interest Earned	12,623	6,642
Less:		
Project Expense	(362,829)	(411,810)
Closing Balance of Unspent Gas Tax Funds	382,627	448,869
Other Deferred Revenue	123,616	81,702
Total Deferred Revenue	\$ 506,243	\$ 530,571

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by funding agreement. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements.

5. Landfill Closure and Post Closure Liability

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated 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, pumping of ground water and leachates from the site, and 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 expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

In 2017, the Municipal's primary landfill site reached its approved capacity and was graded, compacted and capped with topsoil and closed. Costs to close the site totalled \$313,203. Estimated post closure costs are \$35,515 per annum for 25 years. At December 31, 2017 an amount of \$808,072 (2016 - \$1,121,274) has been accrued as a liability based on a discount factor of 3% and an inflation rate of 3.50%.

In October 2017, a 40,000 cubic meter capacity expansion for low leachate producing material adjacent to the closed landfill site was approved by the Ministry of the Environment.

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

6. Long Term Liabilities

	<u>2017</u>	<u>2016</u>
CIBC Demand installment loan, repayable monthly at \$6,094 plus interest at prime, maturing February 2027 (Loan # 6028551)	\$ 670,383	\$ -
Ontario Municipal Economic Infrastructure Financing Authority advances, repayable semi-annually at \$81,281 plus interest at 2.37%, maturing December 2021	650,249	812,812
Ontario Municipal Economic Infrastructure Financing Authority advance, repayable semi-annually at blended principal and interest installments of \$160,094 at 3.52%, maturing November 2026	2,451,559	2,679,419
CIBC Demand installment loan, repayable \$11,651 monthly plus interest payable at prime, maturing February 2032 (Loan # - 6028950)	2,073,904	-
CIBC Demand installment loan, repayable \$6,812 monthly plus interest at prime, maturing February 2032 (Loan # - 6028659)	1,157,979	-
Federation of Canadian Municipalities loan, repayable \$121,827 semi-annually in June and December including interest at 2%, maturing June 2032	3,053,725	3,233,621
Pacific and Western Bank demand installment loan, repayable \$23,455 monthly including interest at 3.79%, maturing July 2022	1,177,561	1,409,608
CIBC Demand installment loan, principal draw amounts repayable in \$14,032 quarterly payments plus interest payable monthly at prime rate, maturing May 2020 (Loan # - 6028055)	148,511	196,442
CIBC Demand installment loan, repayable \$1,258 monthly at prime rate, maturing October 2027 (Loan # - 6028055)	140,315	-
CIBC Demand installment loan, repayable \$705 monthly plus interest at prime, maturing October 2022 (Loan # - 6028756)	40,890	-
National Leasing, repayable in monthly payments of \$3,732 including interest at 5.86%, maturing in October 2021	150,520	180,591
Ford Credit Canada, repayable in monthly payments of \$756 including interest at 5.19%, maturing September 2022	32,725	39,902
CIBC demand installment loan, repayable \$3,246 monthly plus interest at prime, maturing November 2025 (Loan # - 6028454)	308,375	347,327
CIBC demand installment loan, repayable \$16,857 monthly plus interest at prime, maturing November 2025 (Loan # - 6028357)	<u>1,569,035</u>	<u>1,771,319</u>
Carried Forward	\$ 13,625,731	\$ 10,671,041

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

6. Long Term Liabilities - continued

	2017	2016
Brought Forward	\$ 13,625,731	\$ 10,671,041
CIBC demand installment loan, repayable in quarterly payments of \$23,862 plus interest at prime, maturing May 2021 (Loan # - 6027652)	357,924	453,371
CIBC demand installment loan, repayable in quarterly payments of \$75,151 plus interest at prime, maturing May 2025 (Loan # - 6027857)	630,284	930,888
CIBC demand installment loan, repayable quarterly at \$97,841 plus interest at prime, maturing May 2030 (Loan # - 6027954)	4,892,061	5,283,427
Volvo Financial Services lease, repayable monthly at \$1,033 plus taxes including interest at 4.5%, maturing January 2019	12,272	23,600
	\$ 19,518,272	\$ 17,362,327

Principal payments for the next five fiscal years and thereafter if not demanded are as follows:

2018	\$	2,282,801
2019		2,295,527
2020		2,019,175
2021		1,951,581
2022		1,579,298
Thereafter		9,389,890

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

7. Tangible Capital Assets

								2017
	Land	Buildings	Machinery, Furniture and Equipment	Vehicles	Roads, Sidewalks, Bridges and Streetlights	Water and Sewer	Land Improvements and Leaseholds	Total
Cost, Beginning of Year	\$ 1,170,021	\$ 44,315,505	\$ 9,012,603	\$ 486,279	\$ 18,215,360	\$ 19,189,143	\$ 6,713,558	\$ 99,102,469
Additions	-	311,734	225,815	39,134	708,403	84,439	428,332	1,797,857
Disposals	(150,000)	-	-	-	-	-	-	(150,000)
Cost, End of Year	1,020,021	44,627,239	9,238,418	525,413	18,923,763	19,273,582	7,141,890	100,750,326
Accumulated Amortization, Beginning of Year	-	11,614,298	5,753,982	327,343	11,521,310	10,253,033	2,778,762	42,248,728
Amortization	-	954,606	442,647	36,000	621,496	392,338	375,026	2,822,113
Accumulated Amortization, End of Year	-	12,568,904	6,196,629	363,343	12,142,806	10,645,371	3,153,788	45,070,841
Net Carrying Amount, End of Year	\$ 1,020,021	\$ 32,058,335	\$ 3,041,789	\$ 162,070	\$ 6,780,957	\$ 8,628,211	\$ 3,988,102	\$ 55,679,485

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

7. Tangible Capital Assets (continued)

								2016
	Land	Buildings	Machinery, Furniture and Equipment	Vehicles	Roads, Sidewalks and Streetlights	Water and Sewer	Land Improvements and Leaseholds	Total
Cost, Beginning of Year	\$ 1,170,021	\$ 42,928,324	\$ 8,698,577	\$ 689,825	\$ 17,442,308	\$ 19,169,507	\$ 6,647,981	\$ 96,746,543
Additions	-	1,387,181	371,290	43,981	828,421	19,636	65,577	2,716,086
Disposals	-	-	(57,264)	(247,527)	(55,369)	-	-	(360,160)
Cost, End of Year	1,170,021	44,315,505	9,012,603	486,279	18,215,360	19,189,143	6,713,558	99,102,469
Accumulated Amortization, Beginning of Year	-	10,695,287	5,369,379	522,609	10,965,765	9,864,681	2,416,083	39,833,804
Amortization	-	919,011	420,753	47,324	610,914	388,352	362,679	2,749,033
Disposals	-	-	(36,150)	(242,590)	(55,369)	-	-	(334,109)
Accumulated Amortization, End of Year	-	11,614,298	5,753,982	327,343	11,521,310	10,253,033	2,778,762	42,248,728
Net Carrying Amount, End of Year	\$ 1,170,021	\$ 32,701,207	\$ 3,258,621	\$ 158,936	\$ 6,694,050	\$ 8,936,110	\$ 3,934,796	\$ 56,853,741

The net book value of tangible capital assets not being amortized because they are under construction is \$nil (2016 - \$nil). The municipality holds various works of art and historical treasures pertaining to the Red Lake Regional Heritage Centre. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

8. Budget Amounts

The Financial Plan (Budget) By-Law 25-2017 approved by Council was not prepared on a basis consistent with that used to report actual financial statement results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of financial activities and changes in net debt represent the By-Laws adopted by Council with adjustments as follows:

Budget Surplus (Deficit) per Bylaw	\$ -
Add:	
Capital Expenditures	3,313,482
Budgeted Payments of Long Term Debt	2,005,709
Budget Transfers to Reserves	41,550
Less:	
Budgeted Transfers from Reserve	(30,995)
Budgeted Proceeds from Long-Term Debt	(2,289,722)
Amortization	(2,678,457)
	<hr/>
Budget per Statement of Operations	<u>\$ 361,567</u>

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

9. Government Transfers

	Budget	2017	2016
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,251,900	\$ 1,251,900	\$ 1,391,000
Conditional - Protection	78,895	74,046	95,827
- Transportation	184,300	184,300	182,402
- Child care	917,319	1,005,913	932,454
- Other	187,157	291,369	265,406
	2,619,571	2,807,528	2,867,089
Government of Canada - other	-	8,894	1,800
Total Operating Transfers	2,619,571	2,816,422	2,868,889
Tangible Capital Asset			
Province of Ontario			
Conditional - Clean Waste Water Fund	468,854	-	-
- Other	2,500	19,019	31,376
	471,354	19,019	31,376
Government of Canada			
Conditional - Gas Tax	346,400	362,829	411,810
- Airport	75,000	173,439	65,576
- Other	100,000	100,000	107,787
	521,400	636,268	585,173
Total Tangible Capital Asset Transfers	992,754	655,287	616,549
Total Transfers	\$ 3,612,325	\$ 3,471,709	\$ 3,485,438

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

10. Accumulated Surplus

The Municipality's Accumulated Surplus on the Consolidated Statement of Financial Position consists of the following:

	Municipality of Red Lake	Red Lake Public Library Board	Red Lake Regional Heritage Centre	2017	2016
Current (Deficit)	\$ 1,576,566	\$ 117,241	\$ 25,905	\$ 1,719,712	\$ (2,012,313)
Reserves and Reserve Funds	4,843,218	96,526	118,822	5,058,566	4,763,300
Investment in Capital Assets	36,161,213	-	-	36,161,213	39,491,414
	\$42,580,997	\$ 213,767	\$ 144,727	\$42,939,491	\$ 42,242,401

Reserves Funds set aside for specific purpose by Council:

Working Funds	\$ 67,732	\$ 67,050
Water System	706,367	701,212
Sewer System	271,134	269,016
Police Services	95,755	94,791
	1,140,988	1,132,069

Reserves set aside for specific purpose by Council:

Parks	40,912	40,101
Medical Centre	49,130	48,635
Water	592,396	587,138
Sewer	176,828	175,047
Recreation Facility	1,553	1,577
Fire	60,210	59,603
Sick Leave	22,147	21,924
Norseman Royalties	8,168	8,086
Cemetery Maintenance	1,524	1,509
Waste Disposal	271,670	269,120
Airport	2,036,637	1,781,050
Public Works	39,950	39,548
General Government	139,876	138,467
Library	96,677	96,269
MTO Roads and Bridges	26,308	26,043
Community in Bloom	55,183	50,878
Museum	171,354	170,818
Planning	7,686	7,609
Elections	15,199	15,064
Accessibility	104,170	92,745
	3,917,578	3,631,231

Reserves and Reserve Funds, End of Year

\$5,058,566 \$ 4,763,300

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

11. Pension Agreements

OMERS provides pension services to more than 482,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of the valuation disclosed total actuarial liabilities of \$94,431 million in respect of benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2017 were \$259,115 (2016 - \$291,436).

12. Other Income

	Budget	2017	2016
Penalties and Interest	\$ 278,500	\$ 358,943	\$ 280,102
Investment Income	51,925	68,840	67,459
Licences and Permits	64,875	73,189	66,336
Provincial Offences	-	22,340	64,080
Other Revenues	75,725	633,521	124,183
	\$ 471,025	\$ 1,156,833	\$ 602,160

13. Trust Funds

The trust funds administered by the municipality amounting to \$213,866 (2016 - \$199,023) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, the trust fund balances are as follows:

	2017	2016
Woodland Cemetery Perpetual Care	\$ 89,537	\$ 85,053
Red Lake Cemetery Perpetual Care	113,841	101,607
Memorial Trust Fund	3,048	3,017
Health Care Trust	7,218	7,146
Election Trust	222	2,200
	\$ 213,866	\$ 199,023

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2017

14. Contractual Obligations and Commitments

Water and Waste Water (Sewage)

The Municipality has entered into an agreement with a third party for water and waste water services. The cost under this agreement is expected to be approximately \$1.5 million for 2018.

Waste Disposal

The Municipality is under an agreement with a third parties for waste disposal services. The agreement expires October 2023. The 2018 estimated cost is \$273,000.

Policing

The Municipality is committed to municipal policing services with the Provincial Government. The estimated cost for 2018 is approximately \$1.2 million.

15. Contingencies

The Municipality is contingently liable for its pro-rata share of the deficit of the District of Kenora Home for the Aged. The Home's management expects to recover this deficit from projected future operating surpluses. A billing from the Home for the deficit is not anticipated.

16. Operations and School Boards

Taxation, other revenues and requisitions for the school boards amounting to \$2.2 million (2016 - \$2 million) are not reflected in these financial statements.

17. Liability for Contaminated Sites

The Corporation has four municipally owned sites with known contamination. The contamination results from previous industry use. No liability has been recorded because it is not expected that economic benefits will be given up by the municipality.

18. Segmented Information

The Corporation of the Municipality of Red Lake is a diversified municipal government institution that provides a wide range of services to its citizens including police, fire, ambulance, solid waste, sewer and water and recreation. For management reporting purposes, the Municipality's operations and activities are organized and reported by Funds.

December 31, 2017

18. **Segmented Information** - continued

The Municipal 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:

General Government

General Government encompasses all the Municipality's administration including Council, the Administrator's office, finance and administration and human resources.

Protection Services

Protection is comprised of police and fire services. The mandate of the municipal policing 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. The Fire Service department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection and/or extinguishments of fires.

Public Works and Transportation

The Public Works and Transportation Department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting.

Environmental

The Municipality reports water, wastewater and solid waste disposal services in the Environmental Fund. These services include providing drinking water to the citizens of Red Lake, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities for solid waste. Garbage collection operations are also reported in this Fund.

Health Services

Health services includes contributions to the Northwestern Health Unit and the Kenora District Services Board for ambulance services.

Social and Family Services

The Social and Family Services segment provides Ontario Works services, day care services and includes contributions to the District of Kenora Home for the Aged and to the Kenora District Services Board for social housing.

Recreation and Cultural Services

Recreation and cultural services is responsible for the community centres and the provision of recreation and leisure services such as fitness and aquatic programs. The operations of the Red Lake Library Board and the Red Lake Regional Heritage Centre Board are also in this segment.

Planning and Development

The Planning and Development includes planning, economic development and tourism. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws, the processing of building permit applications, as well as providing cemetery services to citizens.

For each reported segment, revenues 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 the segmented financial information.

Taxation revenues have been apportioned based on percentage of expenses with the exception of water and sewer services where no taxation revenue has been allocated. Revenue from the Ontario Municipal Partnership Fund is reported in General Government and has not been allocated.

**Corporation of the Municipality of Red Lake
Schedule of Segmented Information**

	General Government	Protection Services	Public Works Transportation	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
For the Year Ended December 31, 2017									
Revenue									
Taxation	\$ 2,296,734	\$ 1,151,877	\$ 2,073,287	\$ 599,409	\$ 390,323	\$ 1,397,146	\$ 1,073,967	\$ 156,402	\$ 9,139,145
Fees and User Charges	235,591	7,417	1,077,857	2,663,396	17,800	508,287	202,799	4,350	4,717,497
Canada Grants	-	-	173,439	-	-	-	471,723	-	645,162
Ontario Grants	* 1,251,900	105,142	184,300	118,043	-	1,005,914	136,446	24,802	2,826,547
Other Income	933,965	26,035	23,018	92,249	-	-	81,566	-	1,156,833
	4,718,190	1,290,471	3,531,901	3,473,097	408,123	2,911,347	1,966,501	185,554	18,485,184
Expenditures									
Wages and Benefits	1,197,293	341,864	1,112,069	300,050	11,556	1,367,431	1,072,464	131,842	5,534,569
Long Term Debt Interest	8,887	12,167	281,340	129,689	1,716	1,614	43,159	701	479,273
Materials	195,654	11,211	164,785	25,522	2,715	30,013	147,958	92,602	670,460
Contracted Services	252,421	1,583,430	902,644	2,016,029	3,101	94,921	73,787	34,282	4,960,615
Rents and Financial Expenses	401,936	144,714	307,508	355,556	39,204	50,408	405,062	4,064	1,708,452
External Transfers	-	-	-	-	549,325	1,063,284	-	-	1,612,609
Amortization	9,307	106,417	1,229,517	934,752	137,805	60,536	308,583	35,199	2,822,116
	2,065,498	2,199,803	3,997,863	3,761,598	745,422	2,668,207	2,051,013	298,690	17,788,094
Excess Net Revenue (Expense)	\$ 2,652,692	\$ (909,332)	\$ (465,962)	\$ (288,501)	\$ (337,299)	\$ 243,140	\$ (84,512)	\$ (113,136)	\$ 697,090
For the Year Ended December 31, 2016									
Revenue									
Taxation	\$ 1,699,308	\$ 1,260,860	\$ 2,098,123	\$ 408,599	\$ 384,448	\$ 1,356,714	\$ 958,544	\$ 275,530	\$ 8,442,126
Fees and User Charges	45,726	7,418	1,018,847	2,867,267	18,054	490,135	159,957	177,872	4,785,276
Canada Grants	107,787	-	477,386	-	-	-	1,800	-	586,973
Ontario Grants	* 1,497,570	95,827	236,500	81,541	-	932,454	54,573	-	2,898,465
Other Income	336,059	76,680	28,545	52,763	-	-	96,375	11,738	602,160
	3,686,450	1,440,785	3,859,401	3,410,170	402,502	2,779,303	1,271,249	465,140	17,315,000
Expenditures									
Wages and Benefits	1,146,252	370,302	1,049,931	307,200	11,492	1,285,895	984,609	172,398	5,328,079
Long Term Debt Interest	6,603	17,273	290,152	143,250	1,819	1,924	12,333	100,451	573,805
Materials	173,461	19,590	159,067	16,724	4,355	29,415	115,828	555	518,995
Contracted Services	253,134	1,831,179	890,415	1,833,853	7,996	60,207	60,149	215,902	5,152,835
Rents and Financial Expenses	689,804	131,089	401,059	339,621	36,792	99,426	403,099	6,898	2,107,788
External Transfers	-	-	13,420	-	541,788	1,076,721	-	-	1,631,929
Amortization	8,769	62,333	1,242,513	927,264	137,225	63,047	272,683	35,199	2,749,033
	2,278,023	2,431,766	4,046,557	3,567,912	741,467	2,616,635	1,848,701	531,403	18,062,464
Excess Net Revenue (Expense)	\$ 1,408,427	\$ (990,981)	\$ (187,156)	\$ (157,742)	\$ (338,965)	\$ 162,668	\$ (577,452)	\$ (66,263)	\$ (747,464)

* Includes revenue from the Ontario Municipal Partnership Fund.