

**Corporation of the Municipality
of Red Lake**
Consolidated Financial Statements
For the year ended December 31, 2018

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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 25, 2019

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of Red Lake (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its change in net debt, and its cash flows for the year then ended in accordance with 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 Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

A handwritten signature in black ink that reads 'BDO Canada LLP'. The signature is written in a cursive, flowing style.

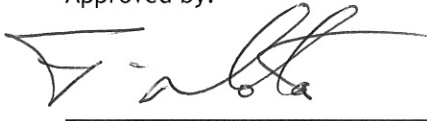
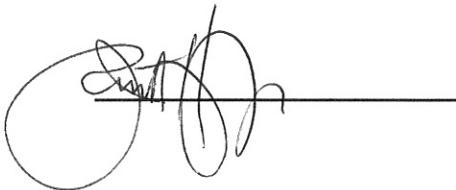
Chartered Professional Accountants, Licensed Public Accountants

Kenora, Ontario
July 25, 2019

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

December 31	2018	2017
Financial Assets		
Cash and Bank (Note 1)	\$ 5,404,982	\$ 4,596,376
Investments (Note 2)	1,435,770	1,424,431
Taxes Receivable	2,288,909	1,971,466
Trade and Other Receivables	3,126,099	3,254,126
	<u>12,255,760</u>	<u>11,246,399</u>
 Financial Liabilities		
Bank Indebtedness (Note 3)	1,756,951	1,866,555
Accounts Payable and Accrued Liabilities	637,544	1,486,468
Deferred Revenue (Note 4)	858,000	506,243
Landfill Closure and Post Closure Liability (Note 5)	766,993	808,072
Long Term Liabilities (Note 6)	19,135,909	19,518,272
	<u>23,155,397</u>	<u>24,185,610</u>
 Net Debt	<u>(10,899,637)</u>	<u>(12,939,211)</u>
 Non-Financial Assets		
Prepaid Expenses and Other Assets	49,523	199,217
Tangible Capital Assets (Note 7)	54,984,712	55,679,485
	<u>55,034,235</u>	<u>55,878,702</u>
 Accumulated Surplus (Note 10)	<u>\$44,134,598</u>	<u>\$ 42,939,491</u>

Approved by:

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 Operations

For the Year Ended December 31	Budget	2018	2017
	(Note 8)		
Revenue			
Taxation	\$ 9,182,722	\$ 8,821,102	\$ 9,139,145
Fees and User Charges	4,729,209	5,685,219	4,717,497
Canada Grants	8,961,811	247,092	645,162
Ontario Grants	3,657,960	3,031,065	2,826,547
Other Income (Note 12)	469,550	748,723	1,156,833
	<u>27,001,252</u>	<u>18,533,201</u>	<u>18,485,184</u>
Expenses			
General Government	1,936,169	2,117,729	2,065,498
Protection Services	1,827,345	1,663,457	2,199,803
Transportation Services	4,056,654	4,149,188	3,997,863
Environmental Services	3,646,412	3,783,768	3,761,598
Health Services	788,654	809,184	745,422
Social and Family Services	2,646,297	2,509,569	2,668,207
Recreation and Cultural Services	1,840,491	2,069,147	2,051,013
Planning and Development	268,770	236,052	298,690
	<u>17,010,792</u>	<u>17,338,094</u>	<u>17,788,094</u>
Total Expenses			
	<u>17,010,792</u>	<u>17,338,094</u>	<u>17,788,094</u>
Annual Surplus	9,990,460	1,195,107	697,090
Accumulated Surplus, Beginning of Year	42,939,491	42,939,491	42,242,401
Accumulated Surplus, End of Year	<u>\$52,929,951</u>	<u>\$44,134,598</u>	<u>\$ 42,939,491</u>

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	2018	2017
	(Note 8)		
Annual Surplus	\$ 9,990,460	\$ 1,195,107	\$ 697,090
Acquisition of Tangible Capital Assets	(13,360,697)	(2,176,566)	(1,797,857)
Amortization of Tangible Capital Assets	2,773,591	2,871,343	2,822,113
Proceeds on Sale of Tangible Capital Assets	-	-	150,000
Net Change in Prepaid Expenses	-	149,690	139,197
Net Change in Net Debt	(596,646)	2,039,574	2,010,543
Net Debt, Beginning of Year	(12,939,211)	(12,939,211)	(14,949,754)
Net Debt, End of Year	\$(13,535,857)	\$(10,899,637)	\$ (12,939,211)

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	2018	2017
Operating Transactions		
Annual Surplus	\$ 1,195,107	\$ 697,090
Adjustments for Amortization	2,871,343	2,822,113
Changes in Non-cash Operating Balances		
Taxes Receivable	(317,443)	(866,548)
Trade and Other Receivables	128,027	(981,506)
Accounts Payable and Accrued Liabilities	(848,924)	262,819
Prepaid Expenses and Other Assets	149,694	139,197
Deferred Revenue	351,757	(24,328)
Landfill Closure and Post Closure Liability	(41,079)	(313,202)
	<u>3,488,482</u>	<u>1,735,635</u>
Financing Transactions		
Proceeds of Long Term Debt	1,908,000	4,247,951
Long Term Debt Repaid	(2,290,367)	(2,092,007)
Bank Indebtedness	(109,604)	(2,047,991)
	<u>(491,971)</u>	<u>107,953</u>
Investing Transactions		
Increase in Investments	<u>(11,339)</u>	<u>(33,316)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,176,566)	(1,797,857)
Proceeds from Sale of Capital Assets	-	150,000
	<u>(2,176,566)</u>	<u>(1,647,857)</u>
Net Change in Cash and Bank	808,606	162,415
Cash and Bank, Beginning of Year	<u>4,596,376</u>	<u>4,433,961</u>
Cash and Bank, End of Year	<u>\$ 5,404,982</u>	<u>\$ 4,596,376</u>

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, 2018

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> <ul 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, 2018

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 position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.														
Tangible Capital Assets	<p>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:</p> <table><tr><td>Buildings</td><td>20 to 50 years</td></tr><tr><td>Machinery and equipment</td><td>15 to 25 years</td></tr><tr><td>Furniture and equipment</td><td>8 to 15 years</td></tr><tr><td>Vehicles</td><td>8 years</td></tr><tr><td>Roads, sidewalks and streetlights</td><td>10 to 20 years</td></tr><tr><td>Water and sewer infrastructure</td><td>20 to 50 years</td></tr><tr><td>Land improvements and leaseholds</td><td>15 to 30 years</td></tr></table> <p>Works of art and cultural and historic assets are not recorded as assets in these consolidated statements.</p>	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
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														

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

December 31, 2018

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, tax revenue due to reassessments and appeals, 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, 2018

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, 2018

1. Cash and Bank

	<u>2018</u>	<u>2017</u>
Unrestricted Cash	\$ 894,804	\$ 613,354
Restricted Cash for Reserves	4,510,178	3,983,022
	<u>\$ 5,404,982</u>	<u>\$ 4,596,376</u>

2. Investments

	<u>2018</u>	<u>2017</u>
<u>Restricted</u>		
Red Lake Regional Heritage Centre Board - CIBC Canadian T-Bill fund (market value \$49,782)	\$ 49,782	\$ 49,243
Red Lake Public Library Board - GICs bearing interest at 0.5% and maturing July and December 2019 (market value \$85,142)	85,142	84,761
ONE Funds - gas tax, airport improvement and airport parking investments (market value \$1,300,846)	1,300,846	1,290,427
	<u>\$ 1,435,770</u>	<u>\$ 1,424,431</u>

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.

	<u>2018</u>	<u>2017</u>
Bank overdraft	\$ 256,951	\$ 366,555
Revolving credit facility	1,500,000	1,500,000
	<u>\$ 1,756,951</u>	<u>\$ 1,866,555</u>

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

December 31, 2018

4. Deferred Revenue

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

	2018	2017
Opening Balance of Unspent Gas Tax Funds	\$ 382,627	\$ 448,869
Add:		
Amounts Received in the Year	297,488	283,964
Externally Restricted Interest Earned	8,637	12,623
Less:		
Project Expense	(73,592)	(362,829)
Closing Balance of Unspent Gas Tax Funds	615,160	382,627
Other Deferred Revenue	242,840	123,616
Total Deferred Revenue	\$ 858,000	\$ 506,243

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 2018, the Municipal's primary landfill site was in the post closure monitoring stage, with actual costs aligned with previous management estimates. Estimated post closure costs continue to be approximately \$35,000 per annum for a further 24 years. At December 31, 2018 an amount of \$766,993 (2017 - \$808,072) has been accrued as a liability based on a discount factor of 3% and an inflation rate of 3.50%.

In 2018, a 20,000 cubic meter capacity expansion took place, accepting low leachate producing material adjacent to the closed landfill site. Management expects this area of the expansion to have an expected useful life of approximately 26 years. A further 20,000 cubic meter expansion site is anticipated to be developed within the next eight to ten years.

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

December 31, 2018

6. Long Term Liabilities

	2018	2017
CIBC Demand installment loan, repayable monthly at \$6,094 plus interest at prime, maturing February 2027 (Loan # 6028551)	\$ 597,244	\$ 670,383
Ontario Municipal Economic Infrastructure Financing Authority advances, repayable semi-annually at \$81,281 plus interest at 2.37%, maturing December 2021	487,687	650,249
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	2,215,608	2,451,559
CIBC Demand installment loan, repayable \$11,651 monthly plus interest payable at prime, maturing February 2032 (Loan # - 6028950)	1,934,091	2,073,904
CIBC Demand installment loan, repayable \$6,812 monthly plus interest at prime, maturing February 2032 (Loan # - 6028659)	1,076,240	1,157,979
Federation of Canadian Municipalities loan, repayable \$121,827 semi-annually in June and December including interest at 2%, maturing June 2032	2,870,229	3,053,725
Versa Bank demand installment loan, repayable \$23,455 monthly including interest at 3.79%, maturing July 2022	936,565	1,177,561
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)	84,189	148,511
CIBC Demand installment loan, repayable \$1,258 monthly at prime rate, maturing October 2027 (Loan # - 6028853)	133,409	140,315
CIBC Demand installment loan, repayable \$705 monthly plus interest at prime, maturing October 2022 (Loan # - 6028756)	32,430	40,890
National Leasing, repayable in monthly payments of \$3,732 including interest at 5.86%, maturing in October 2021	113,590	150,520
Ford Credit Canada, repayable in monthly payments of \$756 including interest at 5.19%, maturing September 2022	25,169	32,725
CIBC demand installment loan, repayable \$3,246 monthly plus interest at prime, maturing November 2025 (Loan # - 6028454)	269,423	308,375
CIBC demand installment loan, repayable \$16,857 monthly plus interest at prime, maturing November 2025 (Loan # - 6028357)	1,366,751	1,569,035
Carried Forward	\$12,142,625	\$ 13,625,731

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

December 31, 2018

6. Long Term Liabilities - continued

	<u>2018</u>	<u>2017</u>
Brought Forward	\$12,142,625	\$ 13,625,731
CIBC demand installment loan, repayable in quarterly payments of \$23,862 plus interest at prime, maturing May 2021 (Loan # - 6027652)	262,478	357,924
CIBC demand installment loan, repayable in quarterly payments of \$75,151 plus interest at prime, maturing May 2020 (Loan # - 6027857)	329,680	630,284
CIBC demand installment loan, repayable quarterly at \$97,841 plus interest at prime, maturing May 2030 (Loan # - 6027954)	4,500,697	4,892,061
Volvo Financial Services lease, repayable monthly at \$1,033 plus taxes including interest at 4.5%, maturing January 2019	-	12,272
CIBC demand instalment loan, repayable in monthly payments of \$79,714 increasing by 4.8% annually, plus interest at 4.24%, maturing May 2033 (Loan # - 6030157)	1,900,429	-
	<u>\$19,135,909</u>	<u>\$ 19,518,272</u>

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

2019	\$ 2,281,755
2020	2,120,789
2021	2,055,360
2022	1,784,044
2023	1,537,729
Thereafter	9,356,232

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

7. Tangible Capital Assets

								2018
	Land	Buildings	Machinery, Furniture and Equipment	Vehicles	Roads, Sidewalks, Bridges and Streetlights	Water and Sewer	Land Improvements and Leaseholds	Total
Cost, Beginning of Year	\$ 1,020,021	\$ 44,627,239	\$ 9,238,418	\$ 525,413	\$ 18,923,763	\$ 19,273,582	\$ 7,141,890	\$100,750,326
Additions	814	869,134	307,352	-	613,404	72,106	313,756	2,176,566
Disposals	-	-	-	(22,471)	-	-	-	(22,471)
Cost, End of Year	1,020,835	45,496,373	9,545,770	502,942	19,537,167	19,345,688	7,455,646	102,904,421
Accumulated Amortization, Beginning of Year	-	12,568,904	6,196,629	363,343	12,142,806	10,645,371	3,153,788	45,070,841
Amortization	-	969,431	419,846	39,815	651,537	397,138	393,576	2,871,343
Disposals	-	-	-	(22,475)	-	-	-	(22,475)
Accumulated Amortization, End of Year	-	13,538,335	6,616,475	380,683	12,794,343	11,042,509	3,547,364	47,919,709
Net Carrying Amount, End of Year	\$ 1,020,835	\$ 31,958,038	\$ 2,929,295	\$ 122,259	\$ 6,742,824	\$ 8,303,179	\$ 3,908,282	\$ 54,984,712

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

7. Tangible Capital Assets (continued)

								2017
	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	\$ 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

The net book value of tangible capital assets not being amortized because they are under construction is \$nil (2017 - \$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, 2018

8. Budget Amounts

The Financial Plan (Budget) By-Law 14-2018 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	13,360,697
Budgeted Payments of Long Term Debt	2,257,631
Budget Transfers to Reserves	220,651
Less:	
Budgeted Transfers from Reserve	(86,250)
Budgeted Proceeds from Long-Term Debt	(2,988,678)
Amortization	(2,773,591)
	<hr/>
Budget per Statement of Operations	<u>\$ 9,990,460</u>

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

December 31, 2018

9. Government Transfers

	Budget	2018	2017
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,126,800	\$ 1,126,800	\$ 1,251,900
Conditional - Protection	96,395	106,406	74,046
- Transportation	184,300	209,894	184,300
- Child care	951,376	927,556	1,005,913
- Other	221,131	220,819	291,369
	2,580,002	2,591,475	2,807,528
Government of Canada - other	-	-	8,894
Total Operating Transfers	2,580,002	2,591,475	2,816,422
Tangible Capital Asset			
Province of Ontario			
Conditional - Clean Waste Water Fund	285,458	439,590	-
- NOHFC	642,500	-	-
- Trillium Fund	150,000	-	-
- OCIF	2,000,000	-	-
- Other	-	-	19,019
	3,077,958	439,590	19,019
Government of Canada			
Conditional - Gas Tax	142,576	73,589	362,829
- Airport	6,740,000	91,947	173,439
- Other	79,235	81,556	100,000
	6,961,811	247,092	636,268
Total Tangible Capital Asset Transfers	10,039,769	686,682	655,287
Total Transfers	\$ 12,619,771	\$ 3,278,157	\$ 3,471,709

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

December 31, 2018

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	2018	2017
Current	\$ 2,516,000	\$ 126,453	\$ 19,882	\$ 2,662,335	\$ 1,719,712
Reserves and					
Reserve Funds	5,412,678	91,960	118,822	5,623,460	5,058,566
Investment in Capital					
Assets	35,848,803	-	-	35,848,803	36,161,213
	\$43,777,481	\$ 218,413	\$ 138,704	\$44,134,598	\$ 42,939,491

Reserves Funds set aside for specific purpose by Council:

Working Funds	\$ 68,896	\$ 67,732
Water System	718,511	706,367
Sewer System	275,796	271,134
Police Services	-	95,755
	1,063,203	1,140,988

Reserves set aside for specific purpose by Council:

Parks	41,615	40,912
Medical Centre and Pharmacy	282,742	49,130
Water	602,581	592,396
Sewer	179,868	176,828
Recreation Facility	1,579	1,553
Fire	86,249	60,210
Sick Leave	22,527	22,147
Norseman Royalties	8,309	8,168
Cemetery Maintenance	1,550	1,524
Waste Disposal	276,340	271,670
Airport	2,061,346	2,036,637
General Government	335,340	39,950
Public Works	142,280	139,876
Library	92,113	96,677
MTO Roads and Bridges	26,760	26,308
Community in Bloom	56,132	55,183
Museum	172,257	171,354
Planning	49,247	7,686
Elections	15,461	15,199
Accessibility	105,961	104,170
	4,560,257	3,917,578

Reserves and Reserve Funds, End of Year

\$5,623,460 \$ 5,058,566

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

December 31, 2018

11. Pension Agreements

The employees of the Municipality participate in the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan. The Municipality also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements, is usually insufficient to reliably measure the Company's proportionate share in the plan assets and liabilities.

The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The employer portion of amounts paid to OMERS during the year was \$262,213 (2017 - \$259,115). The contributions were made for current service and these have been recognized in net income.

As at December 31, 2018, the OMERS plan was 96% funded (December 31, 2017 - 94%). OMERS has a strategy to return the plan to a fully funded position. The Company is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

12. Other Income

	Budget	2018	2017
Penalties and Interest	\$ 311,900	\$ 498,760	\$ 358,943
Investment Income	51,925	86,837	68,840
Licences and Permits	61,875	76,219	73,189
Provincial Offences	40,000	24,458	22,340
Other Revenues	3,850	62,449	633,521
	\$ 469,550	\$ 748,723	\$ 1,156,833

13. Trust Funds

The trust funds administered by the municipality amounting to \$219,556 (2017 - \$213,866) 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:

	2018	2017
Woodland Cemetery Perpetual Care	\$ 91,072	\$ 89,537
Red Lake Cemetery Perpetual Care	115,780	113,841
Memorial Trust Fund	3,100	3,048
Health Care Trust	7,343	7,218
Election Trust	2,261	222
	\$ 219,556	\$ 213,866

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

December 31, 2018

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 2019.

Waste Collection and Disposal Services

The Municipality is under an agreement with a third party for waste collection and disposal services. The agreement expires October 2023. The 2019 estimated cost is \$273,000.

Waste Disposal Site Services

The Municipality is under an agreement with another municipality for waste disposal services, whereby the Municipality will temporarily utilize the waste disposal site of the other municipality. The agreement expires December 2021. The 2019 costs are based on a set rate of \$38.78 per cubic meter of eligible waste.

Airport Services

The Municipality has an agreement with a company to provide management services for the operation of the Red Lake Airport. The agreement expires December 2027 and provides for a management fee of \$50,000 plus a share of surplus funds based on a formula.

Policing

The Municipality is committed to municipal policing services with the Provincial Government. The estimated cost for 2019 is approximately \$1.2 million.

Rehabilitation of Runway Airport

During the year the Municipality committed to the rehabilitation of the runway at the Airport Terminal. The estimated cost of the project is \$10 million plus applicable taxes. All of the project will be funded through the Federal Airport Capital Assistance Program. To date, \$90,375 has been spent on the project related to design and engineering, none of which has been capitalized.

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 \$1.9 million (2017 - \$2.2 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, 2018

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, 2018									
Revenue									
Taxation	\$ 1,289,650	\$ 1,013,008	\$ 2,526,762	\$ 566,822	\$ 492,775	\$ 1,528,271	\$ 1,260,064	\$ 143,750	\$ 8,821,102
Fees and User Charges	253,034	20,689	1,214,095	3,325,747	24,209	591,047	251,398	5,000	5,685,219
Canada Grants	73,589	-	91,947	-	-	-	81,556	-	247,092
Ontario Grants	* 1,168,079	106,406	209,894	507,036	-	927,556	98,089	14,005	3,031,065
Other Income	562,375	24,458	4,484	109,751	-	37,350	10,305	-	748,723
	3,346,727	1,164,561	4,047,182	4,509,356	516,984	3,084,224	1,701,412	162,755	18,533,201
Expenditures									
Wages and Benefits	1,117,085	277,590	879,190	371,431	12,882	1,235,599	1,087,803	76,760	5,058,340
Long Term Debt Interest	7,232	11,498	323,491	154,377	2,220	1,397	62,835	111,650	674,700
Materials	232,203	51,057	462,000	378,733	32,448	45,343	504,694	1,339	1,707,817
Contracted Services	372,933	1,216,434	1,208,086	1,875,621	4,106	97,361	81,205	1,676	4,857,422
Rents and Financial Expenses	378,073	7,109	32,664	42,303	19,495	-	9,031	9,000	497,675
External Transfers	-	-	-	-	600,093	1,070,704	-	-	1,670,797
Amortization	10,203	99,769	1,243,757	961,303	137,940	59,165	323,579	35,627	2,871,343
	2,117,729	1,663,457	4,149,188	3,783,768	809,184	2,509,569	2,069,147	236,052	17,338,094
Excess Net Revenue (Expense)	\$ 1,228,998	\$ (498,896)	\$ (102,006)	\$ 725,588	\$ (292,200)	\$ 574,655	\$ (367,735)	\$ (73,297)	\$ 1,195,107
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

* Includes revenue from the Ontario Municipal Partnership Fund.