

**The Corporation of the
Town of Rainy River
Consolidated Financial Statements
For the year ended December 31, 2018**

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The Corporation of the Town of Rainy River Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Rainy River and all the information in this annual report are the responsibility of management and have been approved by the Mayor and CAO/Clerk-Treasurer on behalf of Council.

The consolidated financial statements have been prepared by management in accordance with Public Sector Accounting Principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Town's assets are appropriately accounted for and adequately safeguarded.

The Town Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council reviews the Town's consolidated financial statements and meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full and free access to the Council.

_____ Mayor

_____ CAO/Clerk-Treasurer

Independent Auditor's Report

To the Members of Council of The Corporation of the Town of Rainy River

Opinion

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Rainy River (the Municipality), which are comprised of the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, the consolidated statement of change in net debt and the consolidated statement of 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 Municipality 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 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 Municipality 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 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 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 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 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 Municipality 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 with the Group 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
April 8, 2019

**The Corporation of the Town of Rainy River
Consolidated Statement of Financial Position**

December 31	2018	2017
Financial assets		
Cash and cash equivalents	\$ 538,641	\$ 86,893
Investments (Note 1)	1,025,387	155,323
Taxes receivable (Note 2)	170,649	223,826
Accounts receivable	598,788	611,234
	2,333,465	1,077,276
Liabilities		
Bank indebtedness (Note 3)	-	85,928
Accounts payable and accrued liabilities	454,901	879,744
Deferred revenue (Note 4)	1,951,045	39,922
Net long-term debt (Note 5)	355,806	315,460
Solid waste closure and post-closure liabilities (Note 6)	33,236	30,226
Future employee benefits	53,879	49,786
	2,848,867	1,401,066
Net debt	(515,402)	(323,790)
Non-financial assets		
Tangible capital assets (Note 7)	18,863,790	17,705,614
Tangible capital assets under construction	1,531,473	1,742,920
Inventory of supplies	21,059	21,624
Prepaid expenses	14,394	14,529
	20,430,716	19,484,687
Accumulated surplus (Note 8)	\$ 19,915,314	\$ 19,160,897

Contingent liabilities (Note 14)

Commitments (Note 18)

_____ Mayor

_____ CAO/Clerk-Treasurer

The Corporation of the Town of Rainy River Consolidated Statement of Operations

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Taxation	\$ 694,035	\$ 721,184	\$ 661,700
Government transfers - Federal (Note 9)	52,105	77,799	61,560
Government transfers - Provincial (Note 10)	751,069	1,807,442	2,243,550
User fees and service charges	581,490	679,997	664,205
Investment income (loss)	6,700	(1,772)	(3,713)
Municipal grants	12,725	17,955	17,446
Other income (Note 11)	115,152	173,260	181,059
	<u>2,213,276</u>	<u>3,475,865</u>	<u>3,825,807</u>
Expenses			
General government	502,088	472,567	474,447
Protection services	287,515	289,790	242,028
Transportation services	555,582	577,732	521,066
Environmental services	902,295	810,234	718,769
Health services	142,084	139,293	141,608
Social and family services	13,627	21,031	22,572
Social housing	27,201	27,201	28,435
Recreation and cultural services	322,019	377,951	455,469
Planning and development	5,649	5,649	5,894
	<u>2,758,060</u>	<u>2,721,448</u>	<u>2,610,288</u>
Annual surplus (deficit)	<u>(544,784)</u>	<u>754,417</u>	<u>1,215,519</u>
Accumulated surplus, beginning of year	<u>19,160,897</u>	<u>19,160,897</u>	<u>17,945,378</u>
Accumulated surplus, end of year	<u>\$ 18,616,113</u>	<u>\$ 19,915,314</u>	<u>\$ 19,160,897</u>

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

**The Corporation of the Town of Rainy River
Consolidated Statement of Change in Net Debt**

For the year ended December 31	Budget 2018	2018	2017
Annual surplus (deficit)	\$ (544,784)	\$ 754,417	\$ 1,215,519
Acquisition of tangible capital assets	(111,250)	(1,868,935)	(24,931)
Amortization of tangible capital assets	649,322	710,759	658,727
Gain on disposal of tangible capital assets	-	(300)	-
Proceeds on sale of tangible capital assets	-	300	-
Capitalization to tangible capital assets (acquisition) of assets under construction	-	211,447	(1,702,475)
	(6,712)	(192,312)	146,840
Acquisition of prepaid expenses and inventory of supplies	-	-	(540)
Use/consumption of prepaid expenses and inventory of supplies	-	700	-
Net change in net debt	(6,712)	(191,612)	146,300
Net debt, beginning of year	(323,790)	(323,790)	(470,090)
Net debt, end of year	\$ (330,502)	\$ (515,402)	\$ (323,790)

The Corporation of the Town of Rainy River Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 754,417	\$ 1,215,519
Items not involving cash		
Amortization	710,759	658,727
Gain on disposal of tangible capital assets	(300)	-
Changes in non-cash operating balances		
Taxes receivable	53,177	(45,926)
Accounts receivable	12,446	(25,728)
Prepaid expenses and inventory of supplies	700	(540)
Accounts payable and accrued liabilities	(424,843)	724,809
Deferred revenue	1,911,123	(801,527)
Solid waste closure and post-closure liabilities	3,010	2,834
Future employee benefits	4,093	1,288
	3,024,582	1,729,456
Capital transactions		
Acquisition of tangible capital assets	(1,868,935)	(24,931)
Proceeds on sale of tangible capital assets	300	-
Capitalization to tangible capital assets (acquisition) of tangible capital assets under construction	211,447	(1,702,475)
	(1,657,188)	(1,727,406)
Investing transactions		
Decrease (increase) in investments	(870,064)	443,612
Financing transactions		
Repayment of long-term debt	(29,654)	(14,540)
Proceeds from issuance of long-term debt	70,000	-
	40,346	(14,540)
Net change in cash and cash equivalents	537,676	431,122
Cash and cash equivalents (bank indebtedness), beginning of year	965	(430,157)
Cash and cash equivalents, end of year	\$ 538,641	\$ 965
Represented by		
Cash and cash equivalents	\$ 538,641	\$ 86,893
Bank indebtedness	-	(85,928)
	\$ 538,641	\$ 965

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

The Corporation of the Town of Rainy River Summary of Significant Accounting Policies

December 31, 2018

**Management's
Responsibility for the
Consolidated Financial
Statements**

The consolidated financial statements of the Municipality are the responsibility of management. They have been prepared in accordance with Canadian accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPA).

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal Organizations, committees and boards which are owned or controlled by the Municipality. All interfund assets, liabilities, revenues and expenditures have been eliminated on consolidation.

The following board and municipal enterprise owned or controlled by Council has been consolidated:

Rainy River Recreation Board Inc.

The Municipality has a government partnership in place. The partnership is accounted for on a proportionate consolidation basis whereby the Municipality's pro-rata share of each of the assets, liabilities, revenue and expenditures are combined on a line by line basis in the consolidated financial statements. The Municipality has a 33.33% ownership in the government partnership. The government partnership that has been consolidated is:

Rainy River Health Care Committee

The following boards are not consolidated:

Northwestern Health Unit
Rainy River District Social Services Administration Board

The Corporation of the Town of Rainy River Summary of Significant Accounting Policies

December 31, 2018

Basis of Accounting Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

Cash and Cash Equivalents The policy of the Municipality is to disclose bank balances under cash and cash equivalents including bank overdrafts and lines of credit with balances that fluctuate frequently from being positive to being overdrawn and temporary investments with a maturity of three months or less from the date of acquisition.

Investments The Municipality accounts for its investments at cost. The carrying value of an investment is written down to its net recoverable amount if a decline in value is judged to be other than temporary.

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:

Land improvements	40 to 60 years
Buildings	15 to 60 years
Machinery and equipment	10 to 20 years
Roads and bridges	10 to 80 years
Water infrastructure	30 to 80 years
Sewer infrastructure	30 to 80 years
Vehicles	15 to 20 years
Computer hardware and software	10 years

The Corporation of the Town of Rainy River Summary of Significant Accounting Policies

December 31, 2018

Trust Funds	Trust funds held in trust by the Municipality, and their related operations, are not included in these consolidated financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.
Revenue Recognition	<p>Taxes are 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. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of allowance for anticipated uncollected amounts.</p> <p>User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.</p>
Deferred Revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
Government Transfers	Government transfers are recognized as revenue in the consolidated financial statements 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 statement of operations as the stipulation liabilities are settled.
School Boards	The Municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.
Solid Waste Landfills	The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

The Corporation of the Town of Rainy River Summary of Significant Accounting Policies

December 31, 2018

Use of Estimates

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

The estimates used in preparation of these consolidated financial statements are the useful lives of the tangible capital assets, the capacity of the landfill site, the useful lives of the landfill site, the post-closure costs of the landfill, and taxation revenue.

Pension Agreement

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 records pension expense with contributions are due.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

1. Investments

	2018	2017
Investments restricted by Council resolution		
Restricted cash	\$ 22,422	\$ 31,303
Money market	-	19,135
Bond fund	2,965	2,894
	25,387	53,332
Other restricted investments		
Bond fund	-	101,991
Equity fund	1,000,000	-
	\$ 1,025,387	\$ 155,323

The income (loss) from investments for the year was \$(3,572) (2017 - \$(3,542)). The Municipality's investments restricted by Council resolution have a market value of \$25,311 (2017 - \$53,279). The Municipality's other restricted investments have a market value of \$936,477 (2017 - \$98,120). Subsequent to year-end, the market value of the Municipality's other restricted investments increased. As at January 31, 2019, the market value of the Municipality's other restricted investments was \$1,000,845.

Certain surplus funds are set aside by by-laws or Council resolution for specific purposes and referred to as reserve funds. Investments restricted by Council resolution represent the assets that are maintained in respect of those reserve funds (Note 8).

2. Taxes Receivable

	2018	2017
Taxes receivable	\$ 183,916	\$ 242,536
Allowance for doubtful accounts	(13,267)	(18,710)
	\$ 170,649	\$ 223,826

3. Bank Indebtedness

Bank indebtedness consists of a credit facility with a Canadian Chartered Bank. The maximum authorized amount is \$300,000 and bears interest at the bank's prime rate plus 1.0%.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ -	\$ 53,637	\$ -	\$ (53,637)	-
Infrastructure programs	-	2,702,391	-	(821,224)	1,881,167
Other	39,922	47,285	-	(17,329)	69,878
	<u>\$ 39,922</u>	<u>\$ 2,803,313</u>	<u>\$ -</u>	<u>\$ (892,190)</u>	<u>\$ 1,951,045</u>

Federal Gas Tax

The Federal Government advances the Municipality funding related to gasoline tax. This funding must be spent on approved infrastructure projects. The funding can be deferred for a maximum of 5 years.

Infrastructure Programs

These programs relate to various capital grants that are required to be spent on infrastructure. Until the funding has been spent on infrastructure it has not been earned and therefore, has been deferred.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

5. Net Long-term Debt

Net long-term debt reported on the consolidated statement of financial position is comprised of the following:

	2018	2017
Ontario Infrastructure and Lands Corporation Loan, debenture loan, 2.62%, blended semi-annual payments of \$18,863. Matures March 1, 2027.	\$ 285,806	\$ 315,460
Term loan, interest payable monthly at a rate of 4.95%, principal due at maturity. Matures May 30, 2019. Secured by general security agreement.	70,000	-
	\$ 355,806	\$ 315,460

Principal and interest repayments relating to net long-term debt of \$355,806 outstanding are due as follows:

	Principal Repayments	Interest	Total
2019	\$ 100,436	\$ 8,734	\$ 109,170
2020	31,239	6,487	37,726
2021	32,062	5,664	37,726
2022	32,908	4,818	37,726
2023	33,776	3,950	37,726
Thereafter	125,385	6,656	132,041
	\$ 355,806	\$ 36,309	\$ 392,115

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

6. Solid Waste Closure and Post-Closure Liabilities

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Municipality's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with closure and post-closure activities.

The liability for the landfill site is recorded at \$33,236 (2017 - \$30,226) and represents the present value of closure and post-closure costs for 100% of the current site's opened cells, using the average long-term borrowing rate of 3.84%. The liability is recorded based on the capacity of the landfill used to date. The estimated remaining capacity of the site's opened cells are approximately 225,280 cubic meters, which are estimated to be filled in 169 years. Post-closure care is estimated to continue for a period of 25 years. The estimated present value of total expenditures for closure and post-closure care are \$346,142 (2017 - \$333,342), and the amount remaining to be recognized is \$312,906 (2017 - \$303,116).

The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

**The Corporation of the Town of Rainy River
Notes to Consolidated Financial Statements**

December 31, 2018

7. Tangible Capital Assets

												2018
	Land and land improvements	Buildings	Machinery and equipment	Roads and bridges infrastructure	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total			
Cost, beginning of year	\$ 850,612	\$ 2,163,991	\$ 1,201,262	\$ 6,597,626	\$ 6,278,753	\$ 10,227,355	\$ 289,123	\$ 70,975	\$ 27,679,697			
Additions	10,082	-	30,309	929,756	583,659	315,129	-	-	1,868,935			
Disposals	-	-	-	-	-	-	11,800	-	11,800			
Cost, end of year	860,694	2,163,991	1,231,571	7,527,382	6,862,412	10,542,484	300,923	70,975	29,560,432			
Accumulated amortization, beginning of year	149,409	1,171,826	689,665	2,645,367	1,668,581	3,399,836	195,568	53,831	9,974,083			
Amortization	20,415	43,430	57,812	257,758	126,980	190,905	10,314	3,145	710,759			
Disposals	-	-	-	-	-	-	11,800	-	11,800			
Accumulated amortization, end of year	169,824	1,215,256	747,477	2,903,125	1,795,561	3,590,741	217,682	56,976	10,696,642			
Net carrying amount, end of year	\$ 690,870	\$ 948,735	\$ 484,094	\$ 4,624,257	\$ 5,066,851	\$ 6,951,743	\$ 83,241	\$ 13,999	\$ 18,863,790			

**The Corporation of the Town of Rainy River
Notes to Consolidated Financial Statements**

December 31, 2018

7. Tangible Capital Assets (continued)

2017

	Land and land improvements	Buildings	Machinery and equipment	Roads and bridges	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total
Cost, beginning of year	\$ 831,782	\$ 2,163,991	\$ 1,201,262	\$ 6,597,626	\$ 6,278,753	\$ 10,227,355	\$ 264,192	\$ 70,975	\$ 27,635,936
Additions	18,830	-	-	-	-	-	24,931	-	43,761
Disposals	-	-	-	-	-	-	-	-	-
Cost, end of year	850,612	2,163,991	1,201,262	6,597,626	6,278,753	10,227,355	289,123	70,975	27,679,697
Accumulated amortization, beginning of year	128,994	1,128,437	628,109	2,420,827	1,558,652	3,214,397	185,254	50,686	9,315,356
Amortization	20,415	43,389	61,556	224,540	109,929	185,439	10,314	3,145	658,727
Disposals	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	149,409	1,171,826	689,665	2,645,367	1,668,581	3,399,836	195,568	53,831	9,974,083
Net carrying amount, end of year	\$ 701,203	\$ 992,165	\$ 511,597	\$ 3,952,259	\$ 4,610,172	\$ 6,827,519	\$ 93,555	\$ 17,144	\$ 17,705,614

The net book value of tangible capital assets not being amortized because they are under construction is \$1,531,473 (2017 - \$1,742,920). These items are recognized separately as tangible capital assets under construction in the consolidated statement of financial position.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

8. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2018	2017
Investment in tangible capital assets		
Tangible capital assets	\$ 20,395,263	\$ 19,448,535
Long-term debt	(285,806)	(315,460)
	20,109,457	19,133,075
General operating	188,634	79,264
Water	(366,686)	(232,657)
Sewer	(405,610)	(249,984)
Recreation board	(1,695)	15,741
Cemetery	(29,031)	(19,002)
Library	18,575	19,402
Health Care Committee	(13,163)	(15,661)
Heritage Square Committee	2,282	2,254
	(606,694)	(400,643)
Other allocated deficits		
Landfill closure	(33,236)	(30,226)
Employee future benefits	(53,879)	(49,786)
	(87,115)	(80,012)
Reserve funds		
Hydro sale	334,363	334,363
Water	3,402	3,402
Locum house	2,965	2,895
Library	22,422	31,302
Sick leave	21,817	21,817
Fire department	18,945	18,946
Health centre	7,944	7,944
	411,858	420,669
Working capital reserve	87,808	87,808
	\$ 19,915,314	\$ 19,160,897

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by by-law or Council resolution for specific purposes. At December 31, 2018, the Municipality had \$25,387 (2017 - \$53,332) in investments restricted by Council resolution with respect to those reserve funds. As a result, there were \$386,471 (2017 - \$367,337) in unfunded reserve funds.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

9. Government Transfers - Federal

	2018	2017
Operating		
Other	\$ 24,162	\$ 9,456
Tangible capital assets		
Association of Municipalities of Ontario		
Federal Gas Tax Fund	53,637	52,104
Total federal transfers	\$ 77,799	\$ 61,560

10. Government Transfers - Provincial

	2018	2017
Operating		
Ontario Municipal Partnership Fund	\$ 631,000	\$ 599,200
Ontario Disaster Relief Assistance Program	-	-
Other	51,352	55,927
Total operating transfers	682,352	655,127
Tangible capital assets		
Clean Water and Wastewater Fund (Ontario)	227,370	-
Ontario Community Infrastructure Fund	397,219	1,588,423
Connecting Links Program	500,501	-
Total tangible capital assets transfers	1,125,090	1,588,423
Total provincial transfers	\$ 1,807,442	\$ 2,243,550

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

11. Other Income

	2018	2017
Penalties and interest on taxes	\$ 34,127	\$ 29,404
Licences and permits	5,727	6,551
Rents, concessions and franchises	46,058	45,548
Donations	21,750	39,471
Gain on disposal of tangible capital assets	300	-
Provincial offences	4,731	1,268
Other fines	8,594	7,018
Miscellaneous	51,973	51,799
	\$ 173,260	\$ 181,059

12. Expenses by Object

	2018	2017
Salaries, wages and employee benefits	\$ 802,091	\$ 731,990
Interest on long-term debt	8,073	4,931
Materials	522,692	560,782
Contracted services	337,857	317,311
Rent and financial expenses	170,774	209,206
Contributions to other organizations	169,202	127,341
Amortization	710,759	658,727
	\$ 2,721,448	\$ 2,610,288

13. Operations of School Boards

	2018	2017
During the year, the following taxation revenue was raised and remitted to the school boards	\$ 68,534	\$ 69,107

14. Contingent Liabilities

The Municipality has identified soil contamination on municipal property and retained a third party engineer to assess and remediate any soil impacted. While the engineer was able to excavate soil that was deemed contaminated, they were unable to completely assess the extent of the contamination due to infrastructure and natural features preventing an increase in the area or depth of the excavation and assessment. As a result of these limitations, the extent of the remaining contamination, if any, is undeterminable at this time and no liability for the future costs of remediation have been recognized. Should any loss result from future remediation, such loss will be charged to operations in the year of remediation. The property is still in productive use as at December 31, 2018.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

15. Contributions to Unconsolidated Boards

The following contributions were made by the Municipality to these boards:

	2018	2017
Northwestern Health Unit	\$ 39,617	\$ 39,617
Rainy River District Social Services Administration Board		
Ambulance service	47,411	46,793
General assistance	3,248	4,592
Child care	4,041	5,522
Social housing	27,201	28,435
	<u>\$ 121,518</u>	<u>\$ 124,959</u>

16. Pension Agreements

The employees of the Municipality participate in the Ontario Municipal Employees Retirement System (OMERS). 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 contributions plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period.

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 this 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 2018 were \$40,423 (2017 - \$37,906) for current services.

17. Trust Funds

The trust funds administered by the Municipality amounting to \$130,166 (2017 - \$129,302) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

18. Commitments

Locum Housing

The Municipality has entered into an agreement with two other municipalities to construct and maintain housing for locum doctors in the Town of Rainy River. In the event that insufficient grants, contributions, donations or fundraising proceeds are available to cover the costs of the construction and furnishings of the housing, the parties to the agreement have agreed to provide the necessary funds to complete the project by way of repayable loans, bearing interest at prime up to the maximum set by the committee.

Ornge Helipad

The Municipality has entered into an agreement with Ornge for the access and maintenance of the Helipad located in Rainy River. The Municipality has committed to provide ongoing maintenance and repair to the Helipad until the end of the agreement on March 31, 2020. Ornge has agreed to provide a fee of up to \$3,500 per fiscal year (April 1st to March 31st) to the Municipality in order to assist with the related costs.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

19. Government Partnership

On July 11, 2011, the Municipality entered into an agreement with three other communities to jointly construct and maintain housing for locum physicians and medical students. All revenues and costs related to the development and operations will be shared based on each community's financial contribution to the project. Upon entering into the agreement, each community made a \$25,000 refundable contribution leaving each community with a 25% proportional interest.

In September 2015, one of the member communities withdrew from the partnership and was refunded their original \$25,000 member contribution. For each of the remaining three member communities, the exit of this partner resulted in an increase in their proportionate interest of the partnership to 33.33%.

	2018		2017	
	Total	Municipality Portion	Total	Municipality Portion
Financial assets	\$ 45,032	\$ 15,011	\$ 38,705	\$ 12,902
Financial liabilities	75,627	25,209	77,004	25,668
Net financial assets (debt)	(30,595)	(10,198)	(38,299)	(12,766)
Non-financial assets	417,290	139,097	423,382	141,128
Accumulated surplus	<u>\$ 386,695</u>	<u>\$ 128,899</u>	<u>\$ 385,083</u>	<u>\$ 128,362</u>

	2018		2017	
	Total	Municipality Portion	Total	Municipality Portion
Revenue	\$ 15,796	\$ 5,265	\$ 15,438	\$ 5,146
Expenses	14,184	4,728	14,236	4,745
Annual surplus	1,612	537	1,202	401
Accumulated surplus, beginning of year	385,083	128,362	383,881	127,961
Accumulated surplus, end of year	<u>\$ 386,695</u>	<u>\$ 128,899</u>	<u>\$ 385,083</u>	<u>\$ 128,362</u>

The Corporation of the Town of Rainy River

Notes to Consolidated Financial Statements

December 31, 2018

20. Segmented Information

The Corporation of the Town of Rainy River is a diversified municipal government institution that provides a wide range of services to its citizens. The management of the Municipality considers decisions based on separate service areas. These service areas are: general government, protection services, transportation services, environmental services, health services, social and family services, social housing, recreation and cultural services and planning and development.

Descriptions of the services and funds that management bases their decisions on are as follows:

General Government

General government consists of governance, Corporate management and program support. These categories relate to operations of all of the various programs and services that the Municipality offers to its citizens.

Protection Services

Protection is comprised of police service and fire protection. Police service is contracted out to the Ontario Provincial Police. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishments of fires. The members of the fire department consist of volunteers.

Transportation Services

The transportation services area provides construction and maintenance of the roadways throughout the Municipality.

Environmental Services

Environmental services consists of the management and maintenance of the sanitary sewer system, waterworks system and waste disposal facility located within the municipal borders.

Health Services

Health services are comprised of public health services and ambulance service. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social and Family Services

Social and family services are comprised of general assistance, child care and assistance to the aged. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social Housing

The Municipality contributes to a local board, which provides social housing if the citizens of the Corporation of the Town of Rainy River require the service.

Recreation and Cultural Services

This service area consists of the operation and maintenance of local parks, recreation facilities, cultural facilities and the Town library.

Planning and Development

These services relate to zoning issues as well as planning of various municipal maintenance projects.

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

20. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services			Recreation and Cultural Services	Planning and Development	2018 Total
						Family Services	Social Housing	Social Housing			
Revenue											
Taxation	\$ 267,292	\$ 144,221	\$ 82,742	\$ 34,982	\$ 104,339	\$ 6,396	\$ -	\$ 75,563	\$ 5,649	\$ -	\$ 721,184
Fees and user charges	6,016	-	16,828	558,847	3,770	4,317	-	90,219	-	-	679,997
Conditional grants	-	-	504,268	678,226	-	6,325	-	65,422	-	-	1,254,241
Unconditional grants	168,565	126,186	17,033	30,608	91,291	3,410	65,302	128,605	-	-	631,000
Municipal grants	-	-	-	-	-	-	-	17,955	-	-	17,955
Other	56,985	34,294	14,947	8,318	24,810	927	6,574	18,562	6,071	-	171,488
	498,858	304,701	635,818	1,310,981	224,210	21,375	71,876	396,326	11,720	-	3,475,865
Expenses											
Wages and benefits	279,444	-	122,488	216,587	12,681	720	-	170,171	-	-	802,091
Interest on long-term debt	-	-	-	8,073	-	-	-	-	-	-	8,073
Materials	66,023	17,516	136,098	129,280	25,029	6,182	-	142,564	-	-	522,692
Contracted services	16,834	220,383	21,670	73,321	-	-	-	-	5,649	-	337,857
Rent and financial	105,392	-	-	28,631	6,991	6,840	-	22,920	-	-	170,774
External transfers	839	46,845	-	-	87,028	7,289	27,201	-	-	-	169,202
Amortization	4,035	5,046	297,476	354,342	7,564	-	-	42,296	-	-	710,759
	472,567	289,790	577,732	810,234	139,293	21,031	27,201	377,951	5,649	-	2,721,448
Net surplus	\$ 26,291	\$ 14,911	\$ 58,086	\$ 500,747	\$ 84,917	\$ 344	\$ 44,675	\$ 18,375	\$ 6,071	\$ -	\$ 754,417

The Corporation of the Town of Rainy River Notes to Consolidated Financial Statements

December 31, 2018

20. Segmented Information (continued)

For the year ended December 31	General Government		Protection Services	Transportation Services	Environmental Services	Health Services	Family Services	Social and Services	Social Housing	Recreation and Cultural Services	Planning and Development	2017 Total				
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$					
Revenue																
Taxation	50,890	\$	134,164	197	255,017	108,708	10,554	-	96,276	5,894	\$	661,700				
Fees and user charges	5,419	-	-	14,043	551,062	8,119	280	-	85,282	-	-	664,205				
Conditional grants	-	-	-	1,640,527	-	-	7,150	-	58,233	-	-	1,705,910				
Unconditional grants	1,636	-	121,492	180	230,929	98,440	3,540	55,801	87,182	-	-	599,200				
Municipal grants	-	-	-	-	-	-	-	-	17,446	-	-	17,446				
Other	17,054	-	35,958	-	68,348	29,135	1,048	-	25,803	-	-	177,346				
	74,999		291,614	1,654,947	1,105,356	244,402	22,572	55,801	370,222	5,894		3,825,807				
Expenses																
Wages and benefits	250,394	-	-	118,398	159,816	10,345	720	-	192,317	-	-	731,990				
Interest on long-term debt	-	-	-	-	4,931	-	-	-	-	-	-	4,931				
Materials	58,990	19,457	217,525	122,174	128,024	29,484	3,128	-	199,525	-	-	560,782				
Contracted services	14,320	-	-	11,435	68,137	-	-	-	-	5,894	-	317,311				
Rent and financial	146,102	-	-	-	26,036	7,163	6,834	-	23,071	-	-	209,206				
External transfers	606	-	-	-	-	86,410	11,890	28,435	-	-	-	127,341				
Amortization	4,035	5,046	269,059	331,825	8,206	-	-	-	40,556	-	-	658,727				
	474,447		242,028	521,066	718,769	141,608	22,572	28,435	455,469	5,894		2,610,288				
Net surplus (deficit)	\$	(399,448)	\$	49,586	\$	1,133,881	\$	386,587	\$	102,794	\$	27,366	\$	(85,247)	\$	1,215,519

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes, certain government grants and other revenue have been apportioned based on a percentage of budgeted expenditures.



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Independent Auditor's Report

To the Members of Council of The Corporation of the Town of Rainy River

Opinion

We have audited the accompanying financial statements of the Corporation of the Town of Rainy River Trust Funds (the Entity), which comprise the balance sheet as at December 31, 2018, and the statement of continuity 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 the continuity thereof, in accordance with the basis of accounting as described in Note 1.

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 Entity 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.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Corporation of the Town of Rainy River to comply with the reporting requirements of the Bereavement Authority of Ontario. As a result, the financial statements may not be suitable for another purpose.

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 the basis of accounting as described in Note 1, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
April 8, 2019

**The Corporation of the Town of Rainy River
Trust Funds
Balance Sheet**

December 31, 2018	Library	Cemetery Perpetual Care	Ontario Home Renewal Program	2018 Total	2017 Total
Assets					
Cash	\$ -	\$ 1,989	\$ -	\$ 1,989	\$ 1,662
Investments at cost					
Deposit receipts	7,727	120,623	-	128,350	126,480
Accounts receivable					
Long-term	-	-	2,095	2,095	2,095
	<u>\$ 7,727</u>	<u>\$ 122,612</u>	<u>\$ 2,095</u>	<u>\$ 132,434</u>	<u>\$ 130,237</u>
Liabilities					
Accounts payable	\$ -	\$ 2,268	\$ -	\$ 2,268	\$ 935
Balance capital	7,727	120,344	2,095	130,166	129,302
	<u>\$ 7,727</u>	<u>\$ 122,612</u>	<u>\$ 2,095</u>	<u>\$ 132,434</u>	<u>\$ 130,237</u>

Statement of Continuity

December 31, 2018	Library	Cemetery Perpetual Care	Ontario Home Renewal Program	2018 Total	2017 Total
Balance, beginning of year	\$ 7,651	\$ 119,556	\$ 2,095	\$ 129,302	\$ 128,181
Capital receipts					
Care receipts and contributions	-	788	-	788	1,045
Interest earned	76	1,794	-	1,870	255
	<u>76</u>	<u>2,582</u>	<u>-</u>	<u>2,658</u>	<u>1,300</u>
Expenditures					
Interest paid to cemetery	-	1,794	-	1,794	179
Balance, end of year	<u>\$ 7,727</u>	<u>\$ 120,344</u>	<u>\$ 2,095</u>	<u>\$ 130,166</u>	<u>\$ 129,302</u>

The Corporation of the Town of Rainy River Trust Funds Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

Management's Responsibility The financial statements of the Corporation of the Town of Rainy River Trust Funds are the representation of management and have been prepared in accordance with accrual based accounting principals. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.

Accrual Basis of Accounting Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

Basis of Consolidation These trust funds have not been consolidated with the financial statements of the Municipality.

2. Cemetery Perpetual Care Trust Fund

The Cemetery Perpetual Care Trust Fund was established in accordance with the Cemeteries Act for the care and maintenance of certain cemetery grounds.

3. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for Municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. The loans were in the form of repayable and forgivable loans depending on household income. Individual loans were limited to \$7,500, of which the maximum forgivable portion was \$4,000.

As of July 16, 1993, the Ontario Home Renewal Program was discontinued and Municipalities were prohibited from issuing further loans as of that date. All OHRP funds held in municipal trust accounts as of December 31, 1993, were remitted to the Province by March 1, 1994. Any loans receivable under the program which are collected subsequent to December 31, 1993, are remitted to the Province by March 1 of the following year. However, Municipalities will be provided an administration fee of five per cent of the balances collected after December 31, 1993, and are permitted to retain the interest earned on unremitted OHRP trust account balances.

**The Corporation of the Town of Rainy River
Trust Funds
Notes to Financial Statements**

December 31, 2018

4. Library Trust Fund

The Library Trust Fund was established from a bequest for the purpose of maintaining the Library building.

5. Statement of Changes in Cash Flows

A statement of changes in cash flows has not been provided since the sources and uses of cash are readily apparent from the information included in the financial statements.