

**The Corporation of the
Town of Rainy River
Consolidated Financial Statements
For the year ended December 31, 2015**

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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, Inhabitants and Ratepayers of The Corporation of the Town of Rainy River

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Rainy River as at December 31, 2015, which are comprised of the consolidated Statement of Financial Position as at December 31, 2015, and the consolidated Statement of Operations, the consolidated Statement of Change in Net Financial Assets (Debt) and the consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of the Corporation of the Town of Rainy River as at December 31, 2015, and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
March 7, 2016

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

December 31	2015	2014
Financial assets		
Cash and cash equivalents	\$ 84,649	\$ 81,892
Taxes receivable (Note 2)	161,504	129,455
Accounts receivable	811,573	376,985
Investments (Note 1)	85,256	1,175,640
	<u>1,142,982</u>	<u>1,763,972</u>
Liabilities		
Bank indebtedness (Note 3)	262,898	53,429
Accounts payable and accrued liabilities	1,409,111	140,782
Demand loan (Note 4)	300,000	-
Deferred revenue (Note 5)	339,320	1,290,252
Net long-term debt (Note 6)	-	4,019
Solid waste closure and post-closure liabilities (Note 7)	24,727	22,221
Post-employment benefits	45,337	43,086
	<u>2,381,393</u>	<u>1,553,789</u>
Net financial assets (debt)	<u>(1,238,411)</u>	<u>210,183</u>
Non-financial assets		
Tangible capital assets (Note 8)	18,103,199	14,213,765
Tangible capital assets under construction	87,559	30,043
Inventory of supplies	19,684	19,684
Prepaid expenses	20,721	19,934
	<u>18,231,163</u>	<u>14,283,426</u>
Accumulated surplus (Note 9)	<u>\$ 16,992,752</u>	<u>\$ 14,493,609</u>

Contingent liabilities (Note 15)

Commitments (Note 19)

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

For the year ended December 31	Budget 2015	2015	2014
Revenue			
Taxation	\$ 606,282	\$ 615,417	\$ 532,739
Government transfers - Federal (Note 10)	48,760	82,293	189,050
Government transfers - Provincial (Note 11)	680,005	3,263,381	896,476
User fees and service charges	668,120	617,204	605,506
Investment income	19,250	199,140	23,554
Municipal grants	15,000	15,400	15,000
Other income (Note 12)	96,530	182,231	150,287
	<u>2,133,947</u>	<u>4,975,066</u>	<u>2,412,612</u>
Expenses			
General government	283,079	448,274	384,942
Protection services	254,421	202,826	203,962
Transportation services	405,881	485,827	397,886
Environmental services	829,126	707,764	711,146
Health services	158,922	161,462	139,206
Social and family services	21,143	28,948	29,452
Social housing	29,639	29,639	26,682
Recreation and cultural services	391,911	405,217	588,976
Planning and development	5,960	5,966	6,078
	<u>2,380,082</u>	<u>2,475,923</u>	<u>2,488,330</u>
Annual surplus (deficit)	<u>(246,135)</u>	<u>2,499,143</u>	<u>(75,718)</u>
Accumulated surplus, beginning of year	<u>14,493,609</u>	<u>14,493,609</u>	<u>14,569,327</u>
Accumulated surplus, end of year	<u>\$ 14,247,474</u>	<u>\$ 16,992,752</u>	<u>\$ 14,493,609</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 Financial Assets (Debt)**

For the year ended December 31	Budget 2015	2015	2014
Annual surplus (deficit)	\$ (246,135)	\$ 2,499,143	\$ (75,718)
Acquisition of tangible capital assets	(27,090)	(4,530,614)	(391,531)
Amortization of tangible capital assets	489,978	641,180	500,665
Gain on disposal of tangible capital assets	-	(9,678)	(48,421)
Proceeds on sale of tangible capital assets	-	9,678	48,421
Acquisition of assets under construction	-	(57,516)	(30,043)
	216,753	(1,447,807)	3,373
Use/consumption of prepaid expenses and inventory of supplies	-	(787)	(1,527)
Net change in net financial assets (debt)	216,753	(1,448,594)	1,846
Net financial assets, beginning of year	210,183	210,183	208,337
Net financial assets (debt), end of year	\$ 426,936	\$ (1,238,411)	\$ 210,183

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 Cash Flows

For the year ended December 31	2015	2014
Operating transactions		
Annual surplus (deficit)	\$ 2,499,143	\$ (75,718)
Items not involving cash		
Amortization	641,180	500,665
Gain on disposal of tangible capital assets	(9,678)	(48,421)
Changes in non-cash operating balances		
Taxes receivable	(32,049)	(8,273)
Accounts receivable	(434,588)	(49,140)
Prepaid expenses and inventory of supplies	(787)	(1,527)
Accounts payable and accrued liabilities	1,268,329	57,160
Deferred revenue	(950,932)	1,138,236
Solid waste closure and post-closure liabilities	2,506	9,306
Post-employment benefits	2,251	(13,545)
	<u>2,985,375</u>	<u>1,508,743</u>
Capital transactions		
Acquisition of tangible capital assets	(4,530,614)	(391,531)
Proceeds on sale of tangible capital assets	9,678	48,421
Acquisition of tangible capital assets under construction	(57,516)	(30,043)
	<u>(4,578,452)</u>	<u>(373,153)</u>
Investing transactions		
Decrease (increase) in temporary investments	<u>1,090,384</u>	<u>(1,094,766)</u>
Financing transactions		
Proceeds from issuance of demand debt	300,000	-
Repayment of long-term debt	(4,019)	(3,901)
	<u>(206,712)</u>	<u>36,923</u>
Net change in cash and cash equivalents	(206,712)	36,923
Cash and cash equivalents (bank indebtedness), beginning of year	<u>28,463</u>	<u>(8,460)</u>
Cash and cash equivalents (bank indebtedness), end of year	<u>\$ (178,249)</u>	<u>\$ 28,463</u>
Represented by		
Cash and cash equivalents	\$ 84,649	\$ 81,892
Bank indebtedness	(262,898)	(53,429)
	<u>\$ (178,249)</u>	<u>\$ 28,463</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 Summary of Significant Accounting Policies

December 31, 2015

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 Canadian Institute of Chartered Accountants.

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

Government business enterprises and partnerships are separate legal entities which do not rely on the Municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. No government business enterprises are reflected in the consolidated financial statements.

The Corporation of the Town of Rainy River

Summary of Significant Accounting Policies

December 31, 2015

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.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year. Accumulated surplus represents the financial position of the Municipality, and is the difference between its' assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its' ability to finance activities and meet its' obligations.

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, 2015

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>The Municipality prepares property tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC), in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized when the taxable event occurs.</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, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria and stipulations have been met, and reasonable estimates of the amount can be made.
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, 2015

Use of Estimates	<p>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.</p> <p>The estimates used in preparation of these consolidated financial statements are the useful lives of the property, plant and equipment, the capacity of the landfill site, the useful lives of the landfill site, the post-closure costs of the landfill, and taxation revenue.</p>
Pension Agreements	<p>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.</p>
Contaminated Sites	<p>Effective January 1, 2015, the Municipality adopted the new Public Sector Accounting Standard PS 3260 Contaminated Sites. The new standard can be applied retroactively or prospectively, and the Municipality has elected to apply it prospectively.</p> <p>Under PS3260, governments are required to accrue a liability for the costs to remediate a contaminate site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.</p> <p>Management has assessed its potential liabilities under the standard including sites that are no longer in productive use and sites which the Municipality accepts responsibility. There were no such sites that had contamination in excess of an environment standard which required remediation at this time, therefore no liability was recognized on transition as at January 1, 2015 or at December 31, 2015.</p>

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

December 31, 2015

1. Investments

	2015	2014
Investments restricted by Council resolution		
Restricted cash	\$ 27,262	\$ 17,871
Money market	57,994	57,769
	85,256	75,640
Other restricted investments		
Equity fund	-	1,100,000
	\$ 85,256	\$ 1,175,640

The income from investments for the year was \$194,728 (2014 - \$664). The Municipality's investments restricted by Council resolution have a market value of \$85,200 (2014 - \$75,437). The Municipality's other restricted investments have a market value of \$NIL (2014 - \$1,259,440)

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 9).

2. Taxes Receivable

	2015	2014
Taxes receivable	\$ 174,544	\$ 129,455
Allowance for doubtful accounts	(13,040)	-
	\$ 161,504	\$ 129,455

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%.

4. Demand Loan

The Municipality's demand loan consists of a credit facility with a Canadian Chartered Bank which was obtained as a means of temporarily financing municipal capital infrastructure additions until grant funding for the project is received. The demand loan is subject to interest at the bank's prime rate + 1.0% and has a maturity date of March 31, 2016.

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

December 31, 2015

5. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ -	\$ 48,761	\$ -	\$ (48,761)	-
Infrastructure programs	1,229,463	1,030,000	-	(1,964,230)	295,233
Other	60,789	22,759	-	(39,461)	44,087
	<u>\$ 1,290,252</u>	<u>\$ 1,101,520</u>	<u>\$ -</u>	<u>\$ (2,052,452)</u>	<u>\$ 339,320</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.

6. Net Long-term Debt

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

	<u>2015</u>	<u>2014</u>
Rainy River Future Development Corporation Loan, payable at \$340 monthly, including interest at 3%. Matures December 1, 2015.	\$ -	\$ 4,019

The gross interest paid relating to the above long-term debt was \$72 (2014 - \$184).

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

December 31, 2015

7. 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 \$24,727 (2014 - \$22,221) 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 229,276 cubic meters, which are estimated to be filled in 172 years. Post-closure care is estimated to continue for a period of 25 years.

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, 2015

8. Tangible Capital Assets

								2015	
	Land and land improvements	Buildings equipment	Machinery and equipment	Roads and bridges infrastructure	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total
Cost, beginning of year	\$ 291,543	\$ 2,134,148	\$ 906,943	\$ 3,674,913	\$ 5,347,175	\$ 9,542,813	\$ 264,192	\$ 70,975	\$ 22,232,702
Additions	57,693	29,843	15,728	2,811,230	931,578	684,542	-	-	4,530,614
Disposals	-	-	(14,300)	-	-	-	-	-	(14,300)
Cost, end of year	349,236	2,163,991	908,371	6,486,143	6,278,753	10,227,355	264,192	70,975	26,749,016
Accumulated amortization, beginning of year	102,112	1,036,957	554,029	1,938,141	1,338,794	2,843,519	166,453	38,932	8,018,937
Amortization	7,409	48,091	33,824	239,657	109,929	185,439	9,734	7,097	641,180
Disposals	-	-	(14,300)	-	-	-	-	-	(14,300)
Accumulated amortization, end of year	109,521	1,085,048	573,553	2,177,798	1,448,723	3,028,958	176,187	46,029	8,645,817
Net carrying amount, end of year	\$ 239,715	\$ 1,078,943	\$ 334,818	\$ 4,308,345	\$ 4,830,030	\$ 7,198,397	\$ 88,005	\$ 24,946	\$ 18,103,199

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

December 31, 2015

8. Tangible Capital Assets (continued)

								2014	
	Land and land improvements	Buildings and equipment	Machinery and equipment	Roads and bridges infrastructure	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total
Cost, beginning of year	\$ 283,281	\$ 2,130,450	\$ 788,747	\$ 3,439,232	\$ 5,347,175	\$ 9,542,813	\$ 264,192	\$ 45,281	\$ 21,841,171
Additions	8,262	3,698	118,196	235,681	-	-	-	25,694	391,531
Disposals	-	-	-	-	-	-	-	-	-
Cost, end of year	291,543	2,134,148	906,943	3,674,913	5,347,175	9,542,813	264,192	70,975	22,232,702
Accumulated amortization, beginning of year	95,954	990,099	512,749	1,815,470	1,244,989	2,670,457	156,719	31,835	7,518,272
Amortization	6,158	46,858	41,280	122,671	93,805	173,062	9,734	7,097	500,665
Disposals	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	102,112	1,036,957	554,029	1,938,141	1,338,794	2,843,519	166,453	38,932	8,018,937
Net carrying amount, end of year	\$ 189,431	\$ 1,097,191	\$ 352,914	\$ 1,736,772	\$ 4,008,381	\$ 6,699,294	\$ 97,739	\$ 32,043	\$ 14,213,765

The net book value of tangible capital assets not being amortized because they are under construction is \$87,559 (2014 - \$30,043). 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, 2015

9. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2015	2014
Investment in tangible capital assets		
Tangible capital assets	\$ 18,190,758	\$ 14,243,808
Demand debt	(300,000)	-
Long-term debt	-	(4,019)
	17,890,758	14,239,789
General operating	1,760	(49,267)
Water	(734,823)	(135,747)
Sewer	(650,862)	(48,808)
Recreation board	49,349	39,286
Cemetery	(1,396)	3,027
Library	10,745	5,279
Activity centre	14,836	11,076
Health Care Committee	(17,023)	4,980
	(1,327,414)	(170,174)
Other allocated deficits		
Landfill closure	(24,727)	(22,221)
Employee future benefits	(45,337)	(43,086)
	(70,064)	(65,307)
Reserve funds		
Hydro sale	333,376	332,094
Water	3,392	3,379
Library	26,333	17,643
Sick leave	21,752	21,669
Fire department	18,890	18,817
Health centre	7,921	7,891
	411,664	401,493
Working capital reserve	87,808	87,808
	\$ 16,992,752	\$ 14,493,609

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, 2015, the Municipality had \$85,256 (2014 - \$75,640) in investments restricted by Council resolution with respect to those reserve funds. As a result, there were \$326,408 (2014 - \$325,853) in unfunded reserve funds.

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

December 31, 2015

10. Government Transfers - Federal

	2015	2014
Operating		
Other	\$ 8,532	\$ 8,571
Tangible capital assets		
Association of Municipalities of Ontario Federal Gas Tax Fund	48,761	50,251
Community Infrastructure Improvement Fund	-	130,228
Other	25,000	-
Total tangible capital assets transfers	73,761	180,479
Total federal transfers	\$ 82,293	\$ 189,050

11. Government Transfers - Provincial

	2015	2014
Operating		
Ontario Municipal Partnership Fund	\$ 558,400	\$ 527,200
Ontario Disaster Relief Assistance Program	15,140	207,400
Other	94,597	109,143
Total operating transfers	668,137	843,743
Tangible capital assets		
Northern Ontario Heritage Fund Corporation	438,037	-
Ontario Community Infrastructure Fund Small Rural Northern Municipal Infrastructure Fund	415,568	-
Municipal Infrastructure Investment Initiative	1,672,961	27,039
Total tangible capital assets transfers	68,678	25,694
Total provincial transfers	\$ 3,263,381	\$ 896,476

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

December 31, 2015

12. Other Income

	2015	2014
Penalties and interest on taxes	\$ 20,751	\$ 17,292
Licences and permits	9,584	3,242
Rents, concessions and franchises	47,580	43,123
Donations	16,331	12,905
Gain (loss) on disposal of tangible capital assets	9,678	48,421
Provincial offences	3,125	2,416
Other fines	7,102	6,780
Miscellaneous	68,080	16,108
	\$ 182,231	\$ 150,287

13. Expenses by Object

	2015	2014
Salaries, wages and employee benefits	\$ 708,499	\$ 697,882
Long-term debt charges - interest	72	184
Materials	569,205	723,670
Contracted services	277,305	270,563
Rents and financial expenses	145,611	151,785
Contributions to other organizations	134,051	143,581
Amortization	641,180	500,665
	\$ 2,475,923	\$ 2,488,330

14. Operations of School Boards

	2015	2014
During the year, the following taxation revenue was raised and remitted to the school boards	\$ 81,009	\$ 80,448

15. 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, 2015.

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

December 31, 2015

16. Contributions to Unconsolidated Boards

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

	2015	2014
Northwestern Health Unit	\$ 37,611	\$ 35,451
Rainy River District Social Services Administration Board		
Ambulance service	46,593	48,057
General assistance	7,104	4,412
Child care	4,970	5,013
Social housing	29,639	26,682
	<u>\$ 125,917</u>	<u>\$ 119,615</u>

17. Pension Agreements

OMERS provides pension services to more than 461,000 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, 2014. The results of this valuation disclosed total actuarial liabilities of \$77,284 million in respect of benefits accrued for service with actuarial assets at that date of \$70,206 million indicating an actuarial deficit of \$7,078 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 Corporation does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2015 were \$35,638 (2014 - \$36,597) for current services.

18. Trust Funds

The trust funds administered by the Municipality amounting to \$126,548 (2014 - \$132,241) 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, 2015

19. Commitments

Rainycrest Home for the Aged

As a result of the restructuring of Rainycrest Home for the Aged, the Municipality has agreed to annual contributions to Riverside Health Care Facilities, Inc. for support of Long-Term Care Programs and Services, until the year ended December 31, 2016.

The committed annual payment for the next year is as follows:

Year	Amount
2016	\$ 3,281

Locum Housing

The Municipality has entered into an agreement with two other organizations to construct 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, 2017. 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, 2015

20. 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% and a corresponding gain in the partnership interest of \$38,434. This gain has been recognized on a prospective basis and has been included in the Municipalities other income on the consolidated statement of operations for the year ended December 31, 2015.

	2015		2014	
	Total	Municipality Portion	Total	Municipality Portion
Financial assets	\$ 26,141	\$ 8,714	\$ 136,742	\$ 34,186
Financial liabilities	77,211	25,737	116,824	29,206
Net financial assets	(51,070)	(17,023)	19,918	4,980
Non-financial assets	445,185	145,107	441,288	110,322
Accumulated surplus	<u>\$ 394,115</u>	<u>\$ 128,084</u>	<u>\$ 461,206</u>	<u>\$ 115,302</u>

	2015		2014	
	Total	Municipality Portion	Total	Municipality Portion
Revenue	\$ 30,902	\$ 7,503	\$ 21,774	\$ 5,444
Expenses	97,993	33,155	24,243	6,061
Annual deficit, before the following	(67,091)	(25,652)	(2,469)	(617)
Gain in partnership interest	-	38,434	-	-
Annual surplus (deficit)	(67,091)	12,782	(2,469)	(617)
Accumulated surplus, beginning of year	461,206	115,302	463,675	115,919
Accumulated surplus, end of year	<u>\$ 394,115</u>	<u>\$ 128,084</u>	<u>\$ 461,206</u>	<u>\$ 115,302</u>

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

December 31, 2015

21. 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 extinguishment 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, 2015

21. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Family Services	Social and Social Services	Social Housing	Recreation and Cultural Services	Planning and Development	2015 Total
Revenue											
Taxation	\$ 1,923	\$ 189,741	\$ 425	\$ 158,851	\$ 179,459	\$ 9,654	\$ 108	\$ 69,290	\$ 5,966	\$ 615,417	
Fees and user charges	5,127	-	6,485	501,268	8,241	3,950	-	92,133	-	617,204	
Conditional grants	-	-	2,600,522	68,677	-	7,021	-	111,054	-	2,787,274	
Unconditional grants	165	172,162	386	144,135	144,206	4,945	29,531	62,870	-	558,400	
Municipal grants	-	-	-	-	-	-	-	15,400	-	15,400	
Other	7,558	117,582	263	98,440	111,211	3,378	-	42,939	-	381,371	
	14,773	479,485	2,608,081	971,371	443,117	28,948	29,639	393,686	5,966	4,975,066	
Expenses											
Wages and benefits	245,734	-	85,233	200,389	3,585	720	-	172,838	-	708,499	
Long-term debt charges	-	-	-	-	-	-	-	-	-	72	72
Materials	66,826	21,256	115,424	117,617	57,632	3,591	-	186,859	-	569,205	
Contracted services	14,240	176,524	1,130	79,517	-	6,000	-	-	5,894	277,305	
Rents and financial	110,914	-	-	3,892	7,100	-	-	17,705	-	145,611	
External transfers	1,306	-	-	-	84,204	18,637	-	265	-	134,051	
Amortization	9,254	5,046	284,040	306,349	8,941	-	-	27,550	-	641,180	
	448,274	202,826	485,827	707,764	161,462	28,948	29,639	405,217	5,966	2,475,923	
Net surplus (deficit)	\$ (433,501)	\$ 276,659	\$ 2,122,254	\$ 263,607	\$ 281,655	\$ -	\$ -	\$ (11,531)	\$ -	\$ 2,499,143	

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

December 31, 2015

21. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Family Services	Social and Community Services	Social Housing	Recreation and Cultural Services	Planning and Development	2014 Total
Revenue											
Taxation	\$ 267,037	\$ 68,216	\$ 64,088	\$ -	\$ 54,353	\$ 12,087	\$ -	\$ -	\$ 60,880	\$ 6,078	\$ 532,739
Fees and user charges	5,266	-	12,758	496,984	5,850	3,900	-	-	80,748	-	605,506
Conditional grants	-	-	98,541	162,973	-	7,197	-	-	289,614	-	558,325
Unconditional grants	134,699	67,507	63,422	116,141	53,787	4,715	26,682	-	60,247	-	527,200
Municipal grants	-	-	-	-	-	-	-	-	15,000	-	15,000
Other	53,214	22,260	20,913	38,298	17,736	1,555	-	-	19,866	-	173,842
	460,216	157,983	259,722	814,396	131,726	29,454	26,682	526,355	6,078	2,412,612	
Expenses											
Wages and benefits	185,717	-	92,373	196,235	10,400	720	-	212,437	-	-	697,882
Long-term debt charges	-	-	-	-	-	-	-	-	-	184	184
Materials	74,216	30,344	130,837	135,353	31,477	2,628	-	318,815	-	-	723,670
Contracted services	14,407	160,496	8,242	81,404	-	-	-	120	-	5,894	270,563
Rents and financial	98,779	-	-	22,875	6,113	6,834	-	17,184	-	-	151,785
External transfers	-	-	-	-	83,508	19,270	-	14,121	-	-	143,581
Amortization	11,823	13,122	166,434	275,279	7,708	-	-	26,299	-	-	500,665
	384,942	203,962	397,886	711,146	139,206	29,452	26,682	588,976	6,078	2,488,330	
Net surplus (deficit)	\$ 75,274	\$ (45,979)	\$ (138,164)	\$ 103,250	\$ (7,480)	\$ 2	\$ -	\$ (62,621)	\$ -	\$ (75,718)	

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.

Independent Auditor's Report

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

We have audited the accompanying financial statements for the trust funds of the Corporation of the Town of Rainy River, which comprise the balance sheet as at December 31, 2015, the statement of continuity for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the basis of accounting as described in Note 1.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting as described in Note 1; this includes determining that the described basis of accounting is an acceptable basis for the preparation of the financial statements in such circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the balance sheet for the trust funds of the Corporation of the Town of Rainy River as at December 31, 2015, and the continuity thereof, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to the significant accounting policies section of 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 Ministry of Consumer Services. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of the Corporation of the Town of Rainy River and the Ministry of Consumer Services and should not be used by parties other than the management of the Corporation of the Town of Rainy River and the Ministry of Consumer Services.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
March 7, 2016

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

December 31, 2015	Library	Cemetery Perpetual Care	Ontario Home Renewal Program	2015 Total	2014 Total
Assets					
Cash	\$ -	\$ 1,854	\$ -	\$ 1,854	\$ 21
Investments at cost					
Deposit receipts	7,500	118,206	-	125,706	155,158
Accounts receivable					
Long-term	-	-	2,095	2,095	2,095
	<u>\$ 7,500</u>	<u>\$ 120,060</u>	<u>\$ 2,095</u>	<u>\$ 129,655</u>	<u>\$ 157,274</u>
Liabilities					
Accounts payable	\$ -	\$ 3,107	\$ -	\$ 3,107	\$ 25,033
Balance capital	7,500	116,953	2,095	126,548	132,241
	<u>\$ 7,500</u>	<u>\$ 120,060</u>	<u>\$ 2,095</u>	<u>\$ 129,655</u>	<u>\$ 157,274</u>

Statement of Continuity

December 31, 2015	Library	Cemetery Perpetual Care	Ontario Home Renewal Program	2015 Total	2014 Total
Balance, beginning of year	\$ 15,000	\$ 115,146	\$ 2,095	\$ 132,241	\$ 131,383
Capital receipts					
Care receipts and contributions	-	1,807	-	1,807	858
Interest earned	-	4,049	-	4,049	22,651
	<u>-</u>	<u>5,856</u>	<u>-</u>	<u>5,856</u>	<u>23,509</u>
Expenditures					
Transfers to operations	7,500	-	-	7,500	-
Interest paid to cemetery	-	4,049	-	4,049	22,651
Balance, end of year	<u>\$ 7,500</u>	<u>\$ 116,953</u>	<u>\$ 2,095</u>	<u>\$ 126,548</u>	<u>\$ 132,241</u>

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

December 31, 2015

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 statement 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, 2015

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.