

**The Corporation of the
Town of Rainy River
Consolidated Financial Statements
For the year ended December 31, 2017**

**The Corporation of the
Town of Rainy River
Consolidated Financial Statements
For the year ended December 31, 2017**

Contents

Management's Responsibility for the Consolidated Financial Statements	2
Independent Auditor's Report	3
Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Debt	6
Consolidated Statement of Cash Flows	7
Summary of Significant Accounting Policies	8
Notes to Consolidated Financial Statements	12
The Corporation of the Town of Rainy River Trust Funds	
Independent Auditor's Report	26
Balance Sheet and Statement of Continuity	28
Notes to Financial Statements	29

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, 2017, which are comprised of the consolidated Statement of Financial Position as at December 31, 2017, 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 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, 2017, and the results of its operations, change in net debt 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
May 7, 2018

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

December 31	2017	2016
Financial assets		
Cash and cash equivalents	\$ 86,893	\$ 96,478
Investments (Note 1)	155,323	598,935
Taxes receivable (Note 2)	223,826	177,900
Accounts receivable	611,234	585,506
	1,077,276	1,458,819
Liabilities		
Bank indebtedness (Note 3)	85,928	526,635
Accounts payable and accrued liabilities	879,744	154,935
Deferred revenue (Note 4)	39,922	841,449
Net long-term debt (Note 5)	315,460	330,000
Solid waste closure and post-closure liabilities (Note 6)	30,226	27,392
Future employee benefits	49,786	48,498
	1,401,066	1,928,909
Net debt	(323,790)	(470,090)
Non-financial assets		
Tangible capital assets (Note 7)	17,705,614	18,320,580
Tangible capital assets under construction	1,742,920	59,275
Inventory of supplies	21,624	19,684
Prepaid expenses	14,529	15,929
	19,484,687	18,415,468
Accumulated surplus (Note 8)	\$ 19,160,897	\$ 17,945,378
Contingent liabilities (Note 14)		
Commitments (Note 18)		

_____ Treasurer _____ Mayor

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

For the year ended December 31	Budget 2017	2017	2016
Revenue			
Taxation	\$ 659,968	\$ 661,700	\$ 655,702
Government transfers - Federal (Note 9)	52,105	61,560	88,219
Government transfers - Provincial (Note 10)	2,208,853	2,243,550	2,071,258
User fees and service charges	669,795	664,205	630,183
Investment income (loss)	11,675	(3,713)	11,507
Municipal grants	17,145	17,446	16,296
Other income (Note 11)	148,650	181,059	135,666
	<u>3,768,191</u>	<u>3,825,807</u>	<u>3,608,831</u>
Expenses			
General government	394,648	474,447	564,344
Protection services	240,129	242,028	223,820
Transportation services	518,264	521,066	491,784
Environmental services	878,685	718,769	755,042
Health services	145,816	141,608	137,750
Social and family services	10,114	22,572	38,180
Social housing	28,435	28,435	31,735
Recreation and cultural services	456,464	455,469	407,656
Planning and development	5,895	5,894	5,894
	<u>2,678,450</u>	<u>2,610,288</u>	<u>2,656,205</u>
Annual surplus	<u>1,089,741</u>	<u>1,215,519</u>	<u>952,626</u>
Accumulated surplus, beginning of year	<u>17,945,378</u>	<u>17,945,378</u>	<u>16,992,752</u>
Accumulated surplus, end of year	<u>\$ 19,035,119</u>	<u>\$ 19,160,897</u>	<u>\$ 17,945,378</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**

<u>For the year ended December 31</u>	<u>Budget 2017</u>	<u>2017</u>	<u>2016</u>
Annual surplus	\$ 1,089,741	\$ 1,215,519	\$ 952,626
Acquisition of tangible capital assets	(1,806,215)	(24,931)	(893,920)
Amortization of tangible capital assets	676,500	658,727	676,539
Gain on disposal of tangible capital assets	-	-	(5,000)
Proceeds on sale of tangible capital assets	-	-	5,000
Capitalization to tangible capital assets (acquisition) of assets under construction	-	(1,702,475)	28,285
	<u>(39,974)</u>	<u>146,840</u>	<u>763,530</u>
Acquisition of prepaid expenses and inventory of supplies	-	(540)	-
Use/consumption of prepaid expenses and inventory of supplies	-	-	4,791
	<u>(39,974)</u>	<u>146,300</u>	<u>768,321</u>
Net change in net debt	(39,974)	146,300	768,321
Net debt, beginning of year	(470,090)	(470,090)	(1,238,411)
Net debt, end of year	\$ (510,064)	\$ (323,790)	\$ (470,090)

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

For the year ended December 31	2017	2016
Operating transactions		
Annual surplus	\$ 1,215,519	\$ 952,626
Items not involving cash		
Amortization	658,727	676,539
Loss (gain) on disposal of tangible capital assets	-	(5,000)
Changes in non-cash operating balances		
Taxes receivable	(45,926)	(16,396)
Accounts receivable	(25,728)	226,067
Prepaid expenses and inventory of supplies	(540)	4,792
Accounts payable and accrued liabilities	724,809	(1,254,176)
Deferred revenue	(801,527)	502,129
Solid waste closure and post-closure liabilities	2,834	2,665
Future employee benefits	1,288	3,161
	<u>1,729,456</u>	<u>1,092,407</u>
Capital transactions		
Acquisition of tangible capital assets	(24,931)	(893,920)
Proceeds on sale of tangible capital assets	-	5,000
Capitalization to tangible capital assets (acquisition) of tangible capital assets under construction	<u>(1,702,475)</u>	<u>28,285</u>
	<u>(1,727,406)</u>	<u>(860,635)</u>
Investing transactions		
Decrease (increase) in temporary investments	<u>443,612</u>	<u>(513,680)</u>
Financing transactions		
Repayment of demand debt	(14,540)	(300,000)
Proceeds from issuance of long-term debt	-	330,000
	<u>(14,540)</u>	<u>30,000</u>
Net change in cash and cash equivalents (bank indebtedness)	431,122	(251,908)
Cash and cash equivalents (bank indebtedness), beginning of year	<u>(430,157)</u>	<u>(178,249)</u>
Cash and cash equivalents (bank indebtedness), end of year	<u>\$ 965</u>	<u>\$ (430,157)</u>
Represented by		
Cash and cash equivalents	\$ 86,893	\$ 96,478
Bank indebtedness	<u>(85,928)</u>	<u>(526,635)</u>
	<u>\$ 965</u>	<u>\$ (430,157)</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, 2017

**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, 2017

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, 2017

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, 2017

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 Agreements

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, 2017

1. Investments

	2017	2016
Investments restricted by Council resolution		
Restricted cash	\$ 31,303	\$ 22,910
Money market	19,135	19,015
Bond fund	2,894	1,191
	53,332	43,116
Other restricted investments		
Bond fund	101,991	555,819
	\$ 155,323	\$ 598,935

The income (loss) from investments for the year was \$(3,542) (2016 - \$10,534). The Municipality's investments restricted by Council resolution have a market value of \$53,279 (2016 - \$43,057). The Municipality's other restricted investments have a market value of \$98,120 (2016 - \$547,936).

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

	2017	2016
Taxes receivable	\$ 242,536	\$ 190,973
Allowance for doubtful accounts	(18,710)	(13,073)
	\$ 223,826	\$ 177,900

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, 2017

4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ -	\$ 52,104	\$ -	\$ (52,104)	-
Infrastructure programs	825,805	315,000	-	(1,140,805)	-
Other	15,644	30,937	-	(6,659)	39,922
	<u>\$ 841,449</u>	<u>\$ 398,041</u>	<u>\$ -</u>	<u>\$ (1,199,568)</u>	<u>\$ 39,922</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, 2017

5. Net Long-term Debt

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

	2017	2016
Ontario Infrastructure and Lands Corporation Loan, debenture loan, 2.62%, blended semi-annual payments of \$18,863. Matures March 1, 2027.	\$ 315,460	\$ 330,000

Principal and interest repayments relating to net long-term debt of \$315,460 outstanding are due as follows:

	Principal Repayments	Interest	Total
2018	\$ 29,654	\$ 8,072	\$ 37,726
2019	30,436	7,290	37,726
2020	31,239	6,487	37,726
2021	32,062	5,664	37,726
2022	32,908	4,818	37,726
Thereafter	159,161	10,606	169,767
	\$ 315,460	\$ 42,937	\$ 358,397

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 \$30,226 (2016 - \$27,392) 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 226,612 cubic meters, which are estimated to be filled in 170 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, 2017

7. Tangible Capital Assets

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

December 31, 2017

7. Tangible Capital Assets (continued)

								2016	
	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	\$ 349,236	\$ 2,163,991	\$ 908,371	\$ 6,486,143	\$ 6,278,753	\$ 10,227,355	\$ 264,192	\$ 70,975	\$ 26,749,016
Additions	482,546	-	299,891	111,483	-	-	-	-	893,920
Disposals	-	-	(7,000)	-	-	-	-	-	(7,000)
Cost, end 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
Accumulated amortization, beginning 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
Amortization	19,473	43,389	61,556	243,029	109,929	185,439	9,067	4,657	676,539
Disposals	-	-	(7,000)	-	-	-	-	-	(7,000)
Accumulated amortization, end 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
Net carrying amount, end of year	\$ 702,788	\$ 1,035,554	\$ 573,153	\$ 4,176,799	\$ 4,720,101	\$ 7,012,958	\$ 78,938	\$ 20,289	\$ 18,320,580

The net book value of tangible capital assets not being amortized because they are under construction is \$1,742,920 (2016 - \$59,275). 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, 2017

8. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2017	2016
Investment in tangible capital assets		
Tangible capital assets	\$ 19,448,535	\$ 18,379,855
Long-term debt	(315,460)	(330,000)
Total investment in tangible capital assets	19,133,075	18,049,855
General operating	79,264	-
Water	(232,657)	(329,327)
Sewer	(249,984)	(230,825)
Recreation board	15,741	50,642
Cemetery	(19,002)	(15,473)
Library	19,402	13,029
Health Care Committee	(15,661)	(16,348)
Heritage Square Committee	2,254	2,221
Total operating deficit	(400,643)	(526,081)
Other allocated deficits		
Landfill closure	(30,226)	(27,392)
Employee future benefits	(49,786)	(48,498)
Total other allocated deficits	(80,012)	(75,890)
Reserve funds		
Hydro sale	334,363	334,259
Water	3,402	3,401
Locum house	2,895	1,191
Library	31,302	22,143
Sick leave	21,817	21,810
Fire department	18,946	18,940
Health centre	7,944	7,942
Total reserve funds	420,669	409,686
Working capital reserve	87,808	87,808
	\$ 19,160,897	\$ 17,945,378

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, 2017, the Municipality had \$53,332 (2016 - \$43,116) in investments restricted by Council resolution with respect to those reserve funds. As a result, there were \$367,337 (2016 - \$366,570) in unfunded reserve funds.

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

December 31, 2017

9. Government Transfers - Federal

	2017	2016
Operating		
Other	\$ 9,456	\$ 11,662
Tangible capital assets		
Association of Municipalities of Ontario		
Federal Gas Tax Fund	52,104	51,199
Other	-	25,358
Total tangible capital assets transfers	52,104	76,557
Total federal transfers	\$ 61,560	\$ 88,219

10. Government Transfers - Provincial

	2017	2016
Operating		
Ontario Municipal Partnership Fund	\$ 599,200	\$ 572,000
Ontario Disaster Relief Assistance Program	-	38,405
Other	55,927	79,300
Total operating transfers	655,127	689,705
Tangible capital assets		
Northern Ontario Heritage Fund Corporation	-	80,025
Ontario Community Infrastructure Fund	1,588,423	385,813
Small Rural Northern Municipal Infrastructure Fund	-	300,000
Municipal Infrastructure Investment Initiative	-	121,169
Ontario Disaster Relief Assistance Program	-	482,546
Enabling Accessibility	-	12,000
Total tangible capital assets transfers	1,588,423	1,381,553
Total provincial transfers	\$ 2,243,550	\$ 2,071,258

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

December 31, 2017

11. Other Income

	2017	2016
Penalties and interest on taxes	\$ 29,404	\$ 25,454
Licences and permits	6,551	3,003
Rents, concessions and franchises	45,548	44,938
Donations	39,471	8,332
Gain (loss) on disposal of tangible capital assets	-	5,000
Provincial offences	1,268	5,349
Other fines	7,018	6,440
Miscellaneous	51,799	37,150
	\$ 181,059	\$ 135,666

12. Expenses by Object

	2017	2016
Salaries, wages and employee benefits	\$ 731,990	\$ 753,878
Interest on long-term debt	4,931	-
Materials	560,782	598,993
Contracted services	317,311	287,131
Rents and financial expenses	209,206	212,730
Contributions to other organizations	127,341	126,934
Amortization	658,727	676,539
	\$ 2,610,288	\$ 2,656,205

13. Operations of School Boards

	2017	2016
During the year, the following taxation revenue was raised and remitted to the school boards	\$ 69,107	\$ 81,447

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, 2017.

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

December 31, 2017

15. Contributions to Unconsolidated Boards

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

	2017	2016
Northwestern Health Unit	\$ 39,617	\$ 39,617
Rainy River District Social Services Administration Board		
Ambulance service	46,793	43,461
General assistance	4,592	2,036
Child care	5,522	5,419
Social housing	28,435	31,735
	\$ 124,959	\$ 122,268

16. Pension Agreements

The employees of the Municipality participate in the Ontario Municipal 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 2017 were \$37,906 (2016 - \$36,097) for current services.

17. Trust Funds

The trust funds administered by the Municipality amounting to \$129,302 (2016 - \$128,181) 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, 2017

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, 2017

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%.

	2017		2016	
	Total	Municipality Portion	Total	Municipality Portion
Financial assets	\$ 38,705	\$ 12,902	\$ 31,672	\$ 10,557
Financial liabilities	77,004	25,668	77,142	25,714
Net financial assets	(38,299)	(12,766)	(45,470)	(15,157)
Non-financial assets	423,382	141,128	429,351	143,118
Accumulated surplus	\$ 385,083	\$ 128,362	\$ 383,881	\$ 127,961
	2017		2016	
	Total	Municipality Portion	Total	Municipality Portion
Revenue	\$ 15,438	\$ 5,146	\$ 17,438	\$ 5,813
Expenses	14,236	4,745	17,807	5,936
Annual surplus (deficit)	1,202	401	(369)	(123)
Accumulated surplus, beginning of year	383,881	127,961	384,250	128,084
Accumulated surplus, end of year	\$ 385,083	\$ 128,362	\$ 383,881	\$ 127,961

The Corporation of the Town of Rainy River

Notes to Consolidated Financial Statements

December 31, 2017

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, 2017

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	122,174	128,024	29,484	3,128	-	-	199,525	-	560,782
Contracted services	14,320	217,525	11,435	68,137	-	-	-	-	-	5,894	317,311
Rents 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	

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

December 31, 2017

20. 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	2016 Total
Revenue											
Taxation	\$ 85,351	\$ 154,227	\$ -	\$ 156,476	\$ 132,980	\$ 13,964	\$ 106,810	\$ -	\$ -	\$ 5,894	\$ 655,702
Fees and user charges	5,336	-	11,723	528,683	7,461	2,421	-	-	74,559	-	630,183
Conditional grants	37,358	-	817,037	121,169	-	7,087	-	-	604,826	-	1,587,477
Unconditional grants	78,795	134,540	-	136,500	116,005	12,985	93,175	-	-	-	572,000
Municipal grants	-	-	-	-	-	-	-	-	16,296	-	16,296
Other	21,892	34,617	-	35,121	29,847	1,723	23,973	-	-	-	147,173
	228,732	323,384	828,760	977,949	286,293	38,180	223,958	695,681	5,894	5,894	3,608,831
Expenses											
Wages and benefits	254,788	-	104,100	203,907	9,578	720	-	-	180,785	-	753,878
Materials	136,876	17,162	100,244	126,274	29,035	20,724	-	-	168,678	-	598,993
Contracted services	16,023	201,612	1,139	62,463	-	-	-	-	-	5,894	287,131
Rents and financial	149,725	-	-	30,573	7,853	6,000	-	-	18,579	-	212,730
External transfers	1,385	-	-	-	83,078	10,736	31,735	-	-	-	126,934
Amortization	5,547	5,046	286,301	331,825	8,206	-	-	-	39,614	-	676,539
	564,344	223,820	491,784	755,042	137,750	38,180	31,735	407,656	5,894	5,894	2,656,205
Net surplus (deficit)	\$ (335,612)	\$ 99,564	\$ 336,976	\$ 222,907	\$ 148,543	\$ -	\$ 192,223	\$ 288,025	\$ -	\$ -	\$ 952,626

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, 2017, 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, 2017, 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 Bereavement Authority of Ontario. 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 Bereavement Authority of Ontario and should not be used by parties other than the management of the Corporation of the Town of Rainy River and the Bereavement Authority of Ontario.

A handwritten signature in blue ink that reads "BDO Canada LLP".

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
May 7, 2018

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

December 31, 2017	Library	Cemetery Perpetual Care	Ontario Home Renewal Program	2017 Total	2016 Total
Assets					
Cash	\$ -	\$ 1,662	\$ -	\$ 1,662	\$ 481
Investments at cost					
Deposit receipts	7,651	118,829	-	126,480	126,583
Accounts receivable					
Long-term	-	-	2,095	2,095	2,095
	<u>\$ 7,651</u>	<u>\$ 120,491</u>	<u>\$ 2,095</u>	<u>\$ 130,237</u>	<u>\$ 129,159</u>
Liabilities					
Accounts payable	\$ -	\$ 935	\$ -	\$ 935	\$ 978
Balance capital	7,651	119,556	2,095	129,302	128,181
	<u>\$ 7,651</u>	<u>\$ 120,491</u>	<u>\$ 2,095</u>	<u>\$ 130,237</u>	<u>\$ 129,159</u>

Statement of Continuity

December 31, 2017	Library	Cemetery Perpetual Care	Ontario Home Renewal Program	2017 Total	2016 Total
Balance, beginning of year	\$ 7,575	\$ 118,511	\$ 2,095	\$ 128,181	\$ 126,548
Capital receipts					
Care receipts and contributions	-	1,045	-	1,045	1,558
Interest earned	76	179	-	255	877
	<u>76</u>	<u>1,224</u>	<u>-</u>	<u>1,300</u>	<u>2,435</u>
Expenditures					
Interest paid to cemetery	-	179	-	179	802
Balance, end of year	<u>\$ 7,651</u>	<u>\$ 119,556</u>	<u>\$ 2,095</u>	<u>\$ 129,302</u>	<u>\$ 128,181</u>

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

December 31, 2017

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, 2017

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.