

**The Corporation of the Township
of Lake of the Woods**
Consolidated Financial Statements
For the year ended December 31, 2015

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Lake of the Woods**
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For the year ended December 31, 2015

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The Corporation of the Township of Lake of the Woods Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Corporation of the Township of Lake of the Woods 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 Township 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 Township's assets are appropriately accounted for and adequately safeguarded.

The Township 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 Township'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 Township of Lake of the Woods

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Lake of the Woods, 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 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 the consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the 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 the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall 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 Township of Lake of the Woods as at December 31, 2015, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
January 30, 2016

**The Corporation of the Township of Lake of the Woods
Consolidated Statement of Financial Position**

December 31	2015	2014
Financial assets		
Cash and cash equivalents	\$ 54,980	\$ 15,781
Taxes receivable	123,645	98,018
Accounts receivable	24,276	53,437
Investments (Note 1)	1,580,691	1,323,526
	1,783,592	1,490,762
Liabilities		
Bank indebtedness (Note 4)	-	65,165
Accounts payable and accrued liabilities	20,774	16,707
Deferred revenue (Note 2)	35,030	17,710
Solid waste closure and post-closure liabilities (Note 3)	10,713	9,900
	66,517	109,482
Net financial assets	1,717,075	1,381,280
Non-financial assets		
Tangible capital assets (Note 5)	3,167,526	2,982,446
Inventory of supplies	1,508	3,401
Tangible capital assets under construction (Note 5)	-	176,558
	3,169,034	3,162,405
Accumulated surplus (Note 6)	\$ 4,886,109	\$ 4,543,685
Contingent liability (Note 11)		
Commitments (Note 13)		

_____ Treasurer _____ Mayor

The Corporation of the Township of Lake of the Woods Consolidated Statement of Operations

For the year ended December 31	Budget 2015	2015	2014
Revenue			
Taxation	\$ 536,906	\$ 567,081	\$ 502,991
Government transfers - Federal (Note 8)	35,300	-	-
Government transfers - Provincial (Note 9)	701,343	714,722	598,212
User fees and service charges	11,175	14,995	10,955
Permits, licenses and fines	20,400	44,860	29,078
Investment income	18,238	22,997	16,799
Municipal grants	11,150	14,430	16,250
Other income (Note 7)	3,631	52,445	1,666
	1,338,143	1,431,530	1,175,951
Expenses			
General government	130,924	132,189	124,299
Protection services	141,959	132,405	101,102
Transportation services	354,057	330,556	359,219
Environmental services	82,304	79,573	75,962
Health services	181,562	202,823	176,726
Social and family services	50,793	50,793	54,483
Social housing	92,102	92,102	74,880
Recreation and cultural services	70,359	60,645	70,971
Planning and development	22,195	8,020	12,831
	1,126,255	1,089,106	1,050,473
Annual surplus	211,888	342,424	125,478
Accumulated surplus, beginning of year	4,543,685	4,543,685	4,418,207
Accumulated surplus, end of year	\$ 4,755,573	\$ 4,886,109	\$ 4,543,685

**The Corporation of the Township of Lake of the Woods
Consolidated Statement of Change in Net Financial Assets**

For the year ended December 31	Budget 2015	2015	2014
Annual surplus	\$ 211,888	\$ 342,424	\$ 125,478
Acquisition of tangible capital assets	(345,358)	(188,527)	(115,096)
Amortization of tangible capital assets	171,882	180,006	178,105
Acquisition of assets under construction	-	-	(176,558)
	38,412	333,903	11,929
Acquisition of prepaid expenses and inventory of supplies	-	1,892	-
Net change in net financial assets	38,412	335,795	11,929
Net financial assets, beginning of year	1,381,280	1,381,280	1,369,351
Net financial assets, end of year	\$ 1,419,692	\$ 1,717,075	\$ 1,381,280

The Corporation of the Township of Lake of the Woods Consolidated Statement of Cash Flows

For the year ended December 31	2015	2014
Operating transactions		
Annual surplus	\$ 342,424	\$ 125,478
Item not involving cash		
Amortization	180,006	178,105
Changes in non-cash operating balances		
Taxes receivable	(25,628)	(4,178)
Accounts receivable	29,162	(5,656)
Prepaid expenses and inventories of supplies	1,892	-
Accounts payable and accrued liabilities	4,067	(16,777)
Deferred revenue	17,320	17,710
Solid waste closure and post-closure liabilities	813	755
	550,056	295,437
Capital transactions		
Acquisition of tangible capital assets	(188,527)	(115,096)
Acquisition of assets under construction	-	(176,558)
	(188,527)	(291,654)
Investing transactions		
Acquisition of investments	(257,165)	(63,024)
Net change in cash and cash equivalents (bank indebtedness)	104,364	(59,241)
Cash and cash equivalents (bank indebtedness), beginning of year	(49,384)	9,857
Cash and cash equivalents (bank indebtedness), end of year	\$ 54,980	\$ (49,384)
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 54,980	\$ 15,781
Bank indebtedness	-	(65,165)
Cash and cash equivalents (bank indebtedness), end of year	\$ 54,980	\$ (49,384)

The Corporation of the Township of Lake of the Woods Summary of Significant Accounting Policies

December 31, 2015

Management's

Responsibility for the Consolidated

Financial Statements

The consolidated financial statements of the Corporation of the Township of Lake of the Woods are the representations 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, revenues and expenditures of all the municipal organizations, committees, and boards which are owned or controlled by Council.

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 25% 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 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.

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.

The Corporation of the Township of Lake of the Woods 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.

**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 at one half of the annual rate in the year of capitalization. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings	20 to 50 years
Roads	10 to 80 years
Machinery and equipment	10 to 20 years
Vehicles	10 to 20 years
Furniture and equipment	10 years
Computer hardware and software	5 to 10 years

The Corporation of the Township of Lake of the Woods

Summary of Significant Accounting Policies

December 31, 2015

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	<p>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.</p>
Government Transfers	<p>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 have been met and reasonable estimates of the amount can be made.</p>
School Boards	<p>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.</p>
Trust Funds	<p>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.</p>
Solid Waste Landfills	<p>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.</p>
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 sites, the useful lives of the landfill sites, the post-closure costs of the landfills and taxation revenue.</p>

The Corporation of the Township of Lake of the Woods Notes to Consolidated Financial Statements

December 31, 2015

1. Investments

	2015	2014
Bonds	\$ 151,089	\$ 147,333
Money market	1,429,602	1,176,193
	\$ 1,580,691	\$ 1,323,526

The income from investments for the year was \$12,878 (2014 - \$14,098). The investments are classified as portfolio investments and are recorded at cost. The market value of the Municipality's investments was \$1,571,697 (2014 - \$1,316,176).

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 6).

2. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 17,710	\$ 17,142	\$ 178	\$ -	\$ 35,030

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.

The Corporation of the Township of Lake of the Woods Notes to Consolidated Financial Statements

December 31, 2015

3. 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 reported liability as at year end was \$10,713 (2014 - \$9,900) and reflects a discount rate of 6.0% (2014 - 6.0%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. The Morson landfill is expected to reach its capacity in 46 years and the estimated remaining capacity is 23,720 cubic metres which is 43% (2014 - 45%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$365,453 (2014 - \$365,453) leaving an amount to be recognized of \$354,740 (2014 - \$355,553). The estimated length of time needed for post-closure care is 27 years.

The Bergland landfill is expected to reach its capacity in 200 years and the estimated remaining capacity is 67,160 cubic metres which is 87% (2014 - 88%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$416,812 (2014 - \$416,812) leaving an amount to be recognized of \$416,812 (2014 - \$416,812). The estimated length of time needed for post-closure care is 28 years.

The Municipality has an investment relating to the landfill liabilities, which has a value of \$66,081 (2014 - \$65,537). The landfill liabilities are fully funded.

4. Bank Indebtedness

Bank indebtedness in the prior year was a result of outstanding cheques. Physical balance in the operating account at December 31, 2015, is \$84,426 (2014 - \$55,671). The Municipality has unused credit facilities at year end of \$25,000 (2014 - \$25,000).

**The Corporation of the Township of Lake of the Woods
Notes to Consolidated Financial Statements**

December 31, 2015

5. Tangible Capital Assets

	2015							
	Land and improvements	Buildings	Equipment	Roads and bridges	Culverts	Vehicles	Other	Total
Cost, beginning of year	\$ 640,076	\$ 1,290,347	\$ 388,577	\$ 1,824,229	\$ 469,309	\$ 387,022	\$ 100,317	\$ 5,099,877
Additions	9,026	103,558	184,498	59,910	8,094	-	-	365,086
Disposals	-	-	(29,838)	-	-	-	-	(29,838)
Cost, end of year	649,102	1,393,905	543,237	1,884,139	477,403	387,022	100,317	5,435,125
Accumulated amortization, beginning of year	10,072	360,143	304,810	1,045,989	191,607	153,526	51,284	2,117,431
Amortization	2,239	28,695	18,963	94,923	11,888	20,701	2,597	180,006
Disposals	-	-	(29,838)	-	-	-	-	(29,838)
Accumulated amortization, end of year	12,311	388,838	293,935	1,140,912	203,495	174,227	53,881	2,267,599
Net carrying amount, end of year	\$ 636,791	\$ 1,005,067	\$ 249,302	\$ 743,227	\$ 273,908	\$ 212,795	\$ 46,436	\$ 3,167,526

The net book value of tangible capital assets not being amortized because they are under construction is \$NIL (2014 - \$176,558). These items are recognized separately as tangible capital assets under construction in the consolidated statement of financial position.

**The Corporation of the Township of Lake of the Woods
Notes to Consolidated Financial Statements**

December 31, 2015

5. Tangible Capital Assets (continued)

								2014
	Land and improvements	Buildings	Equipment	Roads and bridges	Culverts	Vehicles	Other	Total
Cost, beginning of year	\$ 640,076	\$ 1,286,649	\$ 377,446	\$ 1,775,430	\$ 449,365	\$ 401,765	\$ 100,317	\$ 5,031,048
Additions	-	3,698	16,428	75,026	19,944	-	-	115,096
Disposals	-	-	(5,297)	(26,227)	-	(14,743)	-	(46,267)
Cost, end of year	640,076	1,290,347	388,577	1,824,229	469,309	387,022	100,317	5,099,877
Accumulated amortization, beginning of year	7,834	333,419	290,480	979,938	180,102	145,131	48,689	1,985,593
Amortization	2,238	26,724	19,627	92,278	11,505	23,138	2,595	178,105
Disposals	-	-	(5,297)	(26,227)	-	(14,743)	-	(46,267)
Accumulated amortization, end of year	10,072	360,143	304,810	1,045,989	191,607	153,526	51,284	2,117,431
Net carrying amount, end of year	\$ 630,004	\$ 930,204	\$ 83,767	\$ 778,240	\$ 277,702	\$ 233,496	\$ 49,033	\$ 2,982,446

The Corporation of the Township of Lake of the Woods Notes to Consolidated Financial Statements

December 31, 2015

6. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2015	2014
<u>Investment in tangible capital assets</u>		
Tangible capital assets	\$ 3,167,526	\$ 2,982,446
Investment in tangible capital assets under construction	-	176,558
Total investment in tangible capital assets	3,167,526	3,159,004
<u>Current operations</u>		
General operating	267,573	154,431
Government partnership	17,023	6,361
Total operating surplus	284,596	160,792
<u>Other allocated deficits</u>		
Landfill closure	(10,713)	(9,900)
<u>Reserve funds</u>		
Replacement of equipment	1,115,213	907,683
Landfill closures	66,081	65,537
Recreation	43,406	40,569
Total reserve funds	1,224,700	1,013,789
Working capital reserve	220,000	220,000
Total surplus	\$ 4,886,109	\$ 4,543,685

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.

**The Corporation of the Township of Lake of the Woods
Notes to Consolidated Financial Statements**

December 31, 2015

7. Other Income

	2015	2014
Donations, fundraising and gain in partnership interest	\$ 52,445	\$ 1,666

8. Government Transfers - Federal

	2015	2014
Operating Other	\$ -	\$ -
Tangible capital assets		
Association of Municipalities of Ontario		
Federal gas tax fund	-	-
Total federal transfers	\$ -	\$ -

9. Government Transfers - Provincial

	2015	2014
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 592,500	\$ 574,500
Other	8,550	3,324
Total operating transfers	601,050	577,824
Tangible capital assets		
Province of Ontario		
Ministry of Rural Affairs	25,000	20,388
Northern Ontario Heritage Fund	88,672	-
Total tangible capital asset transfers	113,672	20,388
Total provincial transfers	\$ 714,722	\$ 598,212

The Corporation of the Township of Lake of the Woods Notes to Consolidated Financial Statements

December 31, 2015

10. Expenses by Object

	2015	2014
Salaries, wages and employee benefits	\$ 205,404	\$ 204,770
Materials	124,002	146,035
Contracted services	200,342	173,934
Rents and financial expenses	79,100	56,668
Contributions to other organizations	300,252	290,961
Amortization	180,006	178,105
	<u>\$ 1,089,106</u>	<u>\$ 1,050,473</u>

11. Contingent Liability

The Municipality was formerly a member of a reciprocal insurance company licensed under the Insurance Act. In the event that a claim is experienced relating to the period that the Municipality was a member of the company, they may be required to pay additional premiums or losses related to the event. Should any premium demands or losses occur, such loss will be recognized in the year of resolution or settlement of the claim.

12. Pension Agreement

The Municipality makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), a multi-employer plan, on behalf of two members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2015 was \$10,675 (2014 - \$10,351) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level for 2015 (2014 - 9.0% to 14.6% depending on income level).

The Corporation of the Township of Lake of the Woods Notes to Consolidated Financial Statements

December 31, 2015

13. 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 period ending December 31, 2016.

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

Year	Amount
2016	\$ 6,636

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.

14. Operations of School Boards

During the year, the following taxation revenue was raised and remitted:

	2015	2014
School boards	\$ 207,637	\$ 194,816

15. Trust Funds

The Trust Funds administered by the Municipality amounting to \$75,908 (2014 - \$70,899) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations.

The Corporation of the Township of Lake of the Woods

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	\$ 12,572	\$ 13,917
Rainy River District Social Services Administration Board	274,407	255,135
	\$ 286,979	\$ 269,052

17. 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 cost related to the development and operations will be shared based on each community's financial contribution to the project. Each community has contributed or agreed to contribute \$100,000 towards the project and have 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	435,320	145,107	441,288	110,322
Accumulated surplus	\$ 384,250	\$ 128,084	\$ 461,206	\$ 115,302

	2015		2014	
	Total	Municipality Portion	Total	Municipality Portion
Revenue	\$ 20,301	\$ 6,767	\$ 21,774	\$ 5,444
Expenses	97,257	32,419	24,243	6,061
Annual deficit	(76,956)	(25,652)	(2,469)	(617)
Gain in partnership interest	-	38,434	-	-
Accumulated surplus, beginning of year	461,206	115,302	463,675	115,919
Accumulated surplus, end of year	\$ 384,250	\$ 128,084	\$ 461,206	\$ 115,302

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2015

18. Segmented Information

The Corporation of the Township of Lake of the Woods 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 roadways throughout the Municipality.

Environmental Services

Environmental services consists of maintenance of the two waste disposal facilities 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, childcare and assistance to the aged. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

The Corporation of the Township of Lake of the Woods Notes to Consolidated Financial Statements

December 31, 2015

18. Segmented Information (continued)

Social Housing

The Municipality contributes to a local board, which provides social housing if the citizens of the Corporation of the Township of Lake of the Woods require the service.

Recreation and Cultural Services

This service area consists of various small recreation programs. Also, the Municipality contributes to the library board of another Municipality in order to ensure a library is available to the citizens of the Municipality.

Planning and Development

This service relates to zoning issues as well as planning of various municipal maintenance projects.

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2015

18. 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	2015 Total
Revenue											
Taxation	\$ 107,236	\$ 52,754	\$ 170,631	\$ 41,672	\$ 64,018	\$ 43,764	\$ 40,110	\$ 41,681	\$ 5,217	\$ 567,083	
Fees and user charges	-	-	6,120	-	7,475	-	-	-	1,400	14,995	
Conditional grants	-	625	25,000	-	-	-	-	-	91,715	4,882	
Unconditional grants	112,042	55,118	178,279	43,540	66,888	45,726	41,907	43,549	5,451	122,222	
Municipal grants	-	-	11,125	3,305	-	-	-	-	-	-	
Other	12,832	6,312	20,418	4,986	60,106	5,237	4,799	4,987	623	14,430	
	232,110	114,809	411,573	93,503	198,487	94,727	86,816	181,932	17,573	1,431,530	
Expenses											
Wages and benefits	79,042	7,631	89,724	21,496	3,762	-	-	3,749	-	205,404	
Materials	12,619	19,336	67,508	206	2,826	-	-	20,482	-	124,002	
Contracted services	26,720	87,092	14,478	56,653	8,940	-	-	(535)	1,025	200,342	
Rent and financial	12,951	5,894	25,028	1,218	27,215	-	-	6,794	-	79,100	
External transfers	-	-	-	-	157,357	50,793	92,102	-	-	300,252	
Amortization	857	12,451	133,818	-	2,725	-	-	30,155	-	180,006	
	132,189	132,404	330,556	79,573	202,825	50,793	92,102	60,645	8,019	1,089,106	
Net surplus (deficit)	\$ 99,921	\$ (17,595)	\$ 81,017	\$ 13,930	\$ (4,338)	\$ 43,934	\$ (5,286)	\$ 121,287	\$ 9,554	\$ 342,424	

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2015

18. 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	2014 Total
Revenue											
Taxation	\$ 95,116	\$ 46,792	\$ 151,347	\$ 36,962	\$ 56,783	\$ 38,818	\$ 35,576	\$ 36,970	\$ 4,628	\$ 502,992	
Fees and user charges	3	-	4,527	1,050	4,975	-	-	-	-	400	10,955
Conditional grants	-	282	20,387	-	-	-	-	-	3,043	-	23,712
Unconditional grants	108,638	53,444	172,863	42,217	64,856	44,337	40,634	42,226	-	5,285	574,500
Municipal grants	-	-	13,100	3,150	-	-	-	-	-	-	16,250
Other	8,675	4,268	13,803	3,371	6,845	3,541	3,245	3,372	-	422	47,542
	212,432	104,786	376,027	86,750	133,459	86,696	79,455	85,611	10,735	1,175,951	
Expenses											
Wages and benefits	72,186	7,578	96,132	21,484	3,972	-	-	3,468	-	-	204,770
Materials	10,610	23,635	86,523	171	2,773	-	-	21,575	-	748	146,035
Contracted services	26,817	52,298	13,093	53,147	4,756	-	-	11,740	-	12,083	173,934
Rents and financial	13,926	5,590	27,216	1,160	2,184	-	-	6,592	-	-	56,668
External transfers	-	-	-	-	161,598	54,483	74,880	-	-	-	290,961
Amortization	761	12,001	136,255	-	1,492	-	-	27,596	-	-	178,105
	124,300	101,102	359,219	75,962	176,725	54,483	74,880	70,971	12,831	1,050,473	
Net surplus (deficit)	\$ 88,132	\$ 3,684	\$ 16,808	\$ 10,788	\$ (43,266)	\$ 32,213	\$ 4,575	\$ 14,640	\$ (2,096)	\$ 125,478	

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 Township of Lake of the Woods

We have audited the accompanying balance sheet of the Corporation of the Township of Lake of the Woods Trust Funds, 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 (together the "financial statements"). 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 these 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 the 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 information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, 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 information 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 information.

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 financial position of the Corporation of the Township of Lake of the Woods Trust Funds 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 Restrictions 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 Township of Lake of the Woods 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 Township of Lake of the Woods and the Ministry of Consumer Services and should not be used by parties other than the management of the Corporation of the Township of Lake of the Woods and the Ministry of Consumer Services.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
January 30, 2016

**The Corporation of the Township of Lake of the Woods
Trust Funds
Balance Sheet**

December 31	2015	2014
Assets		
Investments	\$ 75,908	\$ 70,899
Liabilities		
Balance - capital	\$ 75,908	\$ 70,899

**The Corporation of the Township of Lake of the Woods
Trust Funds
Statement of Continuity**

December 31	2015	2014
Balance, beginning of year	\$ 70,899	\$ 68,978
Revenue		
Care and maintenance fees	3,200	950
Interest earned	1,813	1,921
	<u>5,013</u>	<u>2,871</u>
Expenditures		
Transferred to revenue fund	1,813	950
Due from general	(1,813)	-
Other expenses	4	-
	<u>4</u>	<u>950</u>
Balance, end of year	\$ 75,908	\$ 70,899

**The Corporation of the Township of Lake of the Woods
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 Township of Lake of the Woods Trust Funds are the representation of management and have been prepared in accordance with accrual based accounting principles. 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 judgement 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 receipts of goods or services and the creation of a legal obligation to pay.

2. Nature of Trust Funds

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

3. 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.