

**The Corporation of the
Township of Lake of the
Woods
Consolidated Financial Statements
For the year ended
December 31, 2013**

**The Corporation of the Township of
Lake of the Woods**
Consolidated Financial Statements
For the year ended December 31, 2013

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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, 2013, which are comprised of the consolidated Statement of Financial Position as at December 31, 2013, 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, 2013, 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.

BDO CANADA LLP

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario
February 4, 2014

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

December 31	2013	2012
Financial assets		
Cash and cash equivalents	\$ 16,927	\$ 47,350
Taxes receivable	93,840	82,285
Accounts receivable	47,780	58,864
Investments (Note 1)	1,260,503	1,059,355
	1,419,050	1,247,854
Liabilities		
Bank indebtedness (Note 4)	7,070	7,972
Accounts payable and accrued liabilities	33,485	37,072
Deferred revenue (Note 2)	-	20,696
Solid waste closure and post-closure liabilities (Note 3)	9,144	59,284
	49,699	125,024
Net financial assets	1,369,351	1,122,830
Non-financial assets		
Tangible capital assets (Note 5)	3,045,455	3,046,813
Prepaid expenses	-	23,181
Inventory of supplies	3,401	-
Tangible capital assets under construction	-	50,983
	3,048,856	3,120,977
Accumulated surplus (Note 6)	\$ 4,418,207	\$ 4,243,807

Contingent liability (Note 9)

Commitments (Note 11)

_____ Treasurer _____ Mayor

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

For the year ended December 31	Budget 2013	2013	2012
Revenue			
Taxation	\$ 480,728	\$ 484,528	\$ 506,146
Government grants - Federal	20,000	40,760	3,425
Government grants - Provincial	600,767	617,937	577,543
User fees and service charges	5,725	10,439	1,650
Permits, licenses and fines	23,250	34,984	30,343
Investment income	17,226	13,971	20,069
Municipal grants	10,350	12,930	15,369
Other income (Note 7)	-	10,880	11,769
	1,158,046	1,226,429	1,166,314
Expenses			
General government	129,671	144,955	128,557
Protection services	107,956	100,442	102,062
Transportation services	348,353	349,933	347,411
Environmental services	93,907	78,494	92,260
Health services	170,023	170,551	159,711
Social and family services	51,077	51,077	71,940
Social housing	87,693	87,693	84,927
Recreation and cultural services	79,704	90,453	73,508
Planning and development	33,195	28,571	7,522
	1,101,579	1,102,169	1,067,898
Annual surplus	56,467	124,260	98,416
Accumulated surplus, beginning of year	4,243,807	4,243,807	4,145,391
Change in accounting estimate (Note 3)	-	50,140	-
Accumulated surplus, end of year	\$ 4,300,274	\$ 4,418,207	\$ 4,243,807

**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 2013	2013	2012
Annual surplus	\$ 56,467	\$ 124,260	\$ 98,416
Acquisition of tangible capital assets	-	(174,119)	(26,484)
Amortization of tangible capital assets	172,213	175,477	175,794
Change in accounting estimate (Note 3)	-	50,140	-
Capitalization (acquisition) of assets under construction	-	50,983	(50,983)
	<u>228,680</u>	<u>226,741</u>	<u>196,743</u>
Acquisition of prepaid expenses and inventory of supplies	-	19,780	(23,181)
	<u>228,680</u>	<u>246,521</u>	<u>173,562</u>
Net change in net financial assets	228,680	246,521	173,562
Net financial assets, beginning of year	<u>1,122,830</u>	<u>1,122,830</u>	<u>949,268</u>
Net financial assets, end of year	<u>\$ 1,351,510</u>	<u>\$ 1,369,351</u>	<u>\$ 1,122,830</u>

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

For the year ended December 31	2013	2012
Operating transactions		
Annual surplus	\$ 124,260	\$ 98,416
Items not involving cash		
Amortization	175,477	175,794
Change in accounting estimate (Note 3)	50,140	-
Changes in non-cash operating balances		
Taxes receivable	(11,555)	13,273
Accounts receivable	11,083	(22,501)
Prepaid expenses and inventories of supplies	19,781	(23,181)
Accounts payable and accrued liabilities	(3,587)	17,604
Deferred revenue	(20,696)	15,898
Solid waste closure and post-closure liabilities	(50,140)	8,625
	<u>294,763</u>	<u>283,928</u>
Capital transactions		
Acquisition of tangible capital assets	(174,119)	(26,484)
Capitalization (acquisition) of assets under construction	50,983	(50,983)
	<u>(123,136)</u>	<u>(77,467)</u>
Investing transactions		
Acquisition of investments	(201,148)	(187,633)
Net change in cash and cash equivalents	(29,521)	18,828
Cash and cash equivalents, beginning of year	<u>39,378</u>	<u>20,550</u>
Cash and cash equivalents, end of year	\$ 9,857	\$ 39,378
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 16,927	\$ 47,350
Bank indebtedness	(7,070)	(7,972)
Cash and cash equivalents, end of year	\$ 9,857	\$ 39,378

The Corporation of the Township of Lake of the Woods

Summary of Significant Accounting Policies

December 31, 2013

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, 2013

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, 2013

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, 2013

1. Investments

	2013	2012
Bonds	\$ 143,354	\$ 139,106
Money market	1,117,149	920,249
	\$ 1,260,503	\$ 1,059,355

The income from investments for the year was \$14,347 (2012 - \$20,069). The investments are classified as portfolio investments and are recorded at cost. The market value of the Municipality's investments was \$1,252,142 (2012 - \$1,052,487).

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	\$ 20,696	\$ 19,816	\$ 248	\$ (40,760)	\$ -

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 3 years.

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

December 31, 2013

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 \$9,144 (2012 - \$59,284) and reflects a discount rate of 6.0% (2012 - 8.0%).

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 47 years and the estimated remaining capacity is 25,000 cubic metres which is 45% (2012 - 33%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$365,453 (2012 - \$290,000) leaving an amount to be recognized of \$356,309 (2012 - \$232,803). 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 67,800 cubic metres which is 88% (2012 - 52%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$416,812 (2012 - \$280,000) leaving an amount to be recognized of \$416,812 (2012 - \$270,241). The estimated length of time needed for post-closure care is 28 years.

Change in Estimate - Current engineering reports were obtained during the year in relation to the landfills. The engineer was able to use actual results over the past 10 years, which allowed the inputs to be more accurate than the past reports. Due to the change in inputs, the liability for the landfills decreased significantly. The 2013 reduction in the total liability is \$50,140. This adjustment is a change in estimate and therefore, is recorded on a prospective basis.

The Municipality has an investment relating to the landfill liabilities, which has a value of \$64,975 (2012 - \$64,358). The landfill liabilities are fully funded.

4. Bank Indebtedness

Bank indebtedness at year end is a result of outstanding cheques. Physical balance in the operating account at December 31, 2013, is \$32,414 (2012 - \$14,693). The Municipality has unused credit facilities at year end of \$25,000 (2012 - \$25,000).

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

December 31, 2013

5. Tangible Capital Assets

	2013							
	Land and improvements	Buildings	Equipment	Roads and bridges	Culverts	Vehicles	Other	Total
Cost, beginning of year	\$ 640,076	\$ 1,161,294	\$ 377,446	\$ 1,756,574	\$ 446,445	\$ 374,777	\$ 100,317	\$ 4,856,929
Additions	-	125,355	-	18,856	2,920	26,988	-	174,119
Disposals	-	-	-	-	-	-	-	-
Cost, end of year	640,076	1,286,649	377,446	1,775,430	449,365	401,765	100,317	5,031,048
Accumulated amortization, beginning of year	5,596	308,005	270,741	887,957	168,921	123,342	45,554	1,810,116
Amortization	2,238	25,414	19,739	91,980	11,182	21,789	3,135	175,477
Disposals	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	7,834	333,419	290,480	979,937	180,103	145,131	48,689	1,985,593
Net carrying amount, end of year	\$ 632,242	\$ 953,230	\$ 86,966	\$ 795,493	\$ 269,262	\$ 256,634	\$ 51,628	\$ 3,045,455

The net book value of tangible capital assets not being amortized because they are under construction is \$NIL (2012 - \$50,983). 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, 2013

5. Tangible Capital Assets (continued)

	2012							
	Land and improvements	Buildings	Equipment	Roads and bridges	Culverts	Vehicles	Other	Total
Cost, beginning of year	\$ 640,076	\$ 1,161,294	\$ 369,205	\$ 1,748,982	\$ 443,238	\$ 374,777	\$ 92,873	\$ 4,830,445
Additions	-	-	8,241	7,592	3,207	-	7,444	26,484
Disposals	-	-	-	-	-	-	-	-
Cost, end of year	640,076	1,161,294	377,446	1,756,574	446,445	374,777	100,317	4,856,929
Accumulated amortization, beginning of year	3,357	283,842	250,741	793,538	157,816	102,903	42,125	1,634,322
Amortization	2,239	24,163	20,000	94,419	11,105	20,439	3,429	175,794
Disposals	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	5,596	308,005	270,741	887,957	168,921	123,342	45,554	1,810,116
Net carrying amount, end of year	\$ 634,480	\$ 853,289	\$ 106,705	\$ 868,617	\$ 277,524	\$ 251,435	\$ 54,763	\$ 3,046,813

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

December 31, 2013

6. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2013	2012
<u>Investment in tangible capital assets</u>		
Tangible capital assets	\$ 3,045,455	\$ 3,046,813
Investment in tangible capital assets under construction	-	50,983
	3,045,455	3,097,796
<u>Current operations</u>		
General operating	350,584	389,179
Government partnership	6,978	-
	357,562	389,179
<u>Other allocated deficits</u>		
Landfill closure	(9,144)	(59,284)
<u>Reserve funds</u>		
Replacement of equipment	701,616	496,850
Landfill closures	64,975	64,358
Recreation	37,743	34,908
	804,334	596,116
Working capital reserve	220,000	220,000
Total surplus	\$ 4,418,207	\$ 4,243,807

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, 2013

7. Other Income

	2013	2012
Donations and fundraising	\$ 10,880	\$ 11,769

8. Expenses by Object

	2013	2012
Salaries, wages and employee benefits	\$ 194,012	\$ 179,715
Materials	172,359	120,297
Contracted services	209,038	195,402
Rents and financial expenses	62,838	85,179
Contributions to other organizations	288,446	311,511
Amortization	175,476	175,794
	<u>\$ 1,102,169</u>	<u>\$ 1,067,898</u>

9. 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.

10. 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 2013 was \$4,489 (2012 - \$8,521) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level for 2013 (2012 - 8.3% to 12.8% depending on income level).

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

December 31, 2013

11. 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 payments for the next three years are as follows:

Year	Amount
2014	\$19,910
2015	\$13,273
2016	\$ 6,636

Locum Housing

The Municipality has entered into an agreement with three 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.

12. Operations of School Boards

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

	2013	2012
School boards	\$ 194,524	\$ 201,786

13. Trust Funds

The Trust Funds administered by the Municipality amounting to \$68,978 (2012 - \$111,082) 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, 2013

14. Contributions to Unconsolidated Boards

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

	2013	2012
Northwestern Health Unit	\$ 14,677	\$ 14,442
Rainy River District Social Services Administration Board	245,223	261,886
	\$ 259,900	\$ 276,328

15. 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.

	2013		2012	
	Total	Municipality Portion	Total	Municipality Portion
Financial assets	\$ 140,042	\$ 35,011	\$ 278,773	\$ 69,693
Financial liabilities	108,833	27,208	278,773	69,693
Net financial assets	31,209	7,803	-	-
Non-financial assets	432,466	108,116	256,995	64,249
Accumulated surplus	\$ 463,675	\$ 115,919	\$ 256,995	\$ 64,249
	2013		2012	
	Total	Municipality Portion	Total	Municipality Portion
Revenue	\$ 228,733	\$ 57,183	\$ 168,308	\$ 42,077
Expenses	22,053	5,513	3,313	-
Annual surplus	206,680	51,670	164,995	42,077
Accumulated surplus, beginning of year	256,995	64,249	92,000	23,000
Accumulated surplus, end of year	\$ 463,675	\$ 115,919	\$ 256,995	\$ 65,077

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2013

16. 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, 2013

16. 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, 2013

16. 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	2013 Total
Revenue											
Taxation	\$ 91,625	\$ 45,074	\$ 145,791	\$ 35,605	\$ 54,699	\$ 37,393	\$ 34,270	\$ 35,613	\$ 4,458	\$ 484,528	
Fees and user charges	10	-	-	700	9,129	-	-	-	600	10,439	
Conditional grants	-	282	61,148	-	-	-	-	-	22,768	84,198	
Unconditional grants	108,638	53,444	172,863	42,217	64,856	44,337	40,634	-	42,226	5,285	574,500
Municipal grants	-	-	9,480	3,450	-	-	-	-	-	-	12,930
Other	9,256	4,554	14,730	3,597	16,406	3,778	3,463	3,598	452	59,834	
	<u>209,529</u>	<u>103,354</u>	<u>404,012</u>	<u>85,569</u>	<u>145,090</u>	<u>85,508</u>	<u>78,367</u>	<u>104,205</u>	<u>10,795</u>	<u>1,226,429</u>	
Expenses											
Wages and benefits	74,232	8,512	79,332	22,132	4,144	-	-	5,660	-	194,012	
Materials	30,362	19,478	89,423	79	5,568	-	-	26,330	-	172,359	
Contracted services	26,894	56,160	11,695	55,878	6,199	-	-	24,760	-	209,038	
Rent and financial	12,738	4,607	34,912	405	4,249	-	-	5,927	-	62,838	
External transfers	-	-	-	-	149,676	51,077	87,693	-	-	288,446	
Amortization	729	11,685	134,571	-	715	-	-	27,776	-	175,476	
	<u>144,955</u>	<u>100,442</u>	<u>349,933</u>	<u>78,494</u>	<u>170,551</u>	<u>51,077</u>	<u>87,693</u>	<u>90,453</u>	<u>28,571</u>	<u>1,102,169</u>	
Net surplus (deficit)	\$ 64,574	\$ 2,912	\$ 54,079	\$ 7,075	\$ (25,461)	\$ 34,431	\$ (9,326)	\$ 13,752	\$ (17,776)	\$ 124,260	

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2013

16. 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	2012 Total
Revenue											
Taxation	\$ 95,712	\$ 47,085	\$ 152,296	\$ 37,194	\$ 57,139	\$ 39,062	\$ 35,799	\$ 37,202	\$ 4,657	\$ 506,146	
Fees and user charges	100	-	50	-	1,500	-	-	-	-	1,650	
Conditional grants	-	-	3,425	-	-	-	-	-	-	6,468	
Unconditional grants	108,638	53,444	172,863	42,217	64,856	44,337	40,634	3,043	5,285	574,500	
Municipal grants	-	-	11,969	3,400	-	-	-	-	-	15,369	
Other	9,533	4,690	15,168	3,704	17,460	3,891	3,566	3,705	464	62,181	
	213,983	105,219	355,771	86,515	140,955	87,290	79,999	86,176	10,406	1,166,314	
Expenses											
Wages and benefits	72,453	1,299	78,178	22,635	1,301	-	-	3,849	-	179,715	
Materials	13,576	16,613	65,897	48	260	-	-	23,376	527	120,297	
Contracted services	27,280	67,902	17,940	60,548	2,218	-	-	12,519	6,995	195,402	
Rents and financial	14,519	4,673	49,614	9,030	1,288	-	-	6,055	-	85,179	
External transfers	-	-	-	-	154,644	71,940	84,927	-	-	311,511	
Amortization	729	11,575	135,781	-	-	-	-	27,709	-	175,794	
	128,557	102,062	347,410	92,261	159,711	71,940	84,927	73,508	7,522	1,067,898	
Net surplus	\$ 85,426	\$ 3,157	\$ 8,361	\$ (5,746)	\$ (18,756)	\$ 15,350	\$ (4,928)	\$ 12,668	\$ 2,884	\$ 98,416	

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



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Independent Auditor's Report

To the Members of Council, 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, 2013, 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 statements. The procedures selected depend on the auditor's judgment, 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 financial position of the Corporation of the Township of Lake of the Woods Trust Funds as at December 31, 2013, 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 Accountants, Licensed Public Accountants

Fort Frances, Ontario
February 4, 2014

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

December 31	RRD Stewardship Council	Cemetery Perpetual Care	2013	2012
Assets				
Investments	\$ -	\$ 68,978	\$ 68,978	\$ 111,954
Other receivable	-	-	-	1,541
	<u>\$ -</u>	<u>\$ 68,978</u>	<u>\$ 68,978</u>	<u>\$ 113,495</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,413
Balance - capital	-	68,978	68,978	111,082
	<u>\$ -</u>	<u>\$ 68,978</u>	<u>\$ 68,978</u>	<u>\$ 113,495</u>

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

December 31	RRD Stewardship Council	Cemetery Perpetual Care	2013	2012
Balance, beginning of year	<u>\$ 44,155</u>	<u>\$ 66,927</u>	<u>\$ 111,082</u>	<u>\$ 116,216</u>
Revenue				
Care and maintenance fees	-	750	750	450
Grants	9,500	-	9,500	8,400
Sales	-	-	-	7,942
Interest earned	51	2,051	2,102	2,717
	<u>9,551</u>	<u>2,801</u>	<u>12,352</u>	<u>19,509</u>
Expenditures				
Transferred to revenue fund	-	750	750	1,082
Other expenses	2,535	-	2,535	23,561
Return to Rainy River District Stewardship Council	51,171	-	51,171	-
	<u>53,706</u>	<u>750</u>	<u>54,456</u>	<u>24,643</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 68,978</u>	<u>\$ 68,978</u>	<u>\$ 111,082</u>

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

December 31, 2013

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.

The RRD Stewardship Council Trust Fund is a Ministry of Natural Resources sponsored Organization with the objective to encourage projects that focus on preserving and protecting species at risk.

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.