

**The Corporation of the Township of
Lake of the Woods
Consolidated Financial Statements
For the year ended December 31, 2016**

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Lake of the Woods**
Consolidated Financial Statements
For the year ended December 31, 2016

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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

SIGN HERE

_____ CAO/Clerk-Treasurer

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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, 2016, which are comprised of the Consolidated Statement of Financial Position as at December 31, 2016, 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, 2016, 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 Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
February 1, 2017

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

December 31	2016	2015
Financial assets		
Cash and cash equivalents	\$ -	\$ 54,980
Taxes receivable	78,139	123,645
Accounts receivable	108,245	24,276
Investments (Note 1)	1,547,964	1,580,691
	<u>1,734,348</u>	<u>1,783,592</u>
Liabilities		
Bank indebtedness (Note 4)	6,154	-
Accounts payable and accrued liabilities	29,071	20,774
Deferred revenue (Note 2)	53,228	35,030
Solid waste closure and post-closure liabilities (Note 3)	11,588	10,713
	<u>100,041</u>	<u>66,517</u>
Net financial assets	<u>1,634,307</u>	<u>1,717,075</u>
Non-financial assets		
Tangible capital assets (Note 5)	3,493,264	3,167,526
Inventory of supplies	993	1,508
	<u>3,494,257</u>	<u>3,169,034</u>
Accumulated surplus (Note 6)	<u>\$ 5,128,564</u>	<u>\$ 4,886,109</u>
Contingent liability (Note 11)		
Commitments (Note 13)		

_____ Treasurer

_____ Mayor

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

For the year ended December 31	Budget 2016	2016	2015
Revenue			
Taxation	\$ 564,671	\$ 573,750	\$ 567,081
Government transfers - Federal (Note 8)	53,300	-	-
Government transfers - Provincial (Note 9)	650,943	664,381	714,722
User fees and service charges	11,175	19,102	14,995
Permits, licenses and fines	23,500	54,596	44,860
Investment income	24,247	17,102	22,997
Municipal grants	11,150	15,305	14,430
Other income (Note 7)	3,631	304	52,445
	<u>1,342,617</u>	<u>1,344,540</u>	<u>1,431,530</u>
Expenses			
General government	132,116	135,690	132,189
Protection services	177,139	170,243	132,405
Transportation services	356,557	317,751	330,556
Environmental services	82,304	85,780	79,573
Health services	196,013	184,757	202,823
Social and family services	15,201	15,201	50,793
Social housing	102,554	102,554	92,102
Recreation and cultural services	77,012	73,316	60,645
Planning and development	19,695	16,793	8,020
	<u>1,158,591</u>	<u>1,102,085</u>	<u>1,089,106</u>
Annual surplus	184,026	242,455	342,424
Accumulated surplus, beginning of year	4,886,109	4,886,109	4,543,685
Accumulated surplus, end of year	\$ 5,070,135	\$ 5,128,564	\$ 4,886,109

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

<u>For the year ended December 31</u>	<u>Budget 2016</u>	<u>2016</u>	<u>2015</u>
Annual surplus	\$ 184,026	\$ 242,455	\$ 342,424
Acquisition of tangible capital assets	(440,633)	(501,173)	(188,527)
Amortization of tangible capital assets	160,198	175,435	180,006
	(96,409)	(83,283)	333,903
Acquisition of prepaid expenses and inventory of supplies	-	515	1,892
Net change in net financial assets	(96,409)	(82,768)	335,795
Net financial assets, beginning of year	1,717,075	1,717,075	1,381,280
Net financial assets, end of year	\$ 1,620,666	\$ 1,634,307	\$ 1,717,075

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

For the year ended December 31	2016	2015
Operating transactions		
Annual surplus	\$ 242,455	\$ 342,424
Item not involving cash		
Amortization	175,435	180,006
Changes in non-cash operating balances		
Taxes receivable	45,507	(25,628)
Accounts receivable	(83,969)	29,162
Prepaid expenses and inventories of supplies	515	1,892
Accounts payable and accrued liabilities	8,297	4,067
Deferred revenue	18,198	17,320
Solid waste closure and post-closure liabilities	875	813
	<u>407,313</u>	<u>550,056</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(501,173)</u>	<u>(188,527)</u>
Investing transactions		
Use (acquisition) of investments	<u>32,726</u>	<u>(257,165)</u>
Net change in cash and cash equivalents (bank indebtedness)	(61,134)	104,364
Cash and cash equivalents (bank indebtedness), beginning of year	<u>54,980</u>	<u>(49,384)</u>
Cash and cash equivalents (bank indebtedness), end of year	\$ (6,154)	\$ 54,980
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ -	\$ 54,980
Bank indebtedness	<u>(6,154)</u>	<u>-</u>
Cash and cash equivalents (bank indebtedness), end of year	\$ (6,154)	\$ 54,980

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

December 31, 2016

**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 33.33% ownership in the government partnership. The government partnership that has been consolidated is:

Rainy River Health Care Committee

The following boards are not consolidated:

Northwestern Health Unit

Rainy River District Social Services Administration Board

Government business enterprises 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, 2016

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, 2016

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, 2016

1. Investments

	2016	2015
Bonds	\$ 155,814	\$ 151,089
Money market	1,392,150	1,429,602
	\$ 1,547,964	\$ 1,580,691

The income from investments for the year was \$11,235 (2015 - \$12,878). The investments are classified as portfolio investments and are recorded at cost. The market value of the Municipality's investments was \$1,535,972 (2015 - \$1,571,697).

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	\$ 35,030	\$ 17,999	\$ 199	\$ -	\$ 53,228

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, 2016

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 \$11,588 (2015 - \$10,713) and reflects a discount rate of 6.0% (2015 - 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 42% (2015 - 43%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$365,453 (2015 - \$365,453) leaving an amount to be recognized of \$353,865 (2015 - \$354,740). 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% (2015 - 88%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$416,812 (2015 - \$416,812) leaving an amount to be recognized of \$416,812 (2015 - \$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 \$66,409 (2015 - \$66,081). 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, 2016, is \$30,992 (2015 - \$84,426). The Municipality has unused credit facilities at year end of \$25,000 (2015 - \$25,000).

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

December 31, 2016

5. Tangible Capital Assets

	2016							
	Land and improvements	Buildings	Equipment	Roads and bridges	Culverts	Vehicles	Other	Total
Cost, beginning of year	\$ 649,102	\$ 1,393,905	\$ 543,237	\$ 1,884,139	\$ 477,403	\$ 387,022	\$ 100,317	\$ 5,435,125
Additions	-	-	354,568	141,189	5,416	-	-	501,173
Disposals	-	-	-	(8,384)	-	-	-	(8,384)
Cost, end of year	649,102	1,393,905	897,805	2,016,944	482,819	387,022	100,317	5,927,914
Accumulated amortization, beginning of year	12,311	388,838	293,935	1,140,912	203,495	174,227	53,881	2,267,599
Amortization	2,238	28,694	26,309	85,277	12,059	18,263	2,595	175,435
Disposals	-	-	-	(8,384)	-	-	-	(8,384)
Accumulated amortization, end of year	14,549	417,532	320,244	1,217,805	215,554	192,490	56,476	2,434,650
Net carrying amount, end of year	\$ 634,553	\$ 976,373	\$ 577,561	\$ 799,139	\$ 267,265	\$ 194,532	\$ 43,841	\$ 3,493,264

The net book value of tangible capital assets not being amortized because they are under construction is \$NIL (2015 - \$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, 2016

5. Tangible Capital Assets (continued)

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

December 31, 2016

6. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2016	2015
<u>Investment in tangible capital assets</u>		
Tangible capital assets	\$ 3,493,264	\$ 3,167,526
<u>Current operations</u>		
General operating	331,256	267,573
Government partnership	9,843	17,023
Total operating surplus	341,099	284,596
<u>Other allocated deficits</u>		
Landfill closure	(11,588)	(10,713)
<u>Reserve funds</u>		
Replacement of equipment	973,258	1,115,213
Landfill closures	66,409	66,081
Recreation	46,122	43,406
Total reserve funds	1,085,789	1,224,700
Working capital reserve	220,000	220,000
Total surplus	\$ 5,128,564	\$ 4,886,109

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, 2016

7. Other Income

	2016	2015
Donations, fundraising and gain in partnership interest	\$ 304	\$ 52,445

8. Government Transfers - Federal

	2016	2015
Operating		
Other	\$ -	\$ -
Tangible capital assets		
Association of Municipalities of Ontario		
Federal gas tax fund	-	-
Total federal transfers	\$ -	\$ -

9. Government Transfers - Provincial

	2016	2015
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 619,100	\$ 592,500
Other	20,281	8,550
Total operating transfers	639,381	601,050
Tangible capital assets		
Province of Ontario		
Ministry of Rural Affairs	25,000	25,000
Northern Ontario Heritage Fund	-	88,672
Total tangible capital assets transfers	25,000	113,672
Total provincial transfers	\$ 664,381	\$ 714,722

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

December 31, 2016

10. Expenses by Object

	2016	2015
Salaries, wages and employee benefits	\$ 214,104	\$ 205,404
Materials	112,030	124,002
Contracted services	258,119	200,342
Rents and financial expenses	54,130	79,100
Contributions to other organizations	288,267	300,252
Amortization	175,435	180,006
	<u>\$ 1,102,085</u>	<u>\$ 1,089,106</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 2016 was \$10,858 (2015 - \$10,675) for current service. The OMERS Board rate was 9% to 14.6% depending on income level for 2016 (2015 - 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, 2016

13. Commitments

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:

	<u>2016</u>	<u>2015</u>
School boards	<u>\$ 200,870</u>	<u>\$ 207,637</u>

15. Trust Funds

The Trust Funds administered by the Municipality amounting to \$75,549 (2015 - \$75,908) 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, 2016

16. Contributions to Unconsolidated Boards

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

	2016	2015
Northwestern Health Unit	\$ 13,245	\$ 12,572
Rainy River District Social Services Administration Board	268,385	274,407
	\$ 281,630	\$ 286,979

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.

	2016		2015	
	Total	Municipality Portion	Total	Municipality Portion
Financial assets	\$ 31,673	\$ 10,558	\$ 26,141	\$ 8,714
Financial liabilities	77,143	25,714	77,211	25,737
Net financial assets	(45,470)	(15,156)	(51,070)	(17,023)
Non-financial assets	429,351	143,117	435,320	145,107
Accumulated surplus	\$ 383,881	\$ 127,961	\$ 384,250	\$ 128,084

	2016		2015	
	Total	Municipality Portion	Total	Municipality Portion
Revenue	\$ 17,438	\$ 5,813	\$ 20,301	\$ 6,767
Expenses	17,807	5,936	97,257	32,419
Annual deficit	(369)	(123)	(76,956)	(25,652)
Gain in partnership interest	-	-	-	38,434
Accumulated surplus, beginning of year	384,250	128,084	461,206	115,302
Accumulated surplus, end of year	\$ 383,881	\$ 127,961	\$ 384,250	\$ 128,084

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2016

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, 2016

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, 2016

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	2016 Total
Revenue											
Taxation	\$ 108,495	\$ 53,374	\$ 172,638	\$ 42,162	\$ 64,771	\$ 44,279	\$ 40,581	\$ 42,171	\$ 5,279	\$ 573,750	
Fees and user charges	15	-	5,678	-	4,550	-	-	-	8,859	19,102	
Conditional grants	-	123	33,666	-	-	-	-	-	722	45,280	
Unconditional grants	117,071	57,593	186,283	45,494	69,891	47,779	43,789	10,769	5,696	619,100	
Municipal grants	-	-	12,000	3,305	-	-	-	-	-	15,305	
Other	13,558	6,670	21,574	5,269	8,398	5,533	5,071	5,270	660	72,003	
	239,139	117,760	431,839	96,230	147,610	97,591	89,441	103,714	21,216	1,344,540	
Expenses											
Wages and benefits	80,252	8,083	92,848	25,328	4,208	-	-	3,385	-	214,104	
Materials	14,218	18,574	59,958	201	1,937	-	-	16,842	300	112,030	
Contracted services	26,712	124,976	14,121	58,971	3,739	-	-	13,107	16,493	258,119	
Rent and financial	13,622	5,933	23,700	1,280	2,372	-	-	7,223	-	54,130	
External transfers	-	-	-	-	170,512	15,201	102,554	-	-	288,267	
Amortization	886	12,675	127,125	-	1,990	-	-	32,759	-	175,435	
	135,690	170,241	317,752	85,780	184,758	15,201	102,554	73,316	16,793	1,102,085	
Net surplus (deficit)	\$ 103,449	\$ (52,481)	\$ 114,087	\$ 10,450	\$ (37,148)	\$ 82,390	\$ (13,113)	\$ 30,398	\$ 4,423	\$ 242,455	

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2016

18. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Family Services	Social and Family 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	122,222
Unconditional grants	112,042	55,118	178,279	43,540	66,888	45,726	41,907	43,549	5,451	592,500	
Municipal grants	-	-	11,125	3,305	-	-	-	-	-	-	14,430
Other	12,832	6,312	20,418	4,986	60,106	5,237	4,799	4,987	623	-	120,300
	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	-	1,025	124,002
Contracted services	26,720	87,092	14,478	56,653	8,940	-	-	(535)	-	6,994	200,342
Rents 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	

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, 2016, 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, 2016, 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 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 Township of Lake of the Woods and the Bereavement Authority of Ontario and should not be used by parties other than the management of the Corporation of the Township of Lake of the Woods and the Bereavement Authority of Ontario.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
February 1, 2017

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

December 31	2016	2015
Assets		
Investments	\$ 75,549	\$ 75,908
Liabilities		
Due to Municipality	\$ 1,701	\$ -
Balance - capital	73,848	75,908
	\$ 75,549	\$ 75,908

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

December 31	2016	2015
Balance, beginning of year	\$ 75,908	\$ 70,899
Revenue		
Care and maintenance fees	1,450	3,200
Interest earned	1,701	1,813
	3,151	5,013
Expenditures		
Transferred to revenue fund	1,809	1,813
Due to (from) general	1,701	(1,813)
Other expenses	-	4
	3,510	4
Balance, end of year	\$ 75,549	\$ 75,908

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

December 31, 2016

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.