
**The Corporation of the Township of
Lake of the Woods**

Consolidated Financial Statements

For the year ended December 31, 2018

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For the year ended December 31, 2018

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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 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

_____ 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**

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Lake of the Woods and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at December 31, 2018, 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 Notes to Consolidated Financial Statements, including a Summary of Significant Accounting Policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
February 27, 2019

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

December 31	2018	2017
Financial assets		
Cash and cash equivalents	\$ 99,692	\$ 62,673
Taxes receivable	92,423	68,821
Accounts receivable	165,475	63,371
Investments (Note 1)	1,801,873	1,725,439
	<u>2,159,463</u>	<u>1,920,304</u>
Liabilities		
Accounts payable and accrued liabilities	39,733	53,924
Deferred revenue (Note 2)	37,849	72,246
Solid waste closure and post-closure liabilities (Note 3)	13,543	12,530
	<u>91,125</u>	<u>138,700</u>
Net financial assets	<u>2,068,338</u>	<u>1,781,604</u>
Non-financial assets		
Tangible capital assets (Note 5)	3,699,532	3,431,009
Prepaid expenses	-	94,726
Inventory of supplies	-	993
	<u>3,699,532</u>	<u>3,526,728</u>
Accumulated surplus (Note 6)	<u>\$ 5,767,870</u>	<u>\$ 5,308,332</u>

Contingent liability/asset (Note 11)

Commitments (Note 13)

_____ Mayor

_____ Clerk-Treasurer

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

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Taxation	\$ 637,510	\$ 643,944	\$ 610,685
Government transfers - Federal (Note 8)	113,700	91,886	-
Government transfers - Provincial (Note 9)	698,943	712,641	693,416
User fees and service charges	11,975	18,363	17,642
Permits, licenses and fines	24,510	43,287	40,079
Investment income	35,474	47,098	14,912
Municipal grants	11,150	109,495	12,425
Other income (Note 7)	405	105,286	246
	1,533,667	1,772,000	1,389,405
Expenses			
General government	137,249	134,002	143,645
Protection services	233,340	236,292	203,834
Transportation services	401,127	408,831	354,029
Environmental services	89,005	91,326	86,980
Health services	203,686	208,556	191,914
Social and family services	26,622	12,912	33,541
Social housing	113,509	113,509	100,501
Recreation and cultural services	77,617	80,925	81,325
Planning and development	19,695	26,109	13,868
	1,301,850	1,312,462	1,209,637
Annual surplus	231,817	459,538	179,768
Accumulated surplus, beginning of year	5,308,332	5,308,332	5,128,564
Accumulated surplus, end of year	\$ 5,540,149	\$ 5,767,870	\$ 5,308,332

**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 2018	2018	2017
Annual surplus	\$ 231,817	\$ 459,538	\$ 179,768
Acquisition of tangible capital assets	(547,700)	(483,020)	(113,610)
Amortization of tangible capital assets	178,718	191,133	175,865
Write-down/loss on tangible capital assets	-	19,464	-
Proceeds on sale of tangible capital assets	-	3,900	-
	(137,165)	191,015	242,023
Disposal (acquisition) of prepaid expenses and inventory of supplies	-	95,719	(94,726)
Net change in net financial assets	(137,165)	286,734	147,297
Net financial assets, beginning of year	1,781,604	1,781,604	1,634,307
Net financial assets, end of year	\$ 1,644,439	\$ 2,068,338	\$ 1,781,604

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

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 459,538	\$ 179,768
Item not involving cash		
Amortization	191,133	175,865
Changes in non-cash operating balances		
Taxes receivable	(23,602)	9,317
Accounts receivable	(102,104)	44,874
Prepaid expenses and inventories of supplies	95,719	(94,726)
Accounts payable and accrued liabilities	(14,191)	24,853
Deferred revenue	(34,397)	19,018
Solid waste closure and post-closure liabilities	1,013	942
	<u>573,109</u>	<u>359,911</u>
Capital transactions		
Acquisition of tangible capital assets	(483,020)	(113,610)
Proceeds on sale of tangible capital assets	3,900	-
Write-down/loss on tangible capital assets	19,464	-
	<u>(459,656)</u>	<u>(113,610)</u>
Investing transactions		
Disposal (acquisition) of investments	(76,434)	(177,474)
Net change in cash and cash equivalents	37,019	68,827
Cash and cash equivalents (bank indebtedness), beginning of year	62,673	(6,154)
Cash and cash equivalents, end of year	\$ 99,692	\$ 62,673

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

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

December 31, 2018

**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 Chartered Professional Accountants of Canada.

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, 2018

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, 2018

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 Fund	<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 Fund are reported separately on the Trust Fund 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, 2018

1. Investments

	2018	2017
Bonds	\$ -	\$ 2,894
High interest savings	1,801,873	1,722,545
	\$ 1,801,873	\$ 1,725,439

The income from investments for the year was \$43,886 (2017 - \$17,544). The investments are classified as portfolio investments and are recorded at cost. The investments in bonds and money market funds were redeemed in the year and transferred to a high interest savings account which earns interest at 2.415% (2017 - 1.665%). The market value of the Municipality's investments in bonds and money market funds was \$NIL (2017 - \$2,894).

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	\$ 72,246	\$ 18,856	\$ 784	\$ (91,886)	-
Ontario's Main Street Revitalization Initiative	-	37,849	-	-	37,849
	\$ 72,246	\$ 56,705	\$ 784	\$ (91,886)	\$ 37,849

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.

Ontario's Main Street Revitalization Initiative

The Province of Ontario advances the Municipality funding related to the Ontario Main Street Revitalization Initiative. This funding must be spent on eligible projects. The funding can be deferred until March 31, 2020.

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

December 31, 2018

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 \$13,543 (2017 - \$12,530) and reflects a discount rate of 6.0% (2017 - 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 22,440 cubic metres which is 40% (2017 - 41%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$365,453 (2017 - \$365,453) leaving an amount to be recognized of \$351,910 (2017 - \$352,923). 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 66,520 cubic metres which is 86% (2017 - 86%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$416,812 (2017 - \$416,812) leaving an amount to be recognized of \$416,812 (2017 - \$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 \$68,567 (2017 - \$67,192). The landfill liabilities are fully funded.

4. Bank Indebtedness

The Municipality has unused credit facilities at year end of \$25,000 (2017 - \$25,000).

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

December 31, 2018

5. Tangible Capital Assets

								2018
	Land and improvements	Buildings	Equipment	Roads and bridges	Culverts	Vehicles	Other	Total
Cost, beginning of year	\$ 649,102	\$ 1,402,476	\$ 903,105	\$ 2,009,509	\$ 499,246	\$ 387,022	\$ 112,253	\$ 5,962,713
Additions	-	13,908	4,216	305,822	18,539	140,535	-	483,020
Disposals	-	-	-	(77,910)	-	(12,696)	-	(90,606)
Write-downs	-	-	-	(11,877)	-	(11,487)	-	(23,364)
Cost, end of year	649,102	1,416,384	907,321	2,225,544	517,785	503,374	112,253	6,331,763
Accumulated amortization, beginning of year	16,788	446,312	355,147	1,215,625	227,887	210,754	59,191	2,531,704
Amortization	2,238	29,187	35,298	88,244	12,764	20,567	2,835	191,133
Disposals	-	-	-	(77,910)	-	(12,696)	-	(90,606)
Accumulated amortization, end of year	19,026	475,499	390,445	1,225,959	240,651	218,625	62,026	2,632,231
Net carrying amount, end of year	\$ 630,076	\$ 940,885	\$ 516,876	\$ 999,585	\$ 277,134	\$ 284,749	\$ 50,227	\$ 3,699,532

During the year, the Municipality received a donation of a road from a land owner. The road was constructed in 2016 and 2017 and donated to the Municipality in 2018. The cost paid by the land owner to build the road was \$36,000 which is the cost base of the asset. Donation revenue has been recognized in the year.

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

December 31, 2018

5. Tangible Capital Assets (continued)

	2017							
	Land and improvements	Buildings	Equipment	Roads and bridges	Culverts	Vehicles	Other	Total
Cost, beginning of year	\$ 649,102	\$ 1,393,905	\$ 897,805	\$ 2,016,944	\$ 482,819	\$ 387,022	\$ 100,317	\$ 5,927,914
Additions	-	8,571	5,300	71,376	16,427	-	11,936	113,610
Disposals	-	-	-	(78,811)	-	-	-	(78,811)
Cost, end of year	649,102	1,402,476	903,105	2,009,509	499,246	387,022	112,253	5,962,713
Accumulated amortization, beginning of year	14,549	417,532	320,244	1,217,805	215,554	192,490	56,476	2,434,650
Amortization	2,239	28,781	34,903	76,631	12,333	18,263	2,715	175,865
Disposals	-	-	-	(78,811)	-	-	-	(78,811)
Accumulated amortization, end of year	16,788	446,313	355,147	1,215,625	227,887	210,753	59,191	2,531,704
Net carrying amount, end of year	\$ 632,314	\$ 956,163	\$ 547,958	\$ 793,884	\$ 271,359	\$ 176,269	\$ 53,062	\$ 3,431,009

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

December 31, 2018

6. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2018	2017
<u>Investment in tangible capital assets</u>		
Tangible capital assets	\$ 3,699,532	\$ 3,431,009
<u>Current operations</u>		
General operating	382,979	356,543
Government partnership	14,802	12,234
Total operating surplus	397,781	368,777
<u>Other allocated deficits</u>		
Landfill closure	(13,543)	(12,530)
<u>Reserve funds</u>		
Replacement of equipment	1,342,862	1,184,719
Landfill closures	68,567	67,192
Recreation	52,671	49,165
Total reserve funds	1,464,100	1,301,076
Working capital reserve	220,000	220,000
Total surplus	\$ 5,767,870	\$ 5,308,332

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, 2018

7. Other Income

	2018	2017
Donations and fundraising	\$ -	\$ 246
Loss/writedown of tangible capital assets	(19,464)	-
Excess tax sale proceeds	80,000	-
Donated tangible capital asset	36,000	-
Parkland tax	8,750	-
	\$ 105,286	\$ 246

8. Government Transfers - Federal

	2018	2017
Tangible capital assets		
Association of Municipalities of Ontario		
Federal Gas Tax Fund	\$ 91,886	\$ -
	\$ 91,886	\$ -

9. Government Transfers - Provincial

	2018	2017
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 642,900	\$ 635,500
Other	19,741	7,916
Total operating transfers	662,641	643,416
Tangible capital assets		
Province of Ontario		
Ministry of Rural Affairs	50,000	50,000
Total provincial transfers	\$ 712,641	\$ 693,416

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

December 31, 2018

10. Expenses by Object

	2018	2017
Salaries, wages and employee benefits	\$ 228,931	\$ 224,268
Materials	164,236	132,772
Contracted services	332,454	286,416
Rent and financial expenses	82,871	77,644
Contributions to other Organizations	312,837	312,672
Amortization	191,133	175,865
	<u>\$ 1,312,462</u>	<u>\$ 1,209,637</u>

11. Contingent Liability/Asset

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 or they may be entitled to surplus. Should any premium demands, losses or surpluses occur, such loss/surplus will be recognized in the year of resolution or settlement of the claim. As of the date of the consolidated financial statements, the amount of any loss or surplus cannot be reasonably estimated as accounts continue to change based on claims experiences.

12. Pension Agreement

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System (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 2018 was \$11,493 (2017 - \$10,946) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level for 2018 (2017 - 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, 2018

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:

	2018	2017
School boards	\$ 200,120	\$ 196,909

15. Trust Fund

The Trust Fund administered by the Municipality amounting to \$78,700 (2017 - \$76,699) has not been included in the consolidated statement of financial position nor has the operation been included in the consolidated statement of operations.

16. Contributions to Unconsolidated Boards

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

	2018	2017
Northwestern Health Unit	\$ 13,245	\$ 13,245
Rainy River District Social Services Administration Board	299,592	299,427
	\$ 312,837	\$ 312,672

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

December 31, 2018

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 costs related to the development and operations will be shared based on each community's financial contribution to the project. Upon entering into the agreement, each community made a \$25,000 refundable contribution leaving each community with a 25% proportional interest.

In September 2015, one of the member communities withdrew from the partnership and was refunded their original \$25,000 member contribution. For each of the remaining three member communities, the exit of this partner resulted in an increase in their proportionate interest of the partnership to 33.33%.

	2018		2017	
	Total	Municipality Portion	Total	Municipality Portion
Financial assets	\$ 45,032	\$ 15,011	\$ 38,705	\$ 12,902
Financial liabilities	75,627	25,209	77,004	25,668
Net financial assets	(30,595)	(10,198)	(38,299)	(12,766)
Non-financial assets	417,290	139,097	423,382	141,128
Accumulated surplus	<u>\$ 386,695</u>	<u>\$ 128,899</u>	<u>\$ 385,083</u>	<u>\$ 128,362</u>

	2018		2017	
	Total	Municipality Portion	Total	Municipality Portion
Revenue	\$ 15,796	\$ 5,265	\$ 15,438	\$ 5,146
Expenses	14,184	4,728	14,236	4,745
Annual surplus	1,612	537	1,202	401
Accumulated surplus, beginning of year	385,083	128,362	383,881	127,961
Accumulated surplus, end of year	<u>\$ 386,695</u>	<u>\$ 128,899</u>	<u>\$ 385,083</u>	<u>\$ 128,362</u>

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2018

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, 2018

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, 2018

18. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Family Services	Social and Cultural Services	Social Housing	Recreation and Cultural Services	Planning and Development	2018 Total
Revenue											
Taxation	\$ 121,770	\$ 59,904	\$ 193,759	\$ 47,320	\$ 72,695	\$ 49,696	\$ 45,546	\$ 47,330	\$ 5,924	\$ 643,944	
Fees and user charges	-	35	1,050	600	7,225	-	-	-	9,453	18,363	
Conditional grants	-	1,659	156,075	-	-	-	-	3,043	850	161,627	
Unconditional grants	121,572	59,807	193,444	47,243	72,578	49,616	45,472	47,253	5,915	642,900	
Municipal grants	-	-	106,190	3,305	-	-	-	-	-	109,495	
Other	37,001	18,203	58,876	14,379	22,090	15,101	13,840	14,381	1,800	195,671	
	280,343	139,608	709,394	112,847	174,588	114,413	104,858	112,007	23,942	1,772,000	
Expenses											
Wages and benefits	79,136	2,774	108,327	28,216	4,580	-	-	5,898	-	228,931	
Materials	12,237	22,494	95,497	660	7,847	-	-	24,909	592	164,236	
Contracted services	27,444	188,804	14,517	60,426	4,732	-	-	11,014	25,517	332,454	
Rent and financial	14,329	6,786	51,176	1,919	2,951	-	-	5,710	-	82,871	
External transfers	-	-	-	-	186,416	12,912	113,509	-	-	312,837	
Amortization	856	15,434	139,314	105	2,030	-	-	33,394	-	191,133	
	134,002	236,292	408,831	91,326	208,556	12,912	113,509	80,925	26,109	1,312,462	
Net surplus (deficit)	\$ 146,341	\$ (96,684)	\$ 300,563	\$ 21,521	\$ (33,968)	\$ 101,501	\$ (8,651)	\$ 31,082	\$ (2,167)	\$ 459,538	

The Corporation of the Township of Lake of the Woods

Notes to Consolidated Financial Statements

December 31, 2018

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	2017 Total
Revenue											
Taxation	\$ 115,481	\$ 56,810	\$ 183,751	\$ 44,876	\$ 68,941	\$ 47,130	\$ 43,193	\$ 44,885	\$ 5,618	\$ 610,685	
Fees and user charges	665	-	5,504	-	5,025	-	-	-	6,448	17,642	
Conditional grants	-	1,507	53,366	-	-	-	-	3,042	-	57,915	
Unconditional grants	120,173	59,118	191,218	46,700	71,742	49,045	44,948	46,709	5,847	635,500	
Municipal grants	-	-	9,120	3,305	-	-	-	-	-	12,425	
Other	10,399	5,116	16,546	4,041	6,455	4,244	3,889	4,042	506	55,238	
	246,718	122,551	459,505	98,922	152,163	100,419	92,030	98,678	18,419	1,389,405	
Expenses											
Wages and benefits	81,351	7,943	100,811	26,446	3,929	-	-	3,788	-	224,268	
Materials	11,935	19,639	74,271	572	2,140	-	-	23,828	387	132,772	
Contracted services	27,088	157,702	13,261	58,010	3,315	-	-	13,559	13,481	286,416	
Rent and financial	22,415	5,605	38,629	1,899	1,909	-	-	7,187	-	77,644	
External transfers	-	-	-	-	178,630	33,541	100,501	-	-	312,672	
Amortization	856	12,945	127,057	53	1,990	-	-	32,964	-	175,865	
	143,645	203,834	354,029	86,980	191,913	33,541	100,501	81,326	13,868	1,209,637	
Net surplus (deficit)	\$ 103,073	\$ (81,283)	\$ 105,476	\$ 11,942	\$ (39,750)	\$ 66,878	\$ (8,471)	\$ 17,352	\$ 4,551	\$ 179,768	

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**

Opinion

We have audited the financial statements of the Corporation of the Township of Lake of the Woods Trust Fund (the Entity), which comprise the Balance Sheet as at December 31, 2018, and the Statement of Continuity for the year then ended, and Notes to Financial Statements, including a Summary of Significant Accounting Policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and the continuity thereof, in accordance with the basis of accounting as described in Note 1.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restrictions on Use

Without modifying our opinion, we draw attention to Note 1 to 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.

Responsibilities of Management and Those Charged with Governance 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
February 27, 2019

**The Corporation of the Township of Lake of the Woods
Trust Fund - Cemetery Perpetual Care
Balance Sheet**

December 31	2018	2017
Assets		
Investments	\$ 78,700	\$ 78,481
Liabilities		
Balance - capital	\$ 78,699	\$ 76,699
- due to Municipality	1	1,782
	<u>\$ 78,700</u>	<u>\$ 78,481</u>

**The Corporation of the Township of Lake of the Woods
Trust Fund - Cemetery Perpetual Care
Statement of Continuity**

December 31	2018	2017
Balance, beginning of year	\$ 76,699	\$ 75,549
Revenue		
Care and maintenance fees	2,000	1,150
Interest earned	1	1,782
	<u>2,001</u>	<u>2,932</u>
Expenditures		
Due to general	-	1,782
Balance, end of year	<u>\$ 78,700</u>	<u>\$ 76,699</u>

**The Corporation of the Township of Lake of the Woods
Trust Fund - Cemetery Perpetual Care
Notes to Financial Statements**

December 31, 2018

1. Summary of Significant Accounting Policies

Management's Responsibility The financial statements of the Corporation of the Township of Lake of the Woods Trust Fund 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 receipt of goods or services and the creation of a legal obligation to pay.

2. Nature of Trust Fund

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

3. 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.