

**Corporation of the Municipality
of Red Lake**
Consolidated Financial Statements
For the Year Ended December 31, 2013

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Management's Responsibility for the Financial Statements

The accompanying financial statements of the Corporation of the Municipality of Red Lake are the responsibility of the Municipality's management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in the notes to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgments, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Town Council meets with management to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by Town Council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's financial statements.



Red Lake, Ontario
July 21, 2014



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BDO Canada LLP
300 - 301 First Avenue S
Kenora ON P9N 4E9 Canada

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Red Lake

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Red Lake, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of operations, consolidated statement of changes in net debt and 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 of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Municipality of Red Lake as at December 31, 2013 and the results of its operations, changes in net debt and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Kenora, Ontario
July 21, 2014

**Corporation of the Municipality of Red Lake
Consolidated Statement of Financial Position**

December 31	2013	2012
Financial Assets		
Cash (Note 1)	\$ 4,912,266	\$ 4,914,251
Short Term Investments (Note 2)	140,480	229,001
Taxes Receivable	962,118	594,023
Trade and Other Receivables	2,180,160	4,160,591
	8,195,024	9,897,866
 Financial Liabilities		
Bank Indebtedness (Note 3)	632,486	-
Accounts Payable and Accrued Liabilities	696,739	1,924,439
Deferred Revenue (Note 4)	580,194	709,883
Landfill Closure and Post Closure Liability (Note 5)	963,290	778,846
Long Term Liabilities (Note 6)	20,382,840	22,578,093
	23,255,549	25,991,261
 Net Debt	 (15,060,525)	 (16,093,395)
 Non-financial assets		
Prepaid Expenses and Other Assets	243,480	249,600
Tangible Capital Assets (Note 7)	52,895,481	54,381,968
	53,138,961	54,631,568
 Accumulated Surplus	 \$ 38,078,436	 \$ 38,538,173

Approved by:

Ben Kosytko
for *Paul T. Viner, Mayor*

Shelly L. Kocis
Shelly L. Kocis, Clerk

**Corporation of the Municipality of Red Lake
Consolidated Statement of Operations**

For the Year Ended December 31	Budget	2013	2012
	(Note 8)		
Revenue			
Taxation	\$ 7,598,497	\$7,741,487	\$ 6,311,986
Fees and User Charges	4,918,547	5,077,317	4,992,090
Canada Grants	876,274	416,143	3,111,848
Ontario Grants	3,367,498	3,052,541	8,195,473
Other Income (Note 12)	5,439,735	889,532	667,369
	22,200,551	17,177,020	23,278,766
Expenses			
General Government	1,734,322	1,840,152	1,645,820
Protection Services	2,646,381	2,483,444	2,826,254
Transportation Services	3,838,756	4,160,830	3,875,072
Environmental Services	3,374,933	3,766,500	3,607,546
Health Services	536,823	564,917	536,848
Social and Family Services	2,395,124	2,373,663	2,242,328
Recreation and Cultural Services	1,678,951	1,878,099	1,883,608
Planning and Development	549,891	569,152	8,036,576
	16,755,181	17,636,757	24,654,052
Total Expenditures	16,755,181	17,636,757	24,654,052
Annual Surplus (Deficit)	5,445,370	(459,737)	(1,375,286)
Accumulated Surplus, Beginning of Year	38,538,173	38,538,173	39,913,459
Accumulated Surplus, End of Year	\$ 43,983,543	\$ 38,078,436	\$ 38,538,173

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

Corporation of the Municipality of Red Lake
Consolidated Statement of Changes in Net Debt

For the Year Ended December 31	Budget	2013	2012
	(Note 8)		
Annual Surplus (Deficit)	\$ 5,445,370	\$ (459,737)	\$ (1,375,286)
Acquisition of Tangible Capital Assets	(6,613,029)	(1,340,930)	(1,751,450)
Amortization of Tangible Capital Assets	2,601,126	2,589,269	2,601,505
Loss on Disposal of Tangible Capital Assets	-	238,148	113,902
Proceeds on Sale of Tangible Capital Assets	-	-	96,999
Net Change in Prepaid Expenses	-	6,120	(3,706)
Net Change in Net Debt	1,433,467	1,032,870	(318,036)
Net Debt, Beginning of Year	(16,093,395)	(16,093,395)	(15,775,359)
Net Debt, End of Year	\$(14,659,928)	\$(15,060,525)	\$(16,093,395)

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

Corporation of the Municipality of Red Lake
Consolidated Statement of Cash Flows

For the Year Ended December 31	2013	2012
Operating Transactions		
Annual Surplus (Deficit)	\$ (459,737)	\$ (1,375,286)
Adjustments for		
Amortization	2,589,269	2,601,505
Loss on Disposal of Capital Assets	238,148	113,902
Changes in Non-cash Operating Balances		
Taxes Receivable	(368,095)	292,249
Trade and Other Receivables	1,980,431	(780,582)
Accounts Payable and Accrued Liabilities	(1,227,700)	991,395
Prepaid Expenses and Other Assets	6,120	(3,704)
Deferred Revenue	(129,689)	274,471
Landfill Closure and Post Closure Liability	184,444	38,428
	<u>2,813,191</u>	<u>2,152,378</u>
Financing Activities		
Long Term Debt Issued	-	6,339,765
Long Term Debt Repaid	(2,195,253)	(3,386,754)
Bank Indebtedness	632,486	(2,611,792)
	<u>(1,562,767)</u>	<u>341,219</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,340,930)	(1,751,450)
Proceeds from Sale of Capital Assets	-	96,999
	<u>(1,340,930)</u>	<u>(1,654,451)</u>
Net Change in Cash and Cash Equivalents	(90,506)	839,146
Cash and Cash Equivalents, Beginning of Year	5,143,252	4,304,106
Cash and Cash Equivalents, End of Year	\$ 5,052,746	\$ 5,143,252
Represented by:		
Cash	\$ 4,912,266	\$ 4,914,251
Temporary Investments	140,480	229,001
Balance, End of Year	\$ 5,052,746	\$ 5,143,252

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

Corporation of the Municipality of Red Lake Summary of Significant Accounting Policies

December 31, 2013

Management Responsibility	<p>The consolidated financial statements of the Corporation of The Municipality of Red Lake are the representations of management. They have been prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.</p> <p>The focus of PSAB financial statements is on the financial position of the Municipality and the change thereto. The consolidated statement of financial position reports 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. Accumulated surplus represents the operations 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.</p>
Basis of Consolidation	<p>The consolidated statements reflect the assets, liabilities, sources of financing and expenses of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.</p> <p>The following boards and municipal enterprises owned or controlled by Council have been consolidated:</p> <ul style="list-style-type: none">- Red Lake Public Library Board- Red Lake Regional Heritage Centre Board- Red Lake Airport
Basis of Accounting	<p>Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.</p>
Government Transfers	<p>Government transfers are recognized in the year in which the events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.</p>

**Corporation of the Municipality of Red Lake
Summary of Significant Accounting Policies**

December 31, 2013

Revenue Recognition	Revenues are recognized as follows: <ul style="list-style-type: none">a) Tax revenue is recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.b) Fees and user charges are recognized on a quarterly basis as services are provided.c) Other revenues are recorded when collected or when collection is reasonably assured.														
Investments	Investment income earned on current fund, reserves and reserve fund are reported as revenue in the period earned. Investments are recorded at the lower of cost and market value.														
Deferred Revenue	Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.														
School Boards	The municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.														
Trust Funds	Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.														
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <table><tr><td>Buildings</td><td>20 to 50 years</td></tr><tr><td>Machinery and equipment</td><td>15 to 25 years</td></tr><tr><td>Furniture and equipment</td><td>8 to 15 years</td></tr><tr><td>Vehicles</td><td>8 years</td></tr><tr><td>Roads, sidewalks and streetlights</td><td>10 to 20 years</td></tr><tr><td>Water and sewer infrastructure</td><td>20 to 50 years</td></tr><tr><td>Land improvements and leaseholds</td><td>15 to 30 years</td></tr></table>	Buildings	20 to 50 years	Machinery and equipment	15 to 25 years	Furniture and equipment	8 to 15 years	Vehicles	8 years	Roads, sidewalks and streetlights	10 to 20 years	Water and sewer infrastructure	20 to 50 years	Land improvements and leaseholds	15 to 30 years
Buildings	20 to 50 years														
Machinery and equipment	15 to 25 years														
Furniture and equipment	8 to 15 years														
Vehicles	8 years														
Roads, sidewalks and streetlights	10 to 20 years														
Water and sewer infrastructure	20 to 50 years														
Land improvements and leaseholds	15 to 30 years														

**Corporation of the Municipality of Red Lake
Summary of Significant Accounting Policies**

December 31, 2013

**Use of Estimates and
Measurement Uncertainty**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

In particular, management's estimate for the Landfill Liability, as described in Note 5, is subject to measurement uncertainty. The estimate is based on assumptions and calculations contained in an engineer's report, modified as necessary for the passage of time and actual use of the landfill site. Other accounts subject to significant estimates include useful lives of tangible capital assets and allowances for doubtful taxes and accounts receivable. Actual results could differ significantly from those estimates because of the uncertainty related to future cost estimates and future use of the landfill site.

**Pensions and Employee
Benefits**

Pension Plan

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement Fund (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.

Sick Leave

The collective Bargaining Agreement between the Municipality and the Union provides for sick leave credits for its employees. Unused sick leave credits do not accumulate from year to year.

Vacation

Employees are required to take their vacation time before December 31 each year. No banking of unused vacation time is allowed.

Financial Instruments

The Municipality's financial instruments consist of cash and temporary investments, taxes receivable, trade and other receivables, bank indebtedness, accounts payable and accrued liabilities, and long term liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial statements.

The fair values of these financial instruments approximate their carrying values.

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2013

1. Cash

	2013	2012
Unrestricted Cash	\$ 772,618	\$ 1,184,912
Restricted Cash	4,139,648	3,729,339
	\$ 4,912,266	\$ 4,914,251

2. Short Term Investments

The short term investments include guaranteed investment certificates and treasury bills bearing interest rates of 0.8%, maturing 2014.

3. Bank Indebtedness

The Corporation of the Municipality of Red Lake has a revolving credit facility with the Canadian Imperial Bank of Commerce for \$2,000,000. Advances under this facility are due on demand and bear interest at prime, payable monthly.

The Municipality also has a revolving bridge facility with a limit of \$4,000,000. Interest is payable monthly at prime. Any advances are due on demand.

	2013	2012
Bank overdraft	\$ 632,486	\$ -

4. Deferred Revenue

Included in deferred revenue are amounts relating to gas tax agreement funds:

	2013	2012
Opening Balance of Unspent Gas Tax Funds	\$ 656,656	\$ 375,021
Add:		
Amounts Received in the Year	277,670	277,670
Externally Restricted Interest Earned	4,183	3,965
Less:		
Project Expense	(391,011)	-
Closing Balance of Unspent Gas Tax Funds	547,498	656,656
Other Deferred Revenue	32,696	53,227
Total Deferred Revenue	\$ 580,194	\$ 709,883

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the municipality and the Province of Ontario. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements.

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2013

5. Landfill Closure and Post Closure Liability

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill site based on usage.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty five year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Municipality operates one primary landfill site. Based on a closure and post closure liability review dated 2013, the estimated cost to close the site is \$678,000 and the estimated post closure costs are \$27,844 per annum for 25 years. The liability is based on reaching capacity in year 2016 and was estimated using a discount factor of 3.84% and an inflation rate of 3.5%. At December 31, 2013, an amount of \$963,290 (2012 - \$778,846) has been accrued as a liability.

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2013

6. Long Term Liabilities

	<u>2013</u>	<u>2012</u>
Ontario Municipal Economic Infrastructure Financing Authority advances, repayable semi annually at \$27,867 plus interest at 2.31%, maturing December 2016	\$ 167,199	\$ 222,932
Ontario Municipal Economic Infrastructure Financing Authority advances, repayable semi annually at \$81,281 plus interest at 2.37%, maturing December 2021	1,300,499	1,463,061
Ontario Municipal Economic Infrastructure Financing Authority advance, repayable semi annually at blended principal and interest installments of \$160,094 at 3.52%, maturing November 2026	3,317,179	3,515,354
CIBC Demand installment loan, principal draw amounts repayable in \$110,966 quarterly payments plus interest payable monthly at prime rate, maturing August 2014 (Loan # - 6026451)	332,898	776,762
Federation of Canadian Municipalities loan, repayable \$121,827 semi-annually in June and December including interest at 2%, maturing June 2032	3,752,256	3,918,391
Pacific and Western Bank demand installment loan, repayable \$23,455 monthly including interest at 3.79%, maturing July 2022	2,055,166	2,254,625
CIBC Demand installment loan, principal draw amounts repayable in \$14,032 quarterly payments plus interest payable monthly at prime rate, maturing May 2020 (Loan # - 6028055)	364,820	420,947
CIBC Demand installment loan, with quarterly payments of \$31,446 payments plus interest repayable monthly at prime rate, maturing May 2014 (Loan # - 6028152)	62,892	188,674
Carried Forward	\$ 11,352,909	\$ 12,760,746

Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements

December 31, 2013

6. Long Term Liabilities - continued

	2013	2012
Brought Forward	\$ 11,352,909	\$ 12,760,746
CIBC demand installment loan, repayable in quarterly payments of \$23,862 plus interest at prime, maturing May 2021 (Loan # - 6027652)	739,710	835,157
CIBC demand installment loan, repayable in quarterly payments of \$36,069 plus interest at prime, maturing May 2025 (Loan # - 6027857)	1,832,700	2,133,304
CIBC demand installment loan, repayable quarterly at \$97,841 plus interest at prime, maturing May 2030 (Loan # - 6027954)	6,457,521	6,848,886
	\$ 20,382,840	\$ 22,578,093

Principal payments for the next five fiscal years and thereafter if not demanded are as follows:

2014	\$ 2,039,447
2015	1,662,339
2016	1,681,467
2017	1,645,907
2018	1,666,548
Thereafter	11,687,133

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

7. Tangible Capital Assets

	2013							
	Land	Buildings	Machinery, Furniture and Equipment	Vehicles	Roads, Sidewalks and Streetlights	Water and Sewer and Improvements and Leaseholds	Land Construction in Progress	Total
Cost, Beginning of Year	\$ 600,268	\$ 36,668,673	\$ 7,443,952	\$ 581,861	\$ 16,503,235	\$ 18,782,709	\$ 5,945,513	\$ 86,526,211
Additions	170,708	463,378	164,800	41,568	68,296	7,955	385,870	1,340,930
Disposals		(377,880)	-	-	-	-	-	(377,880)
Cost, End of Year	770,976	36,754,171	7,608,752	623,429	16,571,531	18,790,664	385,870	\$ 87,489,261
Accumulated Amortization, Beginning of Year	-	8,370,022	4,119,189	384,998	9,153,583	8,720,640	1,395,811	32,144,243
Amortization	-	767,720	438,533	47,091	629,157	380,010	326,758	2,589,269
Disposals	-	(139,732)	-	-	-	-	-	(139,732)
Accumulated Amortization, End of Year	-	8,998,010	4,557,722	432,089	9,782,740	9,100,650	1,722,569	34,593,780
Net Carrying Amount, End of Year	\$ 770,976	\$ 27,756,161	\$ 3,051,030	\$ 191,340	\$ 6,788,791	\$ 9,690,014	\$ 4,261,299	\$ 52,895,481

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

7. Tangible Capital Assets (continued)

	2012							
	Land	Buildings	Machinery, Furniture and Equipment	Vehicles	Roads, Sidewalks and Streetlights	Water and Sewer and Improvements and Leaseholds	Land Construction in Progress	Total
Cost, Beginning of Year	\$ 556,222	\$ 36,484,753	\$ 7,038,823	\$ 581,861	\$ 16,083,353	\$ 18,696,696	\$ 5,657,768	\$ 85,099,476
Additions	44,046	365,590	548,174	-	419,882	86,013	287,745	1,751,450
Disposals	(181,670)	-	(143,045)	-	-	-	-	(324,715)
Cost, End of Year	600,268	36,668,673	7,443,952	581,861	16,503,235	18,782,709	5,945,513	86,526,211
Accumulated Amortization, Beginning of Year	-	7,713,805	3,683,642	340,506	8,499,772	8,341,620	1,077,207	29,656,552
Amortization	-	755,728	449,850	44,492	653,811	379,020	318,604	2,601,505
Disposals	-	(99,511)	(14,303)	-	-	-	-	(113,814)
Accumulated Amortization, End of Year	-	8,370,022	4,119,189	384,998	9,153,583	8,720,640	1,395,811	32,144,243
Net Carrying Amount, End of Year	\$ 600,268	\$ 28,298,651	\$ 3,324,763	\$ 196,863	\$ 7,349,652	\$ 10,062,069	\$ 4,549,702	\$ 54,381,968

The net book value of tangible capital assets not being amortized because they are under construction is \$385,870 (2012 - \$NIL). The municipality holds various works of art and historical treasures pertaining to the Red Lake Regional Heritage Centre. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements

December 31, 2013

8. Budget Amounts

The Financial Plan (Budget) By-Law 1789-13 approved by Council was not prepared on a basis consistent with that used to report actual financial statement results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of financial activities and changes in net debt represent the By-Laws adopted by Council with adjustments as follows:

Budget Surplus per Bylaw	\$ -
Add:	
Capital Expenditures	6,598,029
Budgeted Payments of Long Term Debt	2,195,723
Budget Transfers from Reserves	124,500
Less:	
Budgeted Transfers to Reserve	(871,756)
Amortization	<u>(2,601,126)</u>
Budget per Statement of Operations	<u>\$ 5,445,370</u>

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2013

9. Government Transfers

	Budget	2013	2012
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,908,000	\$ 1,908,000	\$ 1,989,500
Conditional - Protection	91,680	74,088	91,079
- Transportation	162,900	88,211	197,640
- Child care	817,833	785,902	794,361
- Other	137,085	196,340	63,316
	<u>3,117,498</u>	<u>3,052,541</u>	<u>3,135,896</u>
Government of Canada - other	-	-	9,000
Total Operating Transfers	<u>3,117,498</u>	<u>3,052,541</u>	<u>3,144,896</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - Natural Gas Project	-	-	4,900,000
- Other	250,000	-	159,577
	<u>250,000</u>	<u>-</u>	<u>5,059,577</u>
Government of Canada			
Conditional - Natural Gas Project	448,239	391,011	2,700,000
- Airport	428,035	25,132	378,933
- Other	-	-	23,915
	<u>876,274</u>	<u>416,143</u>	<u>3,102,848</u>
Total Tangible Capital Asset Transfers	<u>1,126,274</u>	<u>416,143</u>	<u>8,162,425</u>
Total Transfers	<u>\$ 4,243,772</u>	<u>\$ 3,468,684</u>	<u>\$ 11,307,321</u>

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2013

10. Accumulated Surplus

The Municipality's Accumulated Surplus on the Consolidated Statement of Financial Position consists of the following:

	Municipality of Red Lake	Red Lake Public Library Board	Red Lake Regional Heritage Centre	2013	2012
Current	\$ 2,123,632	\$ 87,046	\$ (6,836)	\$ 2,203,842	\$ 2,781,858
Reserves and Reserve Funds	3,149,764	93,367	118,822	3,361,953	3,952,441
Investment in Capital Assets	32,512,641	-	-	32,512,641	31,803,874
	\$37,786,037	\$ 180,413	\$ 111,986	\$38,078,436	\$ 38,538,173

Reserves Funds set aside for specific purpose by Council:

Working Funds	\$ 63,894	\$ 335,276
Water System	679,782	835,714
Sewer System	261,064	258,446
Police Services	91,989	91,066
	1,096,729	1,520,502

Reserves set aside for specific purpose by Council:

Parks	22,854	44,396
Medical Centre	47,198	46,725
Water	569,783	564,069
Sewer	169,873	168,187
Recreation Facility	1,576	9,317
Fire	57,725	84,132
Sick Leave	21,276	21,062
Norseman Royalties	7,847	7,768
Cemetery Maintenance	1,464	1,450
Waste Disposal	261,165	258,547
Airport	515,166	510,565
Public Works	133,981	223,689
General Government	38,379	37,994
Library	93,512	91,703
MTO Roads and Bridges	25,273	25,019
Community in Bloom	38,258	34,965
Museum	199,062	254,500
Planning	7,384	7,310
Accessibility	53,448	40,541
	2,265,224	2,431,939

Reserves and Reserve Funds, End of Year

\$3,361,953 \$ 3,952,441

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2013

11. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), on behalf of all members of its staff. This plan is a defined contribution plan. The amount contributed to OMERS in 2013 was \$300,236 (2012 - \$247,897). For employees who have a normal retirement age of 65, contributions are 9.0% of employees' salary up to \$51,100 and 14.6% thereafter.

Because OMERS is a multi-employer pension plan, the Corporation of the Municipality of Red Lake does not recognize any share of the pension plan deficit of \$8,300 million (2012 - \$8,603 million) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

12. Other Income

	Budget	2013	2012
Penalties and Interest	\$ 175,000	\$ 183,754	\$ 189,774
Investment Income	42,250	42,199	40,911
Licences and Permits	122,485	94,333	121,311
Provincial Offences	-	38,939	53,246
Donations	5,000,000	377,887	10,000
Other Revenues	100,000	152,420	252,127
	\$ 5,439,735	\$ 889,532	\$ 667,369

13. Trust Funds

The trust funds administered by the municipality amounting to \$184,796 (2012 - \$176,054) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, the trust fund balances are as follows:

	2013	2012
Woodland Cemetery Perpetual Care	\$ 81,374	\$ 78,197
Red Lake Cemetery Perpetual Care	91,424	85,981
Memorial Trust Fund	2,928	2,898
Health Care Trust	6,935	6,865
Election Trust	2,135	2,113
	\$ 184,796	\$ 176,054

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2013

14. Contractual Obligations and Commitments

Water and Waste Water (Sewage)

The Municipality has entered into an agreement with a third party for water and waste water services. The cost under this agreement is expected to be approximately \$1,543,904 for 2014. The agreement expires 2017.

Waste Disposal

The Municipality is under an agreement with a third party for waste disposal services. The 2014 estimated cost is \$151,896.

Airport Services

The Municipality has an agreement with a company to provide management services for the operation of the Red Lake Airport. The agreement provides for a management fee of \$50,000 plus a share of surplus funds based on a formula. The agreement expires 2016.

Policing

The Municipality is committed to municipal policing services with the Provincial Government for a five year period ending 2016. The estimated cost for 2014 is approximately \$1,866,800.

Natural Gas Line Project

The Municipality has committed to support the Natural Gas Pipeline project over a four year period commencing in 2014. The annual commitment is \$187,500.

Medical Centre Project

Subsequent to the year end, the municipality committed to the construction of a new medical centre. The estimated cost of the project is \$5.596 million plus applicable taxes. The majority of the project will be funded by donations of \$5,000,000 from Goldcorp and government grants estimated at \$250,000. To date, \$385,870 has been spent on the project and is included in construction in progress.

Lease Commitment

Subsequent to the year end, the municipality entered into a lease for a skid steer loader. The lease term is 60 months, expiring 2019, with a total commitment of \$62,000 plus taxes.

15. Contingencies

The municipality is contingently liable for its pro-rata share of the deficit of the District of Kenora Home for the Aged. The Home's management expects to recover this deficit from projected future operating surpluses. A billing from the Home for the deficit is not anticipated.

Claims have been filed against the organization for incidents which arose in the ordinary course of business. In the opinion of management and legal council, the outcome of the claim will not be significant. Should any loss result from the resolution of the claims, such losses will be expensed to operations in the year of resolution.

16. Operations and School Boards

Taxation, other revenues and requisitions for the school boards amounting to \$1,790,605 (2012 - \$1,563,279) are not reflected in these financial statements.

**Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements**

December 31, 2013

17. Change of Accounting Policy

Effective January 1, 2013, the municipality adopted on a prospective basis the new accounting standards PS3410 Government Transfers and PS3510 Tax Revenue from the Chartered Professional Accountants Canada Handbook.

Government transfers are recognized when authorized and eligibility have been met unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs.

The application of these changes in accounting policies did not result in a material increase/decrease to revenues.

18. Segmented Information

The Corporation of the Municipality of Red Lake is a diversified municipal government institution that provides a wide range of services to its citizens including police, fire, ambulance, solid waste, sewer and water and recreation. For management reporting purposes, the Municipality's operations and activities are organized and reported by Funds.

The Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General Government

General Government encompasses all the Municipality's administration including Council, the Administrator's office, finance and administration and human resources.

Protection Services

Protection is comprised of police and fire services. The mandate of the municipal policing is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire Service department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection and/or extinguishments of fires.

Public Works and Transportation

The Public Works and Transportation Department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting.

Environmental

The Municipality reports water, wastewater and solid waste disposal services in the Environmental Fund. These services include providing drinking water to the citizens of Red Lake, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities for solid waste. Garbage collection operations are also reported in this Fund.

Corporation of the Municipality of Red Lake
Notes to Consolidated Financial Statements

December 31, 2013

18. Segmented Information - continued

Health Services

Health services includes contributions to the Northwestern Health Unit and the Kenora District Services Board for ambulance services.

Social and Family Services

The Social and Family Services segment provides Ontario Works services, day care services and includes contributions to the District of Kenora Home for the Aged and to the Kenora District Services Board for social housing.

Recreation and Cultural Services

Recreation and cultural services is responsible for the community centres and the provision of recreation and leisure services such as fitness and aquatic programs. The operations of the Red Lake Library Board and the Red Lake Regional Heritage Centre Board are also in this segment.

Planning and Development

The Planning and Development includes planning, economic development and tourism. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws, the processing of building permit applications, as well as providing cemetery services to citizens.

For each reported segment, revenues and expenses 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 the segmented financial information.

Taxation revenues have been apportioned based on percentage of expenses with the exception of water and sewer services where no taxation revenue has been allocated. Revenue from the Ontario Municipal Partnership Fund is reported in General Government and has not been allocated.

**Corporation of the Municipality of Red Lake
Schedule of Segmented Information**

	General Government	Protection Services	Public Works Transportation	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
For the year ended December 31, 2013									
Revenue									
Taxation	\$ 944,475	\$ 1,274,651	\$ 2,135,585	\$ 622,448	\$ 289,948	\$ 1,218,305	\$ 963,952	\$ 292,123	\$ 7,741,487
Fees and User Charges	104,229	-	1,121,961	3,051,130	-	563,367	236,630	-	5,077,317
Canada Grants	-	-	416,143	-	-	-	-	-	416,143
Ontario Grants	* 1,933,607	250,284	-	-	-	785,902	82,748	-	3,052,541
Other Income	372,239	17,044	38,867	43,271	-	377,155	40,956	-	889,532
	3,354,550	1,541,979	3,712,556	3,716,849	289,948	2,944,729	1,324,286	292,123	17,177,020
Expenditures									
Wages and Benefits	1,077,520	341,109	1,056,964	176,680	9,928	1,199,737	1,015,716	199,977	5,077,631
Long Term Debt Interest	5,801	20,680	290,411	181,881	923	5,054	15,695	113,069	633,514
Materials	215,585	117,252	467,794	203,852	5,038	50,434	311,816	11,255	1,383,026
Contracted Services	286,310	1,855,306	776,928	2,289,959	1,454	100,829	130,603	18,734	5,460,123
Rents and Financial Expenses	254,936	50,536	338,792	29,101	13,693	45,091	160,914	190,918	1,083,981
External Transfers	-	-	-	-	505,034	904,179	-	-	1,409,213
Amortization	-	98,561	1,729,941	885,027	28,847	68,339	243,355	35,199	2,589,269
	1,840,152	2,483,444	4,160,830	3,766,500	564,917	2,373,663	1,878,099	569,152	17,636,757
Excess Net Revenue (Expense)	\$ 1,514,398	\$ (941,465)	\$ (448,274)	\$ (49,651)	\$ (274,969)	\$ 571,066	\$ (553,813)	\$ (277,029)	\$ (459,737)
For the Year Ended December 31, 2012									
Revenue									
Taxation	\$ 730,838	\$ 1,255,019	\$ 1,720,754	\$ 340,967	\$ 238,392	\$ 995,722	\$ 836,430	\$ 193,864	\$ 6,311,986
Fees and User Charges	167,951	-	1,042,116	2,899,551	12,826	522,649	346,997	-	4,992,090
Canada Grants	9,000	-	382,631	-	-	-	20,217	2,700,000	3,111,848
Ontario Grants	* 2,022,602	95,625	225,140	157,745	-	794,361	-	4,900,000	8,195,473
Other Income	50,341	139,695	118,530	23,486	16,421	68,588	236,954	13,354	667,369
	2,980,732	1,490,339	3,489,171	3,421,749	267,639	2,381,320	1,440,598	7,807,218	23,278,766
Expenditures									
Wages and Benefits	971,779	337,487	1,008,163	199,930	10,614	1,110,336	934,833	192,081	4,765,223
Long Term Debt Interest	5,025	15,866	274,526	194,837	1,105	6,738	14,921	128,021	641,039
Materials	225,761	190,045	503,593	159,711	4,148	54,854	459,494	9,939	1,607,545
Contracted Services	281,141	2,135,059	719,400	1,973,785	7,876	100,356	119,828	7,670,979	13,008,424
Rents and Financial Expenses	162,089	47,394	126,256	71,428	14,306	46,444	105,051	459	573,427
External Transfers	-	-	-	-	474,644	853,504	-	-	1,328,148
Amortization	25	100,403	1,243,133	1,007,855	24,155	70,097	249,481	35,097	2,730,246
	1,645,820	2,826,254	3,875,071	3,607,546	536,848	2,242,329	1,883,608	8,036,576	24,654,052
Excess Net Revenue (Expense)	\$ 1,334,912	\$ (1,335,915)	\$ (385,900)	\$ (185,797)	\$ (269,209)	\$ 138,991	\$ (443,010)	\$ (229,358)	\$ (1,375,286)

* Includes revenue from the Ontario Municipal Partnership Fund.