

**Corporation of the Municipality
of Red Lake**
Consolidated Financial Statements
For the Year Ended December 31, 2016

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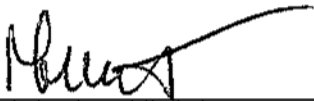
Management's Responsibility for the Financial Statements

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 Professional 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.



Mark Vermette, Chief Administrative Officer
July 17, 2017



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BDO Canada LLP
301 First Avenue S, Suite 300
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, 2016, 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, 2016 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 Professional Accountants, Licensed Public Accountants


Kenora, Ontario
July 17, 2017

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

December 31	2016	2015
Financial Assets		
Cash (Note 1)	\$ 4,433,961	\$ 4,638,018
Short Term Investments (Note 2)	1,391,115	1,220,378
Taxes Receivable	1,104,918	1,553,252
Trade and Other Receivables	2,272,620	2,666,693
	9,202,614	10,078,341
 Financial Liabilities		
Bank Indebtedness (Note 3)	3,914,546	2,424,091
Accounts Payable and Accrued Liabilities	1,223,650	865,754
Deferred Revenue (Note 4)	530,571	658,029
Landfill Closure and Post Closure Liability (Note 5)	1,121,274	1,073,488
Long Term Liabilities (Note 6)	17,362,327	19,075,865
	24,152,368	24,097,227
 Net Debt	 (14,949,754)	 (14,018,886)
 Non-financial assets		
Prepaid Expenses and Other Assets	338,414	96,012
Tangible Capital Assets (Note 7)	56,853,741	56,912,739
	57,192,155	57,008,751
 Accumulated Surplus	 \$ 42,242,401	 \$ 42,989,865

Approved by:





Corporation of the Municipality of Red Lake
Consolidated Statement of Operations

For the Year Ended December 31	Budget	2016	2015
	(Note 8)		
Revenue			
Taxation	\$ 8,595,843	\$8,442,126	\$ 8,045,324
Fees and User Charges	5,221,575	4,785,276	5,136,369
Canada Grants	963,624	586,973	493,679
Ontario Grants	2,901,999	2,898,465	4,077,540
Other Income (Note 12)	468,800	602,160	529,300
	<u>18,151,841</u>	<u>17,315,000</u>	<u>18,282,212</u>
Expenses			
General Government	1,791,322	2,278,023	1,883,177
Protection Services	2,524,649	2,431,766	2,599,199
Transportation Services	4,101,329	4,046,557	3,935,139
Environmental Services	3,596,398	3,567,912	3,762,051
Health Services	724,740	741,467	672,040
Social and Family Services	2,713,823	2,616,635	2,567,833
Recreation and Cultural Services	1,876,432	1,848,701	1,925,850
Planning and Development	647,278	531,403	557,998
	<u>17,975,971</u>	<u>18,062,464</u>	<u>17,903,287</u>
Total Expenses			
	<u>17,975,971</u>	<u>18,062,464</u>	<u>17,903,287</u>
Annual Surplus (Deficit)	175,870	(747,464)	378,925
Accumulated Surplus, Beginning of Year	<u>42,989,865</u>	<u>42,989,865</u>	<u>42,610,940</u>
Accumulated Surplus, End of Year	<u>\$43,165,735</u>	<u>\$42,242,401</u>	<u>\$ 42,989,865</u>

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 (Note 8)	2016	2015
Annual Surplus	\$ 175,870	\$ (747,464)	\$ 378,925
Acquisition of Tangible Capital Assets	(2,202,335)	(2,716,086)	(3,232,067)
Amortization of Tangible Capital Assets	2,622,242	2,749,033	2,683,945
Loss on Disposal of Tangible Capital Assets	-	26,051	-
Net Change in Prepaid Expenses	-	(242,402)	(1,028)
Net Change in Net Debt	595,777	(930,868)	(170,225)
Net Debt, Beginning of Year	<u>(14,018,886)</u>	<u>(14,018,886)</u>	<u>(13,848,661)</u>
Net Debt, End of Year	<u>\$(13,423,109)</u>	<u>\$(14,949,754)</u>	<u>\$ (14,018,886)</u>

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	2016	2015
Operating Transactions		
Annual Surplus	\$ (747,464)	\$ 378,925
Adjustments for		
Amortization	2,749,033	2,683,945
Loss on Disposal of Capital Assets	26,051	-
Changes in Non-cash Operating Balances		
Taxes Receivable	448,334	(107,506)
Trade and Other Receivables	394,073	843,176
Accounts Payable and Accrued Liabilities	357,896	(3,179,897)
Prepaid Expenses and Other Assets	(242,402)	(1,028)
Deferred Revenue	(127,458)	(625,125)
Landfill Closure and Post Closure Liability	47,786	69,776
	<u>2,905,849</u>	<u>62,266</u>
Financing Activities		
Proceeds of Long Term Debt	2,379,985	2,379,985
Long Term Debt Repaid	(4,093,523)	(1,693,771)
Bank Indebtedness	1,490,455	2,424,091
	<u>(223,083)</u>	<u>3,110,305</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	<u>(2,716,086)</u>	<u>(3,232,067)</u>
Net Change in Cash and Cash Equivalents	(33,320)	(59,496)
Cash and Cash Equivalents, Beginning of Year	<u>5,858,396</u>	<u>5,917,892</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,825,076</u>	<u>\$ 5,858,396</u>
Represented by:		
Cash	\$ 4,433,961	\$ 4,638,018
Temporary Investments	<u>1,391,115</u>	<u>1,220,378</u>
Balance, End of Year	<u>\$ 5,825,076</u>	<u>\$ 5,858,396</u>

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, 2016

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.</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, 2016

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, 2016

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentration that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

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, accounts receivable and contaminated sites. Actual results could differ significantly from those estimates because of the uncertainty related to future cost estimates and future use of the landfill site.

The cost of other post-employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro-rata basis over the years of service in the attribution period commencing at the date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

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

December 31, 2016

**Pensions and Employee
Benefits**

Pension Plan

The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Sick Leave

The collective Bargaining Agreement between the Municipality and the Union provides for sick leave credits for its employees. Employees may carry over unused sick time to a maximum of \$420 (2015 - \$420).

Vacation

Employees are required to take their vacation time before December 31 each year, with a maximum allowable carry over of one week.

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, 2016

1. Cash

	2016	2015
Unrestricted Cash	\$ 562,618	\$ 812,601
Restricted Cash	3,871,343	3,825,417
	\$ 4,433,961	\$ 4,638,018

2. Short Term Investments

	2016	2015
<u>Unrestricted</u>		
Red Lake Regional Heritage Centre Board - CIBC Canadian T-Bill fund (market value \$49,047)	\$ 49,047	\$ 48,936
Red Lake Public Library Board - GICs bearing interest at 0.5% and maturing July and December 2017 (market value \$84,340)	84,340	83,838
<u>Restricted</u>		
ONE Funds - gas tax, airport improvement and airport parking investments (market value \$1,257,728)	1,257,728	1,087,604
	\$ 1,391,115	\$ 1,220,378

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.

	2016	2015
Bank overdraft	\$ 2,414,546	\$ 924,091
Revolving credit facility	1,500,000	1,500,000
	\$ 3,914,546	\$ 2,424,091

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

December 31, 2016

4. Deferred Revenue

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

	2016	2015
Opening Balance of Unspent Gas Tax Funds	\$ 570,072	\$ 523,205
Add:		
Amounts Received in the Year	283,965	270,444
Externally Restricted Interest Earned	6,642	10,892
Less:		
Project Expense	(411,810)	(234,469)
Closing Balance of Unspent Gas Tax Funds	448,869	570,072
Other Deferred Revenue	81,702	87,957
Total Deferred Revenue	<u>\$ 530,571</u>	<u>\$ 658,029</u>

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

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 2017 and was estimated using a discount factor of 3.84% and an inflation rate of 3.50%. At December 31, 2016, an amount of \$1,121,274 (2015 - \$1,073,488) has been accrued as a liability.

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

December 31, 2016

6. Long Term Liabilities

	2016	2015
Ontario Municipal Economic Infrastructure Financing Authority advances, repayable semi-annually at \$27,867 plus interest at 2.31%, maturing December 2016	\$ -	\$ 55,733
Ontario Municipal Economic Infrastructure Financing Authority advances, repayable semi-annually at \$81,281 plus interest at 2.37%, maturing December 2021	812,812	975,374
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	2,679,419	2,899,466
Federation of Canadian Municipalities loan, repayable \$121,827 semi-annually in June and December including interest at 2%, maturing June 2032	3,233,621	3,409,938
Pacific and Western Bank demand installment loan, repayable \$23,455 monthly including interest at 3.79%, maturing July 2022	1,409,608	1,632,875
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)	196,442	252,568
National Leasing, repayable in monthly payments of \$3,732 including interest at 5.86%, maturing in October 2021	180,591	-
Ford Credit Canada, repayable in monthly payments of \$756 including interest at 5.19%, maturing September 2022	39,902	-
CIBC demand installment loan, repayable in quarterly payments of \$3,246 plus interest at prime, maturing November 2045 (Loan # - 6028454)	347,327	386,279
CIBC demand installment loan, repayable in quarterly payments of \$16,857 plus interest at prime, maturing November 2045 (Loan # - 6028357)	1,771,319	1,973,603
Carried Forward	\$10,671,041	\$ 11,585,836

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

December 31, 2016

6. Long Term Liabilities - continued

	2016	2015
Brought Forward	\$10,671,041	\$ 11,585,836
CIBC demand installment loan, repayable in quarterly payments of \$23,862 plus interest at prime, maturing May 2021 (Loan # - 6027652)	453,371	548,817
CIBC demand installment loan, repayable in quarterly payments of \$75,751 plus interest at prime, maturing May 2025 (Loan # - 6027857)	930,888	1,231,492
CIBC demand installment loan, repayable quarterly at \$97,841 plus interest at prime, maturing May 2030 (Loan # - 6027954)	5,283,427	5,674,792
Volvo Financial Services lease, repayable monthly at \$1,033 plus taxes including interest at 4.5%, maturing January 2019	23,600	34,928
	\$17,362,327	\$ 19,075,865

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

2017	\$	1,941,641
2018		1,954,158
2019		1,971,704
2020		1,687,738
2021		1,611,198
Thereafter		8,195,888

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

7. Tangible Capital Assets

	2016							
	Land	Buildings	Machinery, Furniture and Equipment	Vehicles	Roads, Sidewalks, Bridges and Streetslights	Water and Sewer and Leaseholds	Land Improvements	Total
Cost, Beginning of Year	\$ 1,170,021	\$ 42,928,324	\$ 8,698,577	\$ 689,825	\$ 17,442,308	\$ 19,169,507	\$ 6,647,981	\$ 96,746,543
Additions		1,387,181	371,290	43,981	828,421	19,636	65,577	2,716,086
Transfers		-	-	-	-	-	-	-
Disposals		-	(57,264)	(247,527)	(55,369)	-	-	(360,160)
Cost, End of Year	1,170,021	44,315,505	9,012,603	486,279	18,215,360	19,189,143	6,713,558	99,102,469
Accumulated Amortization, Beginning of Year	-	10,695,287	5,369,379	522,609	10,965,765	9,864,681	2,416,083	39,833,804
Amortization	-	919,011	420,753	47,324	610,914	388,352	362,679	2,749,033
Disposals	-	-	(36,150)	(242,590)	(55,369)	-	-	(334,109)
Accumulated Amortization, End of Year	-	11,614,298	5,753,982	327,343	11,521,310	10,253,033	2,778,762	42,248,728
Net Carrying Amount, End of Year	\$ 1,170,021	\$ 32,701,207	\$ 3,258,621	\$ 158,936	\$ 6,694,050	\$ 8,936,110	\$ 3,934,796	\$ 56,853,741

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

7. Tangible Capital Assets (continued)

	2015							
	Land	Buildings	Machinery, Furniture and Equipment	Vehicles	Roads, Sidewalks and Streetlights	Water and Sewer and Leaseholds	Land Improvements and Leaseholds	Total
Cost, Beginning of Year	\$ 991,882	\$ 42,264,198	\$ 7,793,777	\$ 689,825	\$ 16,571,531	\$ 18,790,969	\$ 6,412,294	\$ 93,514,476
Additions	178,139	664,126	904,800	-	870,777	378,538	235,687	3,232,067
Cost, End of Year	1,170,021	42,928,324	8,698,577	689,825	17,442,308	19,169,507	6,647,981	96,746,543
Accumulated Amortization, Beginning of Year	-	9,814,704	4,961,061	466,451	10,365,905	9,480,743	2,060,995	37,149,859
Amortization	-	880,583	408,318	56,158	599,860	383,938	355,088	2,683,945
Accumulated Amortization, End of Year	-	10,695,287	5,369,379	522,609	10,965,765	9,864,681	2,416,083	39,833,804
Net Carrying Amount, End of Year	\$ 1,170,021	\$ 32,233,037	\$ 3,329,198	\$ 167,216	\$ 6,476,543	\$ 9,304,826	\$ 4,231,898	\$ 56,912,739

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

8. Budget Amounts

The Financial Plan (Budget) By-Law 1889-14 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 (Deficit) per Bylaw	\$ (17,130)
Add:	
Capital Expenditures	2,202,335
Budgeted Payments of Long Term Debt	1,919,515
Budget Transfers to Reserves	23,800
Less:	
Budgeted Transfers from Reserve	(121,546)
Budgeted Proceeds from Long-Term Debt	(1,208,862)
Amortization	<u>(2,622,242)</u>
Budget per Statement of Operations	<u>\$ 175,870</u>

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

December 31, 2016

9. Government Transfers

	Budget	2016	2015
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,391,000	\$ 1,391,000	\$ 1,545,500
Conditional - Protection	93,913	95,827	106,758
- Transportation	184,300	182,402	134,315
- Child care	810,476	932,454	816,366
- Other	168,213	265,406	226,413
	2,647,902	2,867,089	2,829,352
Government of Canada - other	1,800	1,800	-
Total Operating Transfers	2,649,702	2,868,889	2,829,352
Tangible Capital Asset			
Province of Ontario			
Conditional - Medical Clinic	-	-	12,794
- Highway Commercial	-	-	259,351
- Waterfront	-	-	71,613
- Lassie Road	-	-	800,105
- Compaction Trailer	-	-	54,325
- Other	254,097	31,376	50,000
	254,097	31,376	1,248,188
Government of Canada			
Conditional - Gas Tax	650,504	411,810	234,678
- Highway Commercial	-	-	69,630
- Waterfront	-	-	39,008
- Airport	76,320	65,576	106,457
- Other	235,000	107,787	43,906
	961,824	585,173	493,679
Total Tangible Capital Asset Transfers	1,215,921	616,549	1,741,867
Total Transfers	\$ 3,865,623	\$ 3,485,438	\$ 4,571,219

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

December 31, 2016

10. Accumulated Surplus (Deficit)

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	2016	2015
Current (Deficit)	\$ (2,162,582)	\$ 115,889	\$ 34,380	\$ (2,012,313)	\$ 872,638
Reserves and Reserve Funds	4,548,358	96,120	118,822	4,763,300	4,280,353
Investment in Capital Assets	39,491,414	-	-	39,491,414	37,836,874
	<u>\$41,877,190</u>	<u>\$ 212,009</u>	<u>\$ 153,202</u>	<u>\$42,242,401</u>	<u>\$ 42,989,865</u>

Reserves Funds set aside for specific purpose by Council:

Working Funds	\$ 67,050	\$ 66,481
Water System	701,212	695,263
Sewer System	269,016	266,733
Police Services	94,791	93,987
	<u>1,132,069</u>	<u>1,122,464</u>

Reserves set aside for specific purpose by Council:

Parks	40,101	26,536
Medical Centre	48,635	48,223
Water	587,138	582,157
Sewer	175,047	173,562
Recreation Facility	1,577	1,564
Fire	59,603	59,098
Sick Leave	21,924	21,738
Norseman Royalties	8,086	8,017
Cemetery Maintenance	1,509	1,496
Waste Disposal	269,120	266,837
Airport	1,781,050	1,358,874
Public Works	39,548	137,292
General Government	138,467	39,212
Library	96,269	95,797
MTO Roads and Bridges	26,043	25,822
Community in Bloom	50,878	46,678
Museum	170,818	170,377
Planning	7,609	7,545
Elections	15,064	7,500
Accessibility	92,745	79,564
	<u>3,631,231</u>	<u>3,157,889</u>

Reserves and Reserve Funds, End of Year

\$4,763,300 \$ 4,280,353

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

December 31, 2016

11. Pension Agreements

OMERS provides pension services to more than 470,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2016. The results of the valuation disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2016 were \$291,436 (2015 - \$304,630).

12. Other Income

	Budget	2016	2015
Penalties and Interest	\$ 249,000	\$ 280,102	\$ 268,306
Investment Income	42,100	67,459	56,787
Licences and Permits	78,250	66,336	84,580
Provincial Offences	30,000	64,080	64,211
Other Revenues	69,450	124,183	55,416
	\$ 468,800	\$ 602,160	\$ 529,300

13. Trust Funds

The trust funds administered by the municipality amounting to \$199,023 (2015 - \$197,336) 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:

	2016	2015
Woodland Cemetery Perpetual Care	\$ 85,053	\$ 84,332
Red Lake Cemetery Perpetual Care	101,607	100,745
Memorial Trust Fund	3,017	2,992
Health Care Trust	7,146	7,085
Election Trust	2,200	2,182
	\$ 199,023	\$ 197,336

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

December 31, 2016

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 \$1,553,995 for 2017. The agreement expires 2017.

Waste Disposal

The Municipality is under an agreement with a third party for waste disposal services. The 2017 estimated cost is \$179,106.

Policing

The Municipality is committed to municipal policing services with the Provincial Government. The estimated cost for 2017 is approximately \$1,579,287.

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.

16. Operations and School Boards

Taxation, other revenues and requisitions for the school boards amounting to \$1,974,483 (2015 - \$2,014,670) are not reflected in these financial statements.

17. Liability for Contaminated Sites

The Corporation has four municipally owned sites with known contamination. The contamination results from previous industry use. No liability has been recorded because it is not expected that economic benefits will be given up by the municipality.

18. Subsequent Events

Subsequent to the year-end, the Corporation authorized long term borrowing for 2016 capital projects and recieved loan proceeds totalling \$1,957,415.

19. 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.

December 31, 2016

19. **Segmented Information** - continued

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.

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, 2016									
Revenue	\$ 1,699,308	\$ 1,260,860	\$ 2,098,123	\$ 408,599	\$ 384,448	\$ 1,356,714	\$ 958,544	\$ 275,530	\$ 8,442,126
Taxation	45,726	7,418	1,018,847	2,867,267	18,054	490,135	159,957	177,872	4,785,276
Fees and User Charges	107,787	-	477,386	-	-	-	1,800	-	586,973
Canada Grants	-	-	-	-	-	-	-	-	-
Ontario Grants	* 1,497,570	95,827	236,500	81,541	-	932,454	54,573	-	2,898,465
Other Income	336,059	76,680	28,545	52,763	-	-	96,375	11,738	602,160
	<u>3,686,450</u>	<u>1,440,785</u>	<u>3,859,401</u>	<u>3,410,170</u>	<u>402,502</u>	<u>2,779,303</u>	<u>1,271,249</u>	<u>465,140</u>	<u>17,315,000</u>
Expenditures	1,146,252	370,302	1,049,931	307,200	11,492	1,285,895	984,609	172,398	5,328,079
Wages and Benefits	6,603	17,273	290,152	143,250	1,819	1,924	12,333	100,451	573,805
Long Term Debt Interest	173,461	19,590	159,067	16,724	4,355	29,415	115,828	555	518,995
Materials	253,134	1,831,179	890,415	1,833,853	7,996	60,207	60,149	215,902	5,152,835
Contracted Services	689,804	131,089	401,059	339,621	36,792	99,426	403,099	6,898	2,107,788
Rents and Financial Expenses	-	-	13,420	-	541,788	1,076,721	-	-	1,631,929
External Transfers	8,769	62,333	1,242,513	927,264	137,225	63,047	272,683	35,199	2,749,033
Amortization	2,278,023	2,431,766	4,046,557	3,567,912	741,467	2,616,635	1,848,701	531,403	18,062,464
	<u>\$ 1,408,427</u>	<u>\$ (990,981)</u>	<u>\$ (187,156)</u>	<u>\$ (157,742)</u>	<u>\$ (338,965)</u>	<u>\$ 162,668</u>	<u>\$ (577,452)</u>	<u>\$ (66,263)</u>	<u>\$ (747,464)</u>
Excess Net Revenue (Expense)									
For the Year Ended December 31, 2015									
Revenue	\$ 1,117,159	\$ 1,374,419	\$ 2,080,845	\$ 446,280	\$ 355,365	\$ 1,357,833	\$ 1,018,362	\$ 295,061	\$ 8,045,324
Taxation	158,816	3,630	1,194,469	3,020,557	24,635	562,585	167,682	3,995	5,136,369
Fees and User Charges	-	-	341,135	-	-	-	82,914	69,630	493,679
Canada Grants	-	-	-	-	-	-	-	-	-
Ontario Grants	* 1,557,664	106,758	134,315	915,912	12,794	816,366	214,950	318,781	4,077,540
Other Income	352,910	64,212	-	65,172	-	-	47,006	-	529,300
	<u>3,186,549</u>	<u>1,549,019</u>	<u>3,750,764</u>	<u>4,447,921</u>	<u>392,794</u>	<u>2,736,784</u>	<u>1,530,914</u>	<u>687,467</u>	<u>18,282,212</u>
Expenditures	1,113,104	347,406	991,796	199,808	10,728	1,276,206	963,986	214,344	5,117,378
Wages and Benefits	4,380	12,611	253,032	131,015	506	2,374	10,823	95,222	509,963
Long Term Debt Interest	90,145	15,423	193,109	25,656	4,204	38,433	150,967	12	517,949
Materials	344,442	1,950,233	842,373	2,127,605	4,833	105,079	155,452	202,534	5,732,551
Contracted Services	324,519	177,362	457,082	369,788	30,915	56,605	402,706	10,687	1,829,664
Rents and Financial Expenses	-	-	-	-	487,921	1,023,918	-	-	1,511,839
External Transfers	6,587	96,164	1,197,747	908,179	132,933	65,218	241,916	35,199	2,683,943
Amortization	1,883,177	2,599,199	3,935,139	3,762,051	672,040	2,567,833	1,925,850	557,998	17,903,287
	<u>\$ 1,303,372</u>	<u>\$ (1,050,180)</u>	<u>\$ (184,375)</u>	<u>\$ 685,870</u>	<u>\$ (279,246)</u>	<u>\$ 168,951</u>	<u>\$ (394,936)</u>	<u>\$ 129,469</u>	<u>\$ 378,925</u>
Excess Net Revenue (Expense)									

* Includes revenue from the Ontario Municipal Partnership Fund.