

**The Corporation of the Township of
Dawson
Consolidated Financial Statements
For the year ended December 31, 2018**

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	Contents
Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3
Consolidated Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Summary of Significant Accounting Policies	9 - 11
Notes to Consolidated Financial Statements	12 - 25
The Corporation of the Township of Dawson Trust Fund	
Independent Auditor's Report	26
Balance Sheet and Statement of Continuity	28
Notes to Financial Statements	29

The Corporation of the Township of Dawson Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Corporation of the Township of Dawson 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 Dawson

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Dawson 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, its consolidated cash flows, and its consolidated change in net financial assets 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 those 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 Responsibility 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 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 Dawson
Consolidated Statement of Financial Position**

December 31	2018	2017
Financial assets		
Cash and cash equivalents	\$ 96,110	\$ 31,365
Taxes receivable	56,772	44,927
Accounts receivable	152,887	157,368
Investments (Note 1)	812,484	878,203
Loans receivable (Note 2)	50,000	-
	<u>1,168,253</u>	<u>1,111,863</u>
Liabilities		
Accounts payable and accrued liabilities	23,734	32,073
Deferred revenue (Note 3)	148,872	204,600
Net long-term debt (Note 4)	50,000	-
Solid waste closure and post-closure liabilities (Note 5)	288	265
	<u>222,894</u>	<u>236,938</u>
Net financial assets	<u>945,359</u>	<u>874,925</u>
Non-financial assets		
Tangible capital assets (Note 6)	2,730,064	2,667,960
Prepaid expenses	10,005	10,012
	<u>2,740,069</u>	<u>2,677,972</u>
Accumulated surplus (Note 7)	<u>\$ 3,685,428</u>	<u>\$ 3,552,897</u>

Contingent liability (Note 13)

Commitments (Note 15)

_____ Mayor

_____ Clerk-Treasurer

The Corporation of the Township of Dawson Consolidated Statement of Operations

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Taxation	\$ 481,213	\$ 483,437	\$ 434,436
Government transfers - Federal (Note 10)	275,861	142,456	31,159
Government transfers - Provincial (Note 9)	594,522	600,903	617,345
User fees and service charges	3,000	5,338	3,528
Permits, licenses and fines	20,058	26,918	24,168
Investment income	13,257	18,431	5,578
Municipal grants	11,000	15,425	23,067
Other income (Note 8)	18,800	28,887	47,073
	1,417,711	1,321,795	1,186,354
Expenses			
General government	134,306	124,796	136,373
Protection services	153,395	203,293	141,315
Transportation services	579,405	556,434	538,527
Environmental services	30,636	31,838	32,327
Health services	118,413	120,144	111,888
Social and family services	12,735	6,183	16,022
Social housing	54,297	54,297	48,023
Recreation and cultural services	20,761	18,929	20,468
Planning and development	12,500	73,350	133,704
	1,116,448	1,189,264	1,178,647
Annual surplus	301,263	132,531	7,707
Accumulated surplus, beginning of year	3,552,897	3,552,897	3,545,190
Accumulated surplus, end of year	\$ 3,854,160	\$ 3,685,428	\$ 3,552,897

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

For the year ended December 31	Budget 2018	2018	2017
Annual surplus	\$ 301,263	\$ 132,531	\$ 7,707
Acquisition of tangible capital assets	(357,000)	(243,807)	(165,215)
Amortization of tangible capital assets	170,666	181,703	178,058
Proceeds on sale of tangible capital assets	-	-	8,160
	114,929	70,427	28,710
Acquisition of prepaid expenses and inventory of supplies	-	7	9,468
Net change in net financial assets	114,929	70,434	38,178
Net financial assets, beginning of year	874,925	874,925	836,747
Net financial assets, end of year	\$ 989,854	\$ 945,359	\$ 874,925

The Corporation of the Township of Dawson Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 132,531	\$ 7,707
Item not involving cash		
Amortization	181,703	178,058
Changes in non-cash operating balances		
Taxes receivable	(11,845)	5,877
Accounts receivable	4,481	(40,950)
Prepaid expenses and inventory of supplies	7	9,468
Accounts payable and accrued liabilities	(8,339)	7,572
Deferred revenue	(55,728)	36,859
Solid waste closure and post-closure liabilities	24	22
	<u>242,834</u>	<u>204,613</u>
Capital transactions		
Acquisition of tangible capital assets	(243,807)	(165,215)
Proceeds on sale of tangible capital assets	-	8,160
	<u>(243,807)</u>	<u>(157,055)</u>
Investing transactions		
Disposal (acquisition) of investments	65,718	(16,060)
Advance of loan receivable	(50,000)	-
	<u>15,718</u>	<u>(16,060)</u>
Financing transactions		
Proceeds from issuance of long-term debt	50,000	-
	<u>64,745</u>	<u>31,498</u>
Net change in cash and cash equivalents	64,745	31,498
Cash and cash equivalents (bank indebtedness), beginning of year	31,365	(133)
Cash and cash equivalents, end of year	\$ 96,110	\$ 31,365
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 96,110	\$ 31,365

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

The Corporation of the Township of Dawson 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 Dawson 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.

**Revenue
Recognition**

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.

User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

**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.

The Corporation of the Township of Dawson 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.

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.

Long-term Loans Receivable Loans receivable are initially valued at cost. Loans are carried at the unpaid principal less allowance for doubtful loans. Allowances are recognized when events or circumstances result in the expectation of a loss. Interest revenue is recognized when earned using the accrual basis of accounting.

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 Dawson Summary of Significant Accounting Policies

December 31, 2018

Deferred Revenue	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.
Government Transfers	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.
School Boards	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.
Trust Fund	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.
Solid Waste Landfills	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.
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 Dawson Notes to Consolidated Financial Statements

December 31, 2018

1. Investments

	2018	2017
Bonds	\$ 2,965	\$ 2,894
High interest savings	809,519	875,309
	\$ 812,484	\$ 878,203

The income from investments for the year was \$22,813 (2017 - \$6,724). The investments are classified as portfolio investments and are recorded at cost. Investments in high interest savings accounts earn interest at 2.415% (2017 - 1.665%). The market value of the Municipality's investments in bonds was \$2,889 (2017 - \$2,856).

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 7).

2. Loans Receivable

The Municipality advanced funds to landowners under the Ontario Tile Loan Program. The Municipality has received a corresponding loan from the Ministry of Agriculture, Food and Rural Affairs (Note 4).

	2018	2017
Due from landowners with interest at 6.0%, repayable in annual instalments of \$6,793 principal and interest, maturing August 1, 2028.	\$ 50,000	\$ -

3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 190,169	\$ 35,864	\$ 3,388	\$ (133,342)	\$ 96,079
Parks	14,431	-	302	-	14,733
Ontario's Main Street Revitalization Initiative	-	38,060	-	-	38,060
	\$ 204,600	\$ 73,924	\$ 3,690	\$ (133,342)	\$ 148,872

The Corporation of the Township of Dawson Notes to Consolidated Financial Statements

December 31, 2018

3. Deferred Revenue (continued)

Federal Gas Tax

The Ministry requires the Municipality to put unspent gas tax funding into a reserve. The funding and interest earned in the reserve must be spent on approved projects.

Parks

The Municipality charges a fee to sever land. The Ministry of Municipal Affairs and Housing requires this revenue to be put into a reserve and spending is restricted to park maintenance and capital.

Ontario's Main Street Revitalization Initiative

The Municipality received funding under Ontario's Main Street Revitalization Initiative. This revenue must be spent on eligible projects in accordance with the funding agreement.

4. Net Long-term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	2018	2017
Ministry of Agriculture, Food and Rural Affairs, interest at 6.0%, repayable in annual instalments of \$6,793 principal and interest, maturing August 1, 2028.	\$ 50,000	\$ -

The above loan was advanced to the Municipality under the Ontario Tile Loan Program. The Municipality has advanced a corresponding amount to landowners (Note 2).

Principal repayments relating to net long-term debt of \$50,000 outstanding are due as follows:

Year	Principal Repayments
2019	\$ 3,793
2020	4,021
2021	4,262
2022	4,518
2023	4,789
Thereafter	28,617
	\$ 50,000

The gross interest paid relating to the above long-term debt was \$NIL (2017 - \$NIL).

The Corporation of the Township of Dawson

Notes to Consolidated Financial Statements

December 31, 2018

5. 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 \$288 (2017 - \$265) and reflects a discount rate of 8.0% (2017 - 8.0%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. The Blue landfill is expected to reach its capacity in 135 years and the estimated remaining capacity is 16,134 cubic metres which is 80% (2017 - 80%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$195,000 (2017 - \$195,000) leaving an amount to be recognized of \$194,999 (2017 - \$194,999). The estimated length of time needed for post-closure care is 25 years.

The Worthington landfill is expected to reach its capacity in 95 years and the estimated remaining capacity is 36,000 cubic metres which is 72% (2017 - 73%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$342,672 (2017 - \$342,672) leaving an amount to be recognized of \$342,385 (2017 - \$342,408). The estimated length of time needed for post-closure care is 23 years.

The Municipality has an investment relating to the landfill liabilities, which has a value of \$50,112 (2017 - \$49,087). The landfill liabilities are fully funded.

**The Corporation of the Township of Dawson
Notes to Consolidated Financial Statements**

December 31, 2018

6. Tangible Capital Assets

	2018							
	Land	Buildings	Equipment	Roads and bridges	Water and other utility systems	Vehicles	Culverts	Total
Cost, beginning of year	\$ 65,678	\$ 538,146	\$ 877,447	\$ 3,200,295	\$ 34,071	\$ 494,511	\$ 926,819	\$ 6,136,967
Additions	-	-	-	234,969	-	-	8,838	243,807
Cost, end of year	65,678	538,146	877,447	3,435,264	34,071	494,511	935,657	6,380,774
Accumulated amortization, beginning of year	1,353	242,776	414,724	1,894,660	9,806	313,987	591,701	3,469,007
Amortization	385	9,626	33,211	90,504	1,160	23,562	23,255	181,703
Accumulated amortization, end of year	1,738	252,402	447,935	1,985,164	10,966	337,549	614,956	3,650,710
Net carrying amount, end of year	\$ 63,940	\$ 285,744	\$ 429,512	\$ 1,450,100	\$ 23,105	\$ 156,962	\$ 320,701	\$ 2,730,064

**The Corporation of the Township of Dawson
Notes to Consolidated Financial Statements**

December 31, 2018

6. Tangible Capital Assets (continued)

	2017							
	Land	Buildings	Equipment	Roads and bridges	Water and other utility systems	Vehicles	Culverts	Total
Cost, beginning of year	\$ 73,838	\$ 538,146	\$ 875,878	\$ 3,054,172	\$ 34,071	\$ 494,511	\$ 923,813	\$ 5,994,429
Additions	-	-	16,086	146,123	-	-	3,006	165,215
Disposals	(8,160)	-	(14,517)	-	-	-	-	(22,677)
Cost, end of year	65,678	538,146	877,447	3,200,295	34,071	494,511	926,819	6,136,967
Accumulated amortization, beginning of year	966	233,176	391,394	1,814,420	8,646	288,271	568,593	3,305,466
Amortization	387	9,600	37,847	80,240	1,160	25,716	23,108	178,058
Disposals	-	-	(14,517)	-	-	-	-	(14,517)
Accumulated amortization, end of year	1,353	242,776	414,724	1,894,660	9,806	313,987	591,701	3,469,007
Net carrying amount, end of year	\$ 64,325	\$ 295,370	\$ 462,723	\$ 1,305,635	\$ 24,265	\$ 180,524	\$ 335,118	\$ 2,667,960

The Corporation of the Township of Dawson Notes to Consolidated Financial Statements

December 31, 2018

7. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2018	2017
<u>Investment in tangible capital assets</u>		
Tangible capital assets	\$ 2,730,064	\$ 2,667,960
<u>Current operations</u>		
General operating	345,488	336,574
Government partnership	14,802	12,234
Total operating surplus	360,290	348,808
<u>Other allocated deficits</u>		
Landfill closure	(288)	(265)
<u>Reserve funds</u>		
Replacement of equipment	438,250	380,307
Landfill closures	50,112	49,087
Total reserve funds	488,362	429,394
Working capital reserve	107,000	107,000
Total surplus	\$ 3,685,428	\$ 3,552,897

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 Dawson
Notes to Consolidated Financial Statements**

December 31, 2018

8. Other Income

	2018	2017
Gain (loss) on sale of capital assets	\$ -	\$ (4,634)
Commuted payments (drainage charges)	25,629	39,461
Donations and fundraising	258	246
Sales of land	3,000	12,000
	\$ 28,887	\$ 47,073

9. Government Transfers - Provincial

	2018	2017
Operating		
Ontario Municipal Partnership Fund	\$ 519,300	\$ 524,500
Ministry of Rural Affairs - Drainage Program	21,756	20,493
Public Library Operating Grant	1,644	1,644
Ministry of Agriculture - Livestock Grants	2,424	4,164
Court Cost Grant	1,222	964
Clean Water and Wastewater Fund	4,557	15,580
	550,903	567,345
Tangible capital assets		
Ministry of Rural Affairs - Capacity Funding	50,000	50,000
	\$ 600,903	\$ 617,345

10. Government Transfers - Federal

	2018	2017
Federal transfers		
Clean Water and Wastewater Fund	\$ 9,113	\$ 31,159
Gas Tax	133,343	-
	\$ 142,456	\$ 31,159

The Corporation of the Township of Dawson Notes to Consolidated Financial Statements

December 31, 2018

11. 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 (debt)	(30,595)	(10,198)	(38,299)	(12,766)
Non-financial assets	417,290	139,097	423,382	141,128
Accumulated surplus	\$ 386,695	\$ 128,899	\$ 385,083	\$ 128,362

	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	\$ 386,695	\$ 128,899	\$ 385,083	\$ 128,362

The Corporation of the Township of Dawson Notes to Consolidated Financial Statements

December 31, 2018

12. Expenses by Object

	2018	2017
Salaries, wages and employee benefits	\$ 276,600	\$ 271,830
Materials	221,199	192,656
Contracted services	291,175	305,624
Rent and financial expenses	48,723	60,859
Contributions to other Organizations	169,864	169,620
Amortization	181,703	178,058
	<u>\$ 1,189,264</u>	<u>\$ 1,178,647</u>

13. Contingent Liability

The Municipality was formerly a member of a reciprocal insurance Company licensed under the Insurance Act. In the event that a claim is experienced relating to the period that the Municipality was a member of the Company, they may be required to pay additional premiums or losses related to the event. Should any premium demands or losses occur, such loss will be recognized in the year of resolution or settlement of the claim.

The reciprocal insurance Company is in runoff with an expected wind-up date subsequent to December 31, 2022. If a surplus exists in the Company at the time of wind-up, it will be returned to the former members. Should any surplus be returned to the Municipality, it will be recognized in the year it is received.

14. 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 \$19,283 (2017 - \$19,027) 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 Dawson Notes to Consolidated Financial Statements

December 31, 2018

15. 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.

16. Operations of School Boards

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

	2018	2017
School boards	\$ 111,044	\$ 109,824

17. Trust Fund

The Trust Fund administered by the Municipality amounting to \$26,420 (2017 - \$26,120) has not been included in the consolidated statement of financial position nor has the operation been included in the consolidated statement of operations.

18. Contributions to Unconsolidated Boards

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

	2018	2017
Northwestern Health Unit	\$ 26,547	\$ 26,547
Rainy River District Social Services Administration Board	143,317	143,073
	\$ 169,864	\$ 169,620

The Corporation of the Township of Dawson

Notes to Consolidated Financial Statements

December 31, 2018

19. Segmented Information

The Corporation of the Township of Dawson 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, child care and assistance to the aged. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social Housing

The Municipality contributes to a local board, which provides social housing if the citizens of the Corporation of the Township of Dawson require the service.

The Corporation of the Township of Dawson Notes to Consolidated Financial Statements

December 31, 2018

19. Segmented Information (continued)

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 Dawson Notes to Consolidated Financial Statements

December 31, 2018

19. 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	2018 Total
Revenue											
Taxation	\$ 48,317	\$ 49,794	\$ 262,342	\$ 21,704	\$ 41,386	\$ 26,543	\$ 22,998	\$ 9,669	\$ 684	\$ 483,437	
Fees and user charges	-	1,500	-	1,289	5,438	-	-	-	2,050	10,277	
Conditional grants	-	3,647	183,342	-	-	-	-	-	35,426	224,059	
Unconditional grants	51,901	53,488	281,804	23,314	44,456	28,512	24,704	1,644	735	519,300	
Municipal grants	-	-	15,425	-	-	-	-	10,386	-	-	
Commuted payments	-	-	-	-	-	-	-	-	-	-	15,425
Other	32,559	2,663	7,164	1,025	257	-	-	-	25,629	25,629	
	132,777	111,092	750,077	47,332	91,537	55,055	47,702	21,699	64,524	1,321,795	
Expenses											
Wages and benefits	77,932	12,096	159,543	20,756	1,198	-	-	-	5,075	-	276,600
Materials	11,674	33,512	173,408	152	1,923	-	-	-	234	296	221,199
Contracted services	20,671	138,635	46,881	1,000	5,054	-	-	-	5,880	73,054	291,175
Rent and financial	14,392	5,818	12,804	9,006	554	-	-	-	6,149	-	48,723
External transfers	-	-	-	-	109,384	6,183	54,297	-	-	-	169,864
Amortization	127	13,232	163,798	924	2,031	-	-	1,591	-	-	181,703
	124,796	203,293	556,434	31,838	120,144	6,183	54,297	18,929	73,350	1,189,264	
Net surplus (deficit)	\$ 7,981	\$ (92,201)	\$ 193,643	\$ 15,494	\$ (28,607)	\$ 48,872	\$ (6,595)	\$ 2,770	\$ (8,826)	\$ 132,531	

The Corporation of the Township of Dawson Notes to Consolidated Financial Statements

December 31, 2018

19. 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	\$ 43,419	\$ 44,747	\$ 235,751	\$ 19,504	\$ 37,191	\$ 23,853	\$ 20,667	\$ 8,689	\$ 615	\$ 434,436	
Fees and user charges	-	203	-	2,276	5,012	-	-	-	900	8,391	
Conditional grants	-	5,128	50,000	-	-	-	-	1,644	67,232	124,004	
Unconditional grants	52,421	54,024	284,626	23,547	44,901	28,798	24,952	10,490	742	524,501	
Municipal grants	-	-	23,067	-	-	-	-	-	-	23,067	
Commuted payments	7,366	-	-	-	-	-	-	-	-	-	
Other	15,121	4,850	3,758	538	862	-	-	-	39,460	46,826	
	118,327	108,952	597,202	45,865	87,966	52,651	45,619	20,823	108,949	1,186,354	
Expenses											
Wages and benefits	78,462	10,108	155,707	20,280	1,569	-	-	5,704	-	271,830	
Materials	10,960	23,443	154,878	-	2,084	-	-	1,095	196	192,656	
Contracted services	20,412	87,150	54,972	3,000	121	-	-	6,461	133,508	305,624	
Rent and financial	26,413	5,408	14,211	8,123	550	-	-	6,154	-	60,859	
External transfers	-	-	-	-	105,575	16,022	48,023	-	-	169,620	
Amortization	126	15,206	158,759	924	1,989	-	-	1,054	-	178,058	
	136,373	141,315	538,527	32,327	111,888	16,022	48,023	20,468	133,704	1,178,647	
Net surplus (deficit)	\$ (18,046)	\$ (32,363)	\$ 58,675	\$ 13,538	\$ (23,922)	\$ 36,629	\$ (2,404)	\$ 355	\$ (24,755)	\$ 7,707	

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 Dawson

Opinion

We have audited the financial statements of the Corporation of the Township of Dawson 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 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 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 Dawson 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 Dawson and the Bereavement Authority of Ontario and should not be used by parties other than the management of the Corporation of the Township of Dawson 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 the 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 Dawson
Trust Fund - Cemetery Perpetual Care
Balance Sheet**

<u>December 31</u>	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 26,420	\$ 26,736
Liabilities		
Balance - capital	\$ 26,420	\$ 26,120
- due to operator	-	616
	<u>\$ 26,420</u>	<u>\$ 26,736</u>

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

<u>December 31</u>	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 26,120	\$ 25,370
Revenue		
Care and maintenance fee	300	750
Interest earned	-	616
	<u>300</u>	<u>1,366</u>
Expenditure		
Administration	-	616
Balance, end of year	<u>\$ 26,420</u>	<u>\$ 26,120</u>

The Corporation of the Township of Dawson 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 Dawson 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	<p>Sources of financing and expenditures are reported on the accrual basis of accounting.</p> <p>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.</p>

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.