



The Corporation of the Town of Fort Frances

Final Report to the Mayor and Council

June 25, 2018



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BDO Canada LLP
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June 25, 2018

The Mayor and Members of Council
The Corporation of the Town of Fort Frances

Dear Mayor and Council Members:

We are pleased to present the results of our audit of the consolidated financial statements of The Corporation of the Town of Fort Frances (the "Municipality") for the year ended December 31, 2017. The purpose of our report is to summarize certain aspects of the audit that we believe to be of interest to the Mayor and Council and should be read in conjunction with the draft consolidated financial statements and our draft audit report.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to Mayor and Council in fulfilling their responsibilities.

This report has been prepared solely for the use of Mayor and Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the Municipality's management and staff who have assisted us in carrying out our work. We look forward to meeting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

A handwritten signature in black ink, appearing to read "J. Evans", with a long, sweeping horizontal line extending to the right.

Jon Evans, CPA, CA
Partner through a corporation

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STATUS OF THE AUDIT

As of the date of this final report, we have substantially completed our audit of the 2017 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the consolidated financial statements.

COMPLETION OF AUDIT

- Receipt of signed Management representation letter
- Receipt of outstanding legal confirmations
- Subsequent events review through to financial statement approval date

FINANCIAL STATEMENTS

- Approval of consolidated financial statements by Mayor and Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. Except as described in this report, the scope of the work performed was substantially the same as that described in our Planning Report to Mayor and Council dated December 12, 2017.

INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to Mayor and Council at least annually, all relationships between BDO Canada LLP and its related entities and The Corporation of the Town of Fort Frances and its related entities, that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the Municipality.

Our annual letter confirming our independence was previously provided to you. We know of no circumstances that would cause us to amend the previously provided letter.

MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As communicated to you in our Planning Report to the Mayor and Council, preliminary materiality was set as outlined below. Final materiality remained unchanged from our preliminary assessment.

	Materiality
The Corporation of the Town of Fort Frances	\$ 500,000
Fort Frances Power Corporation	\$ 90,000
Fort Frances Network Services	\$ 500,000

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Municipality's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

ACCOUNTING AND AUDIT MATTERS

Revenue Recognition

Our audit included review for unrecognized supplemental/omitted levies and tax write offs and review of revenue recognition policy for consistency with professional standards.

Expenditure Recognition

Our audit included review of program expenditures to ensure that only valid expenditures have been recognized and that expenses allocated towards specific government transfers meet the eligibility criteria outlined in the related funding agreement.

ADJUSTED AND UNADJUSTED DIFFERENCES

We have disclosed all significant adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement. Each of these items has been discussed with Management.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the consolidated financial statements taken as a whole. Should the Mayor and Council agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of unadjusted differences has been presented in Appendix A.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the consolidated financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

We will provide you a copy of the management representation letter which summarizes the representations we have requested from management.

FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with Mayor and Council on an annual basis. As an update to the discussion held with the Mayor and Council during the planning of our audit, we have prepared the following comments:

Required Discussion	BDO Response	Question to Mayor and Council
Details of existing oversight processes with regards to fraud.	Based on our discussions during the planning of our audit, the Mayor and Council's oversight processes include: <ul style="list-style-type: none"> • Mayor and Council charters; • Discussions at Mayor and Council meetings; • Review of related party transactions; and • Consideration of tone at the top. 	Are there any new processes or changes in existing processes relating to fraud since the date of our previous discussions, that we should be aware of?
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Municipality?

AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Report to the Mayor and Council dated December 12, 2017.

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Municipality's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining, the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Municipality's consolidated financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the consolidated financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Communication Required	Auditors' Response
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the consolidated financial statements.	No such material risks or exposures identified.
The final draft of the representation letter.	We will provide you a copy of the management representation letter which summarized the representations we have requested from management.
Material uncertainties related to events and conditions that may cast significant doubt on the Municipality's ability to continue as a going concern.	No material uncertainties identified.
Disagreements with management about matters that, individually or in aggregate, could be significant to the Municipality's consolidated financial statements or our audit report.	We had no disagreements with management about matters which could be significant to the financial statements.
Matters involving non compliance with laws and regulations	No non-compliance with laws or regulations identified.
Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.	No significant related party transactions outside of the normal course of operations identified.
Subsequent events that have caused changes to the audit report	No such subsequent events identified.
Modifications in opinion	No modifications in opinion.
Emphasis of matters paragraphs or other matters paragraphs	No emphasis of matters paragraphs are present within the audit report.

Significant matters arising from the audit that were discussed or subject to correspondence with management.

No such matters.

Significant accounting policies, estimates and judgments

Unreasonable management's refusal to allow the auditor to send a confirmation request, or the inability to obtain relevant and reliable audit evidence from alternative audit procedures.

Management did not refuse to allow us to send any confirmation requests.

Limitation of the scope of the audit imposed by management.

No limitations of the scope of the audit imposed.

Findings from the group audit.

No issues to note regarding group audit. Results of Fort Frances Power Corporation and Fort Frances Network services were correctly accounted for in the Town's Consolidated Financial Statements.

Material misstatements that affect the prior period financial statements on which the predecessor auditor had previously reported on without modification.

No such material misstatements exist.

Management consultation with other accountants about significant auditing and accounting matters.

No known consultations.

Other matters

No other matters requiring communication.

BDO RESOURCES

BDO is one of Canada's largest accounting services firms providing assurance and accounting, taxation, financial advisory, risk advisory, financial recovery and consulting services to a variety of publicly traded and privately held companies.

BDO serves its clients through 105 offices across Canada. As a member firm of BDO International Limited, BDO serves its multinational clients through a global network of over 1,100 offices in more than 100 countries. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources which may be of interest to the Mayor and Council.

PUBLICATIONS

- Public Sector Accounting Standards -Annual Update
- PSAB at a Glance Series of Publications

TAX BULLETINS, ALERTS AND NEWSLETTERS

BDO's national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#).

APPENDIX A

Unadjusted Differences

SUMMARY OF UNADJUSTED DIFFERENCES

The following is a summary of uncorrected misstatements noted during the course of our audit engagement:

	Assets	Increase (Decrease)			Net Income
		Liabilities	Equity		
Unrecognized retirement bonus liabilities for eligible employees	\$ -	\$ 51,000	\$ -	\$ -	(51,000)
Unrecorded invoice from Hatch Corporation	113,375	113,375	-	-	-
Impact of misstatements in Fort Frances Power Corporation	(29,481)	-	-	-	(29,481)
Total	83,894	164,375	-	-	(80,481)
Tax Effect	-	-	-	-	-
Effect of Prior Year's Reversing Errors	-	-	-	-	-
Total Unadjusted Differences	\$ 83,894	\$ 164,375	\$ -	\$ -	(80,481)