

The Corporation of the  
Town of Fort Frances  
Consolidated Financial Statements  
For the year ended December 31, 2018

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Town of Fort Frances  
Consolidated Financial Statements  
For the year ended December 31, 2018

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## The Corporation of the Town of Fort Frances Management's Responsibility for the Consolidated Financial Statements

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The accompanying consolidated financial statements of the Corporation of the Town of Fort Frances and all the information in this annual report are the responsibility of management and have been approved by the Mayor and Treasurer on behalf of Council.

The consolidated financial statements have been prepared by management in accordance with Public Sector Accounting Principles. The 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 Town 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 Town's assets are appropriately accounted for and adequately safeguarded.

The Town 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 Town'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 Council.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Treasurer

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## Independent Auditor's Report

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To the Mayor and Councilors of  
The Corporation of the Town of Fort Frances

### Opinion

We have audited the consolidated financial statements of the Corporation of the Town of Fort Frances (the Municipality), 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 the 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 financial position of the Municipality as at December 31, 2018, and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of 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.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality'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 Municipality'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 Municipality 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.

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.

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario  
June 24, 2019

# The Corporation of the Town of Fort Frances Consolidated Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash and cash equivalents (Note 1)	\$ 1,543,515	\$ 1,242,982
Taxes receivable	205,022	331,719
Accounts receivable	4,632,525	3,943,647
Investments (Note 2)	13,488,603	11,452,328
Investment in government business enterprises (Note 3)	6,141,617	6,062,050
Loans receivable (Note 4)	244,444	311,111
	<u>26,255,726</u>	<u>23,343,837</u>
Liabilities		
Accounts payable and accrued liabilities	4,285,356	3,436,122
Deferred revenue (Note 6)	85,311	199,071
Net long-term debt (Note 7)	1,261,641	1,670,537
Solid waste closure and post-closure liabilities (Note 8)	897,858	874,498
Post-employment benefits liabilities (Note 9)	208,740	222,454
	<u>6,738,906</u>	<u>6,402,682</u>
Net financial assets	<u>19,516,820</u>	<u>16,941,155</u>
Non-financial assets		
Tangible capital assets (Note 10)	101,319,443	98,789,228
Tangible capital assets under construction	83,584	153,139
Land held for sale	-	50,475
Inventory of supplies	445,975	393,856
Prepaid expenses	228,693	228,157
	<u>102,077,695</u>	<u>99,614,855</u>
Accumulated surplus (Note 11)	<u>\$121,594,515</u>	<u>\$116,556,010</u>

Contingent liabilities (Note 16)

\_\_\_\_\_ Mayor

\_\_\_\_\_ Treasurer

## The Corporation of the Town of Fort Frances Consolidated Statement of Operations

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Taxation	\$11,232,727	\$11,236,077	\$ 11,215,874
Government transfers - Federal (Note 12)	1,267,069	709,130	1,712,089
Government transfers - Provincial (Note 13)	7,711,918	7,702,785	6,074,930
User fees and service charges	8,434,291	8,705,226	8,518,141
Permits, licenses and fines	66,927	59,655	74,934
Investment income (loss)	59,500	(69,271)	263,688
Income from government business enterprises (Note 3)	-	79,567	10,803
Other income (Note 14)	843,865	2,370,818	1,014,444
	<u>29,616,297</u>	<u>30,793,987</u>	<u>28,884,903</u>
Expenses			
General government	2,756,640	2,982,650	2,828,832
Protection services	3,856,736	3,871,763	3,785,998
Transportation services	4,952,489	5,080,065	4,929,681
Environmental services	5,369,758	4,965,077	4,798,917
Health services	2,720,180	1,688,774	1,812,112
Social and family services	1,907,874	2,049,833	1,902,044
Social housing	-	706,743	644,964
Recreation and cultural services	3,850,984	4,148,578	3,835,737
Planning and development	346,400	261,999	290,274
	<u>25,761,061</u>	<u>25,755,482</u>	<u>24,828,559</u>
Annual surplus	<u>3,855,236</u>	<u>5,038,505</u>	<u>4,056,344</u>
Accumulated surplus, beginning of year	116,556,010	116,556,010	112,499,666
Accumulated surplus, end of year	<u>\$120,411,246</u>	<u>\$121,594,515</u>	<u>\$ 116,556,010</u>

The Corporation of the Town of Fort Frances  
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2018	2018	2017
Annual surplus	\$ 3,855,236	\$ 5,038,505	\$ 4,056,344
Acquisition of tangible capital assets	(8,187,424)	(6,986,194)	(6,363,907)
Amortization of tangible capital assets	4,473,900	4,440,790	4,325,875
Loss (gain) on sale of tangible capital assets	-	(190,741)	(37,225)
Proceeds on sale of tangible capital assets	-	205,929	59,386
Disposals of land held for sale	-	50,476	255,318
Capitalization of tangible capital assets under construction	-	69,555	239,347
	141,712	2,628,320	2,535,138
Acquisition of prepaid expenses and inventory of supplies	-	(52,655)	42,639
Net change in net financial assets	141,712	2,575,665	2,577,777
Net financial assets, beginning of year	16,941,155	16,941,155	14,363,378
Net financial assets, end of year	\$17,082,867	\$19,516,820	\$ 16,941,155



# The Corporation of the Town of Fort Frances Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 5,038,505	\$ 4,056,344
Items not involving cash		
Loss (income) from government business enterprises	(79,567)	(10,803)
Amortization	4,440,790	4,325,875
Loss (gain) on disposal of tangible capital assets	(190,741)	(37,225)
Loss (gain) on disposal of land held for sale	10,576	54,218
Changes in non-cash operating balances		
Taxes receivable	126,697	251,810
Accounts receivable	(688,878)	233,129
Loans receivable	66,667	66,667
Inventory of supplies	(52,119)	42,854
Prepaid expenses	(536)	(216)
Accounts payable and accrued liabilities	849,234	(970,564)
Deferred revenue	(113,760)	(206,680)
Solid waste closure and post-closure liabilities	23,360	23,360
Post-employment benefits	(13,714)	(12,389)
	<u>9,416,514</u>	<u>7,816,380</u>
Capital transactions		
Acquisition of tangible capital assets	(6,986,194)	(6,363,907)
Proceeds on sale of tangible capital assets	205,929	59,386
Acquisition of tangible capital assets under construction	69,555	239,347
	<u>(6,710,710)</u>	<u>(6,065,174)</u>
Investing transactions		
Decrease (increase) in investments	(2,036,275)	(710,213)
Proceeds on disposition of land held for sale	39,900	201,100
	<u>(1,996,375)</u>	<u>(509,113)</u>
Financing transactions		
Repayment of long-term debt	(408,896)	(611,294)
Net change in cash and cash equivalents	300,533	630,799
Cash and cash equivalents, beginning of year	<u>1,242,982</u>	<u>612,183</u>
Cash and cash equivalents, end of year	<u>\$ 1,543,515</u>	<u>\$ 1,242,982</u>

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

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## The Corporation of the Town of Fort Frances Summary of Significant Accounting Policies

December 31, 2018

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Management's  
Responsibility for the  
Consolidated Financial  
Statements

The consolidated financial statements of the Corporation of the Town of Fort Frances are the representations of management. They have been prepared in accordance with Canadian accounting principles established by the Public Sector Accounting Board of CPA Canada.

Basis of Accounting

The consolidated financial statements of the Corporation of the Town of Fort Frances are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada.

Revenues and expenditures 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.

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.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal Organizations, committees and boards which are owned or controlled by the Municipality. All interfund assets and liabilities and revenues and expenditures have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Library Board  
Waterworks  
Business Improvement Area

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## The Corporation of the Town of Fort Frances Summary of Significant Accounting Policies

December 31, 2018

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### Basis of Consolidation (continued)

A government partnership exists where the Municipality has shared control over the board or entity. The Municipality's pro-rata share of the assets, liabilities, revenues and expenditures are reflected in the consolidated financial statements using the proportionate consolidation method. No proportionate interest or government partnerships are reflected in the consolidated financial statements.

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. The Municipality's government business enterprises consist of investments in Fort Frances Power Corporation and Fort Frances Network Services Corporation. These investments are accounted for using the modified equity basis of accounting. Under this method, the government business enterprise's accounting policies, which follow Canadian generally accepted accounting principles for publicly accountable enterprises, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated.

### Cash and Cash Equivalents

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

### Inventory

Inventory of supplies is recorded at the lower of cost or net replacement value.

### 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.

### Loans Receivable

Loans receivable are reported on the Municipality's consolidated statement of financial position at the lower of cost and net recoverable value.

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## The Corporation of the Town of Fort Frances Summary of Significant Accounting Policies

December 31, 2018

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### 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 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:

Land improvements	40 years
Buildings	40 years
Machinery and equipment	10 to 15 years
Roads and bridges	15 to 80 years
Water infrastructure	40 to 80 years
Sewer infrastructure	40 to 80 years
Vehicles	7 to 12 years
Computer hardware and software	5 years

### Revenue Recognition

Taxes are 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. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts. Taxation revenue is initially recognized based on management's best estimate of the taxes that will be received. However, the total amount of tax revenue recognized may change due to future reassessments such as audits, appeals and court decisions.

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

### Government Transfers

Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. When transfer stipulations give rise to a liability, government transfers are recognized as deferred revenue and recognized as revenue when the stipulations are settled.

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## The Corporation of the Town of Fort Frances Summary of Significant Accounting Policies

December 31, 2018

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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.
Retirement Benefits and Other Employee Benefit Plans	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.
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.
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 site, the useful life of the landfill site, the closure and post-closure costs of the landfill, the present value of the Municipality's employee post-retirement benefits, and taxation revenue.</p>
Trust Funds	Trust 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 Funds are reported separately on the Trust Funds statement of continuity and balance sheet.

## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

### 1. Cash and Cash Equivalents

The balance of cash and cash equivalents reported on the consolidated statement of financial position is made up of the following:

	2018	2017
Unrestricted	\$ 1,379,170	\$ 31,388
Restricted by Council resolution	164,345	1,211,594
	<u>\$ 1,543,515</u>	<u>\$ 1,242,982</u>

Certain surplus funds are set aside by by-laws or Council resolution for specific purposes and referred to as reserve funds. Cash and cash equivalents restricted by Council resolution represent assets that are maintained in respect of those reserve funds (Note 11).

### 2. Investments

	2018	2017
Investments restricted by Council resolution		
Bond funds	\$ -	\$ 8,026,213
Money market funds	-	2,515
GIC's, 1.50% annual interest rate	-	51,044
GIC's, 1.80% annual interest rate	51,951	-
GIC's, 2.25% annual interest rate	318,411	321,114
GIC's, 2.50% annual interest rate	4,755,856	2,045,679
Interest bearing savings account, prime -1.54%	8,352,384	-
Non interest bearing savings account	10,001	-
	<u>13,488,603</u>	<u>10,446,565</u>
Unrestricted investments		
GIC's, 1.15% annual interest rate	-	1,004,127
Money market funds	-	1,636
	<u>-</u>	<u>1,005,763</u>
	<u>\$13,488,603</u>	<u>\$ 11,452,328</u>

The income from investments for the year was \$217,300 (2017 - \$214,984).

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## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

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### 2. Investments (continued)

The effective interest rate of the Municipality's restricted bond funds was 1.30% (2017 - 2.35%). The Municipality's restricted bond funds have a market value of \$NIL (2017 - \$7,699,842).

The effective interest rate of the Municipality's restricted money market funds was 0.74% (2017 - 0.63%). The Municipality's restricted money market funds have a market value of \$NIL (2017 - \$2,436).

The effective interest rate of the Municipality's unrestricted money market funds was 0% (2017 - 0.61%). The Municipality's unrestricted money market funds have a market value of \$NIL (2017 - \$1,636).

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 assets that are maintained in respect of those reserve funds (Note 11).

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### 3. Investment in Government Business Enterprises

	2018	2017
Fort Frances Power Corporation	\$ 6,088,461	\$ 6,008,912
Fort Frances Network Services Corporation	53,156	53,138
	<u>\$ 6,141,617</u>	<u>\$ 6,062,050</u>

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## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

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### 3. Investment in Government Business Enterprises (continued)

#### Fort Frances Power Corporation

Fort Frances Power Corporation is a Corporation that was created for the purpose of distributing electrical power to the Town of Fort Frances. The Municipality holds 100% of the common shares of Fort Frances Power Corporation. The condensed supplementary financial information is as follows:

	2018	2017
Financial position		
Current assets	\$ 4,704,759	\$ 5,289,693
Property, plant and equipment	4,107,947	3,967,414
Regulatory assets	289,127	145,136
Future income tax assets	122,056	158,852
Total assets	9,223,889	9,561,095
Current liabilities	2,905,046	3,250,498
Regulatory liabilities	230,382	301,685
Total liabilities	3,135,428	3,552,183
Net assets		
Equity	\$ 6,088,461	\$ 6,008,912
Results of operations		
Revenue	\$10,184,741	\$ 10,737,551
Expenses	(10,105,192)	(10,726,331)
Net income for the year	\$ 79,549	\$ 11,220



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## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

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### 3. Investment in Government Business Enterprises (continued)

#### Fort Frances Network Services Corporation

Fort Frances Network Services Corporation is a Corporation that was created for the purpose of providing utility maintenance services to the Town of Fort Frances. The Municipality holds 100% of the common shares of Fort Frances Network Services Corporation. The condensed supplementary financial information is as follows:

	2018	2017
Financial position		
Cash and bank	\$ 53,962	\$ 54,012
Accounts receivable	200	114
Total assets	54,162	54,126
Total liabilities	1,006	988
Net assets		
Equity	\$ 53,156	\$ 53,138
Results of operations		
Revenue	\$ 909	\$ 457
Expenses	(891)	(874)
Net income (loss) for the year	\$ 18	\$ (417)

## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

### 4. Loans Receivable

Loans receivable reported on the consolidated statement of financial position are comprised of the following:

	2018	2017
Fort Frances Community Clinic loan, repayable at \$5,556 monthly, non-interest bearing. Secured by a general security agreement in first priority position on and over any and all assets of the borrower. Matures August 1, 2022.	\$ 244,444	\$ 311,111

Loans receivable are restricted by Council resolution and represent assets that are maintained in respect of reserve funds (Note 11).

### 5. Bank Indebtedness

Bank indebtedness is secured by general security agreements covering certain assets of the Municipality. The maximum authorized amount is \$4,000,000 and bears interest at the prime rate. As at December 31, 2018, \$NIL (2017 - \$187,022) was drawn under this facility.

### 6. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal and provincial gas tax	\$ 86,358	\$ 578,179	\$ 3,673	\$ (623,202)	\$ 45,008
Other	112,713	40,303	-	(112,713)	40,303
	\$ 199,071	\$ 618,482	\$ 3,673	\$ (735,915)	\$ 85,311

#### Federal and Provincial Gas Tax

The Federal and Provincial Governments advance the Municipality funding related to gasoline tax. This funding must be spent on approved infrastructure projects. The funding can be deferred for a maximum of 5 years.

## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

### 7. Net Long-term Debt

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

	2018	2017
Demand bank loan, payable at \$26,284 monthly, plus interest at 4.397%. Unsecured, matures December 31, 2022.	\$ 1,261,641	\$ 1,577,051
Demand bank loan, payable at \$7,791 monthly, plus interest at 4.19%. Unsecured, matured December 30, 2018.	-	93,486
	<u>\$ 1,261,641</u>	<u>\$ 1,670,537</u>

Principal and interest repayments relating to net long-term debt of \$1,261,641 outstanding are due as follows:

	Principal Repayments	Interest	Total
2019	\$ 315,410	\$ 49,211	\$ 364,621
2020	315,410	35,418	350,828
2021	315,410	21,404	336,814
2022	315,411	7,501	322,912
	<u>\$ 1,261,641</u>	<u>\$ 113,534</u>	<u>\$ 1,375,175</u>

The gross interest paid relating to the above long-term debt was \$65,422 (2017 - \$76,879).

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## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

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### 8. 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 liability for the landfill site is recorded at \$897,858 (2017 - \$874,498) and represents the present value of closure and post-closure costs for 81% of the current site's opened cells, using the average long-term borrowing rate of 3.0%. The liability is recorded based on the capacity of the landfill used to date. The estimated remaining capacity of the site's opened cells are approximately 90,000 cubic meters, which is estimated to be filled in 9 years based on study. Post-closure care is estimated to continue for a period of 25 years.

The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill. The Municipality has \$746,147 (2017 - \$641,959) in an investment which relates to the solid waste closure and post-closure liability. The landfill liability is therefore underfunded by \$151,711 (2017 - \$232,539) at year end.

# The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

## 9. Post-Employment Benefits Liabilities

Post-employment benefits liabilities reported on the consolidated statement of financial position are comprised of the following:

	2018	2017
Post-retirement benefits liability	\$ 196,240	\$ 209,954
Life insurance coverage	12,500	12,500
	<u>\$ 208,740</u>	<u>\$ 222,454</u>

On February 4, 2011, the Municipality became responsible for providing the following post-retirement benefits on behalf of its eligible full-time employees who are members of the Fort Frances Professional Fire Fighters Association:

- Extended health care
- Dental benefits

The latest actuarial valuation was performed on December 31, 2018.

Post-Retirement Benefits Liabilities	2018	2017
Accrued post-retirement benefits obligation	\$ 177,109	\$ 190,711
Unamortized actuarial gains	19,131	19,243
Post-retirement benefits liabilities	<u>\$ 196,240</u>	<u>\$ 209,954</u>

Post-Retirement Benefits Expenditures	2018	2017
Current year service costs	\$ 3,705	\$ 3,608
Interest on accrued benefit obligation	4,990	5,251
Amortization of net estimation adjustments	(3,215)	(3,215)
Post-retirement benefits expenditures	<u>\$ 5,480</u>	<u>\$ 5,644</u>
Benefit payments during the year	<u>\$ 19,194</u>	<u>\$ 18,033</u>

The significant actuarial assumptions adopted and estimated for the calculation of the accrued benefit obligations are as follows:

	2018	2017
Discount on accrued benefit obligations	3.0%	2.70%
Dental cost trend rates	3.0%	3.0%
Extended health care trend rates	6.25%	6.0%

For December 31, 2018, extended health care trend rates are assumed to be 6.25%, decreasing by 0.25% per annum to an ultimate rate of 4.5% thereafter.

As at December 31, 2018, the Municipality's post-retirement benefits were 100% unfunded.

The Corporation of the Town of Fort Frances  
Notes to Consolidated Financial Statements

December 31, 2018

10. Tangible Capital Assets

	2018								
	Land and land improvements	Buildings	Machinery and equipment	Roads and bridges	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total
Cost, beginning of year	\$ 5,866,986	\$ 53,642,473	\$ 10,999,620	\$ 60,133,379	\$ 21,537,583	\$ 24,151,963	\$ 3,412,803	\$ 495,671	\$ 180,240,478
Additions	95,370	710,460	359,147	3,009,737	857,824	1,746,907	69,356	137,393	6,986,194
Disposals	-	-	(12,210)	-	-	-	(511,870)	-	(524,080)
Cost, end of year	5,962,356	54,352,933	11,346,557	63,143,116	22,395,407	25,898,870	2,970,289	633,064	186,702,592
Accumulated amortization, beginning of year	617,299	24,505,403	4,569,335	32,418,266	7,114,237	9,539,031	2,394,803	292,876	81,451,250
Amortization	167,827	1,068,657	671,024	1,613,754	324,656	351,196	168,482	75,194	4,440,790
Disposals	-	-	(3,256)	-	-	-	(505,635)	-	(508,891)
Accumulated amortization, end of year	785,126	25,574,060	5,237,103	34,032,020	7,438,893	9,890,227	2,057,650	368,070	85,383,149
Net carrying amount, end of year	\$ 5,177,230	\$ 28,778,873	\$ 6,109,454	\$ 29,111,096	\$ 14,956,514	\$ 16,008,643	\$ 912,639	\$ 264,994	\$ 101,319,443

The Corporation of the Town of Fort Frances  
Notes to Consolidated Financial Statements

December 31, 2018

10. Tangible Capital Assets (continued)

									2017
	Land and land improvements	Buildings	Machinery and equipment	Roads and bridges	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total
Cost, beginning of year	\$ 3,575,851	\$ 53,511,699	\$ 10,667,022	\$ 58,564,879	\$ 21,059,318	\$ 23,228,960	\$ 3,320,214	\$ 564,280	\$ 74,492,223
Additions	2,291,135	130,774	652,411	1,568,500	478,265	923,003	236,152	83,667	6,363,907
Disposals	-	-	(319,813)	-	-	-	(143,563)	(152,276)	(615,652)
Cost, end of year	5,866,986	53,642,473	10,999,620	60,133,379	21,537,583	24,151,963	3,412,803	495,671	180,240,478
Accumulated amortization, beginning of year	509,017	23,445,931	4,236,923	30,818,912	6,798,922	9,202,902	2,338,940	367,318	77,718,865
Amortization	108,282	1,059,472	636,597	1,599,354	315,315	336,129	199,426	71,300	4,325,875
Disposals	-	-	(304,185)	-	-	-	(143,563)	(145,742)	(593,490)
Accumulated amortization, end of year	617,299	24,505,403	4,569,335	32,418,266	7,114,237	9,539,031	2,394,803	292,876	81,451,250
Net carrying amount, end of year	\$ 5,249,687	\$ 29,137,070	\$ 6,430,285	\$ 27,715,113	\$ 14,423,346	\$ 14,612,932	\$ 1,018,000	\$ 202,795	\$ 98,789,228

The net book value of tangible capital assets not being amortized because they are under construction is \$83,584 (2017 - \$153,139). These items are recognized separately as tangible capital assets under construction in the consolidated statement of financial position.

# The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

## 11. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2018	2017
Investment in tangible capital assets		
Tangible capital assets	\$101,403,027	\$ 98,942,367
Long-term debt	(1,261,640)	(1,670,537)
Land held for sale	-	50,476
Total investment in tangible capital assets	100,141,387	97,322,306
General operating	1,951,220	378,269
Business improvement area	55,296	46,447
Total operating surplus	2,006,516	424,716
Other allocated deficits		
Landfill closure	(897,858)	(874,498)
Employee future benefits	(208,740)	(222,454)
Total other allocated deficits	(1,106,598)	(1,096,952)
Reserve funds		
Waterworks projects	5,667,424	4,899,978
Replacement of vehicles and equipment	1,207,735	819,668
Library building	605,690	634,896
Landfill closure	746,147	641,959
Parks and cemeteries	47,327	50,402
Social and family assistance	90,802	89,634
Corporate projects and contingencies	4,896,566	5,533,332
Cultural projects	34,767	60,757
Townsend theatre	115,135	113,264
Total reserve funds	13,411,593	12,843,890
Working capital reserve	1,000,000	1,000,000
Investment in government business enterprises	6,141,617	6,062,050
	<u>\$121,594,515</u>	<u>\$ 116,556,010</u>

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 Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

## 12. Government Transfers - Federal

	2018	2017
Operating		
Other	\$ 32,039	\$ 16,311
Tangible Capital Assets		
Association of Municipalities of Ontario		
Federal Gas Tax Fund	582,198	601,805
Industry Canada - FedNor	-	451,976
New Building Canada Fund	-	-
Clean Water and Wastewater Fund	51,647	583,669
Other	43,246	58,328
Total tangible capital asset transfers	677,091	1,695,778
Total federal transfers	\$ 709,130	\$ 1,712,089

## 13. Government Transfers - Provincial

	2018	2017
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 3,342,100	\$ 3,106,500
Ministry of Transportation	41,004	58,395
Ontario Seniors' Secretariat	49,862	41,733
Rainy River District Social Services		
Administration Board	1,158,071	1,103,181
Ontario Financial Services	-	-
Other	453,211	340,329
Total operating transfers	5,044,248	4,650,138
Tangible Capital Assets		
Province of Ontario		
Clean Water and Wastewater Fund	-	291,834
Ministry of Transportation	2,550,583	246,179
Northern Ontario Heritage Fund	-	703,856
Rainy River District Social Services		
Administration Board	33,438	-
Other	74,516	182,923
Total tangible capital asset transfers	2,658,537	1,424,792
Total provincial transfers	\$ 7,702,785	\$ 6,074,930

## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

### 14. Other Income

	2018	2017
Penalties and interest on taxes	\$ 98,964	\$ 116,938
Rents, concessions and franchises	92,181	89,983
Donations	145,793	364,050
Gain (loss) on sale of tangible capital assets	190,741	37,225
Loss on sale of land held for sale	(10,576)	(54,218)
Provincial offences	397,532	419,173
Insurance proceeds and other recoveries	1,456,183	41,293
	<u>\$ 2,370,818</u>	<u>\$ 1,014,444</u>

### 15. Expenses by Object

	2018	2017
Salaries, wages and employee benefits	\$ 9,132,407	\$ 8,634,352
Long-term debt charges - interest	65,421	76,879
Materials	3,958,399	3,537,837
Contracted services	4,600,728	4,548,434
Rents and financial expenses	1,022,652	1,122,855
Contributions to other organizations	2,535,085	2,582,327
Amortization	4,440,790	4,325,875
	<u>\$25,755,482</u>	<u>\$ 24,828,559</u>

### 16. Contingent Liabilities

Various lawsuits and appeals have been filed against the Municipality for incidents which arose in the ordinary course of business as well as land claims. These lawsuits and appeals include the following specific claims:

A claim in the amount of \$2,000,000 has been filed against the Municipality that is in relation to disputed costs between the Municipality and a contractor involved in the rehabilitation of Municipal infrastructure. In the opinion of management and legal counsel, the outcome of the lawsuit, now pending, is not determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

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## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

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### 17. Related Party Transactions

The Municipality owns 100% of the common shares of Fort Frances Power Corporation. Fort Frances Power Corporation provides electricity and services to the Municipality. Fort Frances Power Corporation also contracts the Municipality for the provision of accounting and administrative services. The following is a summary of the significant related party transactions for the year:

	2018	2017
	<u>2018</u>	<u>2017</u>
Revenue from services provided to Fort Frances Power Corporation	\$ 166,118	\$ 170,276
Expenses for electricity purchased from Fort Frances Power Corporation	\$ 825,995	\$ 896,609
Other purchased services provided by Fort Frances Power Corporation	64,049	82,821
	<u>\$ 890,044</u>	<u>\$ 979,430</u>

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### 18. Operations of School Boards

	2018	2017
	<u>2018</u>	<u>2017</u>
During the year, the following taxation revenue was raised and remitted to the school boards	\$ 1,540,460	\$ 1,523,085

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## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

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### 19. Pension Agreements

The employees of the Municipality participate in the Ontario Municipal Retirement System ("OMERS"). The Municipality also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contributions plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period.

OMERS provides pension services to more than 482,000 active and retired members and approximately 985 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 Corporation does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2018 were \$555,148 (2017 - \$530,062) for current services.

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### 20. Trust Funds

The Trust Funds administered by the Municipality amounting to \$1,118,418 (2017 - \$1,098,197) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

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### 21. Contributions to Unconsolidated Boards

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

	2018	2017
Northwestern Health Unit	\$ 368,813	\$ 368,813
Rainy River District Social Services Administration Board		
Ambulance service	990,229	1,061,363
General assistance	73,867	89,076
Child care	91,891	125,249
Social housing	706,743	644,964
	<u>\$ 2,231,543</u>	<u>\$ 2,289,465</u>

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## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

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### 22. Segmented Information

The Corporation of the Town of Fort Frances 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.

#### Transportation Services

The transportation services area provides construction and maintenance of the roadways throughout the Municipality as well as the municipal airport.

#### Environmental Services

Environmental services consists of the management and maintenance of the sanitary sewer system, waterworks system and waste disposal facility 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.

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## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

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### 22. Segmented Information (continued)

#### 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 Town of Fort Frances require the service.

#### Recreation and Cultural Services

This service area consists of the operation and maintenance of local parks, recreation facilities, cultural facilities and the town library.

#### Planning and Development

These services relate to zoning issues as well as planning of various municipal maintenance projects.

## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

### 22. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	2018 Total
Revenue										
Taxation	\$ 2,038,461	\$ 1,618,299	\$ 808,369	\$ 2,094,720	\$ 1,473,996	\$ 346,584	\$ 1,045,575	\$ 1,704,062	\$ 106,011	\$ 11,236,077
Fees and user charges	240,262	50,772	709,238	6,037,435	55,575	537,399	-	912,382	162,163	8,705,226
Conditional grants	-	162,276	3,227,112	163,533	-	1,255,388	-	242,506	19,000	5,069,815
Unconditional grants	606,328	481,353	240,444	623,061	438,431	103,089	311,000	506,862	31,532	3,342,100
Other	442,807	351,537	175,599	455,028	320,190	75,287	227,126	370,167	23,028	2,440,769
	<u>3,327,858</u>	<u>2,664,237</u>	<u>5,160,762</u>	<u>9,373,777</u>	<u>2,288,192</u>	<u>2,317,747</u>	<u>1,583,701</u>	<u>3,735,979</u>	<u>341,734</u>	<u>30,793,987</u>
Expenses										
Wages and benefits	1,511,910	1,222,812	1,690,500	984,825	203,844	1,429,712	-	2,049,301	39,503	9,132,407
Long-term debt charges (interest)	63,317	-	1,868	-	-	-	-	236	-	65,421
Materials	444,797	231,673	957,610	801,412	39,082	304,684	-	1,071,165	107,976	3,958,399
Contracted services	232,674	2,238,993	437,031	1,368,407	6,005	67,786	-	171,944	77,888	4,600,728
Rents and financial	505,816	19,850	78,902	250,442	-	8,405	-	125,438	33,799	1,022,652
External transfers	100,777	105,941	-	25,991	1,427,042	165,758	706,743	-	2,833	2,535,085
Amortization	123,359	52,494	1,914,154	1,534,000	12,801	73,488	-	730,494	-	4,440,790
	<u>2,982,650</u>	<u>3,871,763</u>	<u>5,080,065</u>	<u>4,965,077</u>	<u>1,688,774</u>	<u>2,049,833</u>	<u>706,743</u>	<u>4,148,578</u>	<u>261,999</u>	<u>25,755,482</u>
Net surplus (deficit)	\$ 345,208	\$ (1,207,526)	\$ 80,697	\$ 4,408,700	\$ 599,418	\$ 267,914	\$ 876,958	\$ (412,599)	\$ 79,735	\$ 5,038,505

## The Corporation of the Town of Fort Frances Notes to Consolidated Financial Statements

December 31, 2018

### 22. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue										
Taxation	\$ 755,751	\$ 1,654,219	\$ 1,556,846	\$ 1,909,100	\$ 1,875,762	\$ 338,474	\$ 1,348,523	\$ 1,655,107	\$ 122,092	\$ 11,215,874
Fees and user charges	239,512	55,045	677,261	6,004,061	43,104	437,299	-	954,415	107,444	8,518,141
Conditional grants	1,155,833	124,055	1,483,294	572,745	-	1,152,764	-	171,829	20,000	4,680,520
Unconditional grants	209,322	458,175	431,205	528,770	519,537	93,748	373,505	458,421	33,816	3,106,499
Other	91,899	201,156	189,315	232,150	228,096	41,159	163,983	201,264	14,847	1,363,869
	<u>2,452,317</u>	<u>2,492,650</u>	<u>4,337,921</u>	<u>9,246,826</u>	<u>2,666,499</u>	<u>2,063,444</u>	<u>1,886,011</u>	<u>3,441,036</u>	<u>298,199</u>	<u>28,884,903</u>
Expenses										
Wages and benefits	1,425,652	1,155,968	1,592,161	900,755	268,886	1,307,040	-	1,942,597	41,293	8,634,352
Long-term debt charges (interest)	55,176	-	5,344	3,564	-	-	-	12,795	-	76,879
Materials	396,393	220,525	812,546	714,690	31,298	255,226	-	960,392	146,767	3,537,837
Contracted services	199,215	2,196,988	533,264	1,358,481	5,307	48,959	-	150,157	56,063	4,548,434
Rents and financial	537,402	22,041	89,760	308,539	-	7,341	-	114,454	43,318	1,122,855
External transfers	90,328	110,340	-	21,361	1,498,176	214,325	644,964	-	2,833	2,582,327
Amortization	124,666	80,136	1,896,606	1,491,527	8,445	69,153	-	655,342	-	4,325,875
	<u>2,828,832</u>	<u>3,785,998</u>	<u>4,929,681</u>	<u>4,798,917</u>	<u>1,812,112</u>	<u>1,902,044</u>	<u>644,964</u>	<u>3,835,737</u>	<u>290,274</u>	<u>24,828,559</u>
Net surplus (deficit)	\$ (376,515)	\$ (1,293,348)	\$ (591,760)	\$ 4,447,909	\$ 854,387	\$ 161,400	\$ 1,241,047	\$ (394,701)	\$ 7,925	\$ 4,056,344

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.



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## Independent Auditor's Report

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To the Mayor and Councilors of  
The Corporation of the Town of Fort Frances

### Opinion

We have audited the financial statements of the Corporation of the Town of Fort Frances Trust Funds (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 the financial statements, including a summary of significant accounting policies.

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

### Basis of Opinion

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

### Basis of Accounting and Restrictions on Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Corporation of the Town of Fort Frances 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 Town of Fort Frances and the Bereavement Authority of Ontario and should not be used by parties other than the management of the Corporation of the Town of Fort Frances and the Bereavement Authority of Ontario.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting as described in Note 1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

Chartered Professional Accountants, Licensed Public Accountants  
Fort Frances, Ontario  
June 24, 2019

## The Corporation of the Town of Fort Frances Trust Funds Balance Sheet

December 31, 2018	Multi Use Tennis Court Maintenance	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	2018 Total	2017 Total
<b>Assets</b>						
Cash	\$ 149	\$ -	\$ 285	\$ 82,403	\$ 82,837	\$ 151,505
Accounts receivable						
Own municipality	-	11,363	-	9	11,372	2,277
Investments	-	297,013	727,196	-	1,024,209	1,010,261
	<b>\$ 149</b>	<b>\$ 308,376</b>	<b>\$ 727,481</b>	<b>\$ 82,412</b>	<b>\$ 1,118,418</b>	<b>\$ 1,164,043</b>
<b>Liabilities</b>						
Own Municipality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,846
Balance capital	149	308,376	727,481	82,412	1,118,418	1,098,197
	<b>\$ 149</b>	<b>\$ 308,376</b>	<b>\$ 727,481</b>	<b>\$ 82,412</b>	<b>\$ 1,118,418</b>	<b>\$ 1,164,043</b>

## Statement of Continuity

December 31, 2018	Multi Use Tennis Court Maintenance	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	2018 Total	2017 Total
Balance, beginning of year	\$ (145)	\$ 302,165	\$ 711,164	\$ 85,013	\$ 1,098,197	\$ 1,170,151
<b>Revenue and receipts</b>						
Grants	-	-	-	16,686	16,686	-
Care receipts and contributions	-	6,211	25,663	-	31,874	34,604
Investment income (loss)	294	-	(55,295)	1,259	(53,742)	1,332
Donations	-	-	-	20,481	20,481	31,673
	<b>294</b>	<b>6,211</b>	<b>(29,632)</b>	<b>38,426</b>	<b>15,299</b>	<b>67,609</b>
<b>Expenditures</b>						
Operations	-	-	-	-	-	201
Administration	-	-	-	87	87	-
Paid to school board	-	-	-	-	-	45,124
Transfers to Municipality	-	-	(45,949)	-	(45,949)	63,449
Grants	-	-	-	40,940	40,940	30,789
	<b>-</b>	<b>-</b>	<b>(45,949)</b>	<b>41,027</b>	<b>(4,922)</b>	<b>139,563</b>
Balance, end of year	\$ 149	\$ 308,376	\$ 727,481	\$ 82,412	\$ 1,118,418	\$ 1,098,197

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# The Corporation of the Town of Fort Frances Trust Funds Notes to Financial Statements

December 31, 2018

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## 1. Summary of Significant Accounting Policies

**Management's Responsibility** The financial information of the Corporation of the Town of Fort Frances Trust Funds is the representation of management and has 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 judgment and review.

**Accrual Basis of Accounting** Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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## 2. Multi Use Tennis Court Trust

The Multi Use Tennis Court Trust Fund was established to support fundraising efforts towards the construction of tennis courts.

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## 3. Cemetery Care and Maintenance Trust

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

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## 4. Community Chest Trust

The Community Chest Trust Fund was established to provide grants to individuals to support them with the costs of travel for medical purposes.

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The Corporation of the Town of Fort Frances  
Trust Funds  
Notes to Financial Statements

December 31, 2018

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5. 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 financial information included in the financial statements.

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