



Tel: 807 274 9848
Fax: 807 274 5142
www.bdo.ca

BDO Canada LLP
375 Scott Street
Fort Frances ON P9A 1H1 Canada

June 13, 2016

Mrs. Laurie Witherspoon, Treasurer
The Corporation of the Town of Fort Frances
320 Portage Avenue
Fort Frances, Ontario
P9A 3P9

Dear Mrs. Witherspoon:

Re: Management Letter
The Corporation of the Town of Fort Frances

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

During the course of our audit of the financial statements of The Corporation of the Town of Fort Frances for the year ended December 31, 2015, we did not encounter any significant matters which we believe should be brought to your attention.

This communication is prepared solely for the information of management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the cooperation and assistance which we received during the course of our audit from Laurie Witherspoon, Dawn Galusha and all other staff within the administration and treasury departments.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours truly,

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

Jon Evans, CPA, CA
Partner
BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants



Tel: 807 274 9848
Fax: 807 274 5142
www.bdo.ca

BDO Canada LLP
375 Scott Street
Fort Frances ON P9A 1H1 Canada

Private & Confidential

June 13, 2016

The Mayor and Members of Council
The Corporation of the Town of Fort Frances
320 Portage Avenue
Fort Frances, Ontario
P9A 3P9

Dear Sir/Madam:

Re: Audit of the Consolidated Financial Statements of The Corporation of the Town of Fort Frances
For the year ended December 31, 2015

The purpose of our report is to summarize certain aspects of the audit that we believe would be of interest to the Mayor and Council and should be read in conjunction with the consolidated financial statements and our report thereon.

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

This report has been prepared solely for the use of the 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.

Independence

At the core of the provision of external audit services is the concept of independence. We are communicating 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 have influenced our independence during the audit engagement.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/ordre covering such matters as the following:

- holding of a financial interest, either directly or indirectly in a client;
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- economic dependence on a client; and
- provision of services in addition to the external audit engagement.



We are aware of the following relationships between the municipality and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from November 25, 2015 to June 13, 2016.

- We have provided assistance in the preparation of the consolidated financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the consolidated financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian public sector accounting standards.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management created the source data for all the accounting entries.
 - Management developed any underlying assumptions required with respect to the accounting treatment and measurement of the entries.
 - Management reviewed and approved all journal entries prepared by us, as well as changes to consolidated financial statement presentation and disclosure.
 - Someone other than the preparer reviewed the proposed journal entries and consolidated financial statements.

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 \$500,000. Final materiality remained unchanged from our preliminary assessment.

We communicated all corrected and uncorrected misstatements identified during our audit to the Mayor and Council, other than those which we determine to be "clearly trivial". Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

We encouraged management to correct any misstatements identified throughout the audit process.

Likely Aggregate Misstatements

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.

Uncorrected misstatements aggregated during the audit that were determined by management to be immaterial amounted to \$63,455. A summary of the statement of likely aggregate misstatements is attached to this letter.

Auditor's considerations of possible fraud and illegal activities

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.

Litigation Proceedings

We have communicated with the municipality's legal counsel who have indicated that there are material claims outstanding against the municipality. The following outstanding material claims have all been disclosed in the consolidated financial statements:

- JTJ Contracting (Emo) Ltd. - claim against the Town of Fort Frances of approximately \$2,000,000.
- Nelson River Construction Inc. - claim against the Town of Fort Frances of approximately \$1,000,000.
- J.N. Webb & Sons - claim against the Town of Fort Frances of approximately \$5,000,000.

Management Representations

During the course of the 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 the 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.

Management Letter

We will be submitting to management a letter on internal controls and other matters that we feel should be brought to their attention.

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 would be pleased to discuss with you the contents of this report and any other matters that you consider appropriate.

Yours truly,

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

Jon Evans, CPA, CA

Partner

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants