

**The Corporation of the
Town of Fort Frances
Consolidated Financial Statements
For the year ended December 31, 2019**

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

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

Independent Auditor's Report

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, 2019, 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 financial position of the Municipality as at December 31, 2019, 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
July 13, 2020

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

December 31	2019	2018
Financial assets		
Cash and cash equivalents (Note 1)	\$ 7,591,567	\$ 1,543,515
Taxes receivable	331,920	205,022
Accounts receivable	3,303,971	4,632,525
Investments (Note 2)	10,980,512	13,488,603
Investment in government business enterprises (Note 3)	6,208,489	6,141,617
Loans receivable (Note 4)	177,777	244,444
	<u>28,594,236</u>	<u>26,255,726</u>
Liabilities		
Accounts payable and accrued liabilities	3,335,379	4,285,356
Deferred revenue (Note 6)	399,657	85,311
Net long-term debt (Note 7)	946,230	1,261,641
Solid waste closure and post-closure liabilities (Note 8)	921,217	897,858
Post-employment benefits liabilities (Note 9)	193,429	208,740
	<u>5,795,912</u>	<u>6,738,906</u>
Net financial assets	<u>22,798,324</u>	<u>19,516,820</u>
Non-financial assets		
Tangible capital assets (Note 10)	100,369,604	101,319,443
Tangible capital assets under construction	173,170	83,584
Inventory of supplies	424,801	445,975
Prepaid expenses	273,817	228,693
	<u>101,241,392</u>	<u>102,077,695</u>
Accumulated surplus (Note 11)	<u>\$ 124,039,716</u>	<u>\$ 121,594,515</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 2019	2019	2018
Revenue			
Taxation	\$ 11,232,727	\$ 11,798,749	\$ 11,236,077
Government transfers - Federal (Note 12)	1,267,069	728,438	709,130
Government transfers - Provincial (Note 13)	7,711,918	6,322,725	7,702,785
User fees and service charges	8,434,291	8,690,729	8,705,226
Permits, licenses and fines	66,927	65,926	59,655
Investment income (loss)	59,500	444,541	(69,271)
Income from government business enterprises (Note 3)	-	66,872	79,567
Municipal accommodation taxation	-	265,185	-
Other income (Note 14)	843,865	846,875	2,370,818
	<u>29,616,297</u>	<u>29,230,040</u>	<u>30,793,987</u>
Expenses			
General government	2,756,640	2,675,951	2,982,650
Protection services	3,856,736	4,279,237	3,871,763
Transportation services	4,952,489	5,462,066	5,080,065
Environmental services	5,369,758	5,180,754	4,965,077
Health services	2,720,180	1,788,688	1,688,774
Social and family services	1,907,874	1,598,943	2,049,833
Social housing	-	738,593	706,743
Recreation and cultural services	3,850,984	4,624,302	4,148,578
Planning and development	346,400	436,305	261,999
	<u>25,761,061</u>	<u>26,784,839</u>	<u>25,755,482</u>
Annual surplus	<u>3,855,236</u>	<u>2,445,201</u>	<u>5,038,505</u>
Accumulated surplus, beginning of year	<u>121,594,515</u>	<u>121,594,515</u>	<u>116,556,010</u>
Accumulated surplus, end of year	<u>\$125,449,751</u>	<u>\$124,039,716</u>	<u>\$121,594,515</u>

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

For the year ended December 31	Budget 2019	2019	2018
Annual surplus	\$ 3,855,236	\$ 2,445,201	\$ 5,038,505
Acquisition of tangible capital assets	(8,187,424)	(3,612,898)	(6,986,194)
Amortization of tangible capital assets	4,473,900	4,562,737	4,440,790
Loss (gain) on sale of tangible capital assets	-	(45,000)	(190,741)
Proceeds on sale of tangible capital assets	-	45,680	205,929
Disposals of land held for sale	-	(681)	50,476
Capitalization of tangible capital assets under construction	-	(89,586)	69,555
	141,712	3,305,453	2,628,320
Acquisition of prepaid expenses and inventory of supplies	-	(23,949)	(52,655)
Net change in net financial assets	141,712	3,281,504	2,575,665
Net financial assets, beginning of year	19,516,820	19,516,820	16,941,155
Net financial assets, end of year	\$ 19,658,532	\$ 22,798,324	\$ 19,516,820

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

For the year ended December 31	2019	2018
Operating transactions		
Annual surplus	\$ 2,445,201	\$ 5,038,505
Items not involving cash		
Loss (income) from government business enterprises	(66,872)	(79,567)
Amortization	4,562,737	4,440,790
Loss (gain) on disposal of tangible capital assets	(45,000)	(190,741)
Loss (gain) on disposal of land held for sale	(681)	10,576
Changes in non-cash operating balances		
Taxes receivable	(126,898)	126,697
Accounts receivable	1,328,554	(688,878)
Loans receivable	66,667	66,667
Inventory of supplies	21,174	(52,119)
Prepaid expenses	(45,124)	(536)
Accounts payable and accrued liabilities	(949,977)	849,234
Deferred revenue	314,346	(113,760)
Solid waste closure and post-closure liabilities	23,359	23,360
Post-employment benefits	(15,311)	(13,714)
	<u>7,512,175</u>	<u>9,416,514</u>
Capital transactions		
Acquisition of tangible capital assets	(3,612,898)	(6,986,194)
Proceeds on sale of tangible capital assets	45,680	205,929
Acquisition of tangible capital assets under construction	(89,586)	69,555
	<u>(3,656,804)</u>	<u>(6,710,710)</u>
Investing transactions		
Decrease (increase) in investments	2,508,091	(2,036,275)
Proceeds on disposition of land held for sale	-	39,900
	<u>2,508,091</u>	<u>(1,996,375)</u>
Financing transactions		
Repayment of long-term debt	(315,410)	(408,896)
Net change in cash and cash equivalents	6,048,052	300,533
Cash and cash equivalents, beginning of year	<u>1,543,515</u>	<u>1,242,982</u>
Cash and cash equivalents, end of year	<u>\$ 7,591,567</u>	<u>\$ 1,543,515</u>

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

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

December 31, 2019

**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

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

December 31, 2019

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.

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

December 31, 2019

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.

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

December 31, 2019

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

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.

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.

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, 2019

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:

	2019	2018
Unrestricted	\$ 1,305,167	\$ 1,379,170
Restricted by Council resolution	6,286,400	164,345
	<u>\$ 7,591,567</u>	<u>\$ 1,543,515</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

	2019	2018
Investments restricted by Council resolution		
GIC's, 1.80% annual interest rate	\$ 53,003	\$ 51,951
GIC's, 2.25% annual interest rate	325,710	318,411
GIC's, 2.50% annual interest rate	-	4,755,856
Interest bearing savings account, prime -1.54%	8,556,293	8,352,384
Non interest bearing savings account	10,001	10,001
	<u>8,945,007</u>	<u>13,488,603</u>
Unrestricted investments		
GIC's, 2.2% annual interest rate	<u>2,035,505</u>	-
	<u>\$ 10,980,512</u>	<u>\$ 13,488,603</u>

The income from investments for the year was \$388,969 (2018 - \$217,300).

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).

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

December 31, 2019

3. Investment in Government Business Enterprises

	2019	2018
Fort Frances Power Corporation	\$ 6,155,258	\$ 6,088,461
Fort Frances Network Services Corporation	53,231	53,156
	<u>\$ 6,208,489</u>	<u>\$ 6,141,617</u>

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:

	2019	2018
Financial position		
Current assets	\$ 5,574,903	\$ 4,704,759
Property, plant and equipment	4,143,761	4,107,947
Regulatory assets	312,205	289,127
Future income tax assets	219,994	122,056
Total assets	<u>10,250,863</u>	<u>9,223,889</u>
Current liabilities	3,677,259	2,905,046
Regulatory liabilities	418,346	230,382
Total liabilities	<u>4,095,605</u>	<u>3,135,428</u>
Net assets		
Equity	<u>\$ 6,155,258</u>	<u>\$ 6,088,461</u>
Results of operations		
Revenue	\$ 10,843,029	\$ 10,184,741
Expenses	<u>(10,776,232)</u>	<u>(10,105,192)</u>
Net income for the year	<u>\$ 66,797</u>	<u>\$ 79,549</u>

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

December 31, 2019

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:

	2019	2018
Financial position		
Cash and bank	\$ 55,099	\$ 53,962
Accounts receivable	216	200
Total assets	55,315	54,162
Total liabilities	2,084	1,006
Net assets		
Equity	\$ 53,231	\$ 53,156
Results of operations		
Revenue	\$ 1,029	\$ 909
Expenses	(954)	(891)
Net income (loss) for the year	\$ 75	\$ 18

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

December 31, 2019

4. Loans Receivable

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

	2019	2018
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.	\$ 177,777	\$ 244,444

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, 2019, \$NIL (2018 - \$NIL) 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	\$ 45,008	\$ 1,056,908	\$ 9,789	\$ (782,682)	\$ 329,023
Other	40,303	52,859	-	(22,528)	70,634
	\$ 85,311	\$ 1,109,767	\$ 9,789	\$ (805,210)	\$ 399,657

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, 2019

7. Net Long-term Debt

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

	2019	2018
Demand bank loan, payable at \$26,284 monthly, plus interest at 4.397%. Unsecured, matures December 31, 2022.	\$ 946,230	\$ 1,261,641

Principal and interest repayments relating to net long-term debt of \$946,230 outstanding are due as follows:

	Principal Repayments	Interest	Total
2020	\$ 315,410	\$ 35,418	\$ 350,828
2021	315,410	21,404	336,814
2022	315,410	7,501	322,911
	\$ 946,230	\$ 64,323	\$ 1,010,553

The gross interest paid relating to the above long-term debt was \$49,075 (2018 - \$65,422).

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

December 31, 2019

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 \$921,217 (2018 - \$897,858) 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 80,000 cubic meters, which is estimated to be filled in 8 years based on a 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 \$889,007 (2018 - \$746,147) in an investment which relates to the solid waste closure and post-closure liability. The landfill liability is therefore underfunded by \$32,210 (2018 - \$151,711) at year end.

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

December 31, 2019

9. Post-Employment Benefits Liabilities

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

	2019	2018
Post-retirement benefits liability	\$ 180,929	\$ 196,240
Life insurance coverage	12,500	12,500
	\$ 193,429	\$ 208,740

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, 2019.

Post-Retirement Benefits Liabilities	2019	2018
Accrued post-retirement benefits obligation	\$ 165,415	\$ 177,109
Unamortized actuarial gains	15,514	19,131
Post-retirement benefits liabilities	\$ 180,929	\$ 196,240

Post-Retirement Benefits Expenditures	2019	2018
Current year service costs	\$ 3,635	\$ 3,705
Interest on accrued benefit obligation	5,116	4,990
Amortization of net estimation adjustments	(3,617)	(3,215)
Post-retirement benefits expenditures	\$ 5,134	\$ 5,480
Benefit payments during the year	\$ 20,445	\$ 19,194

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

	2019	2018
Discount on accrued benefit obligations	2.4%	3.0%
Dental cost trend rates	3.0%	3.0%
Extended health care trend rates	6.00%	6.25%

For December 31, 2019, extended health care trend rates are assumed to be 6.00%, decreasing by 0.25% per annum to an ultimate rate of 4.5% thereafter.

As at December 31, 2019, the Municipality's post-retirement benefits were 100% unfunded.

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

December 31, 2019

10. Tangible Capital Assets

									2019
	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	\$ 5,962,356	\$ 54,352,933	\$ 11,346,557	\$ 63,143,116	\$ 22,395,407	\$ 25,898,870	\$ 2,970,289	\$ 633,064	\$ 186,702,592
Additions	113,511	271,727	692,039	1,351,003	462,304	383,126	268,586	70,602	3,612,898
Disposals	-	-	(189,669)	-	-	-	-	-	(189,669)
Cost, end of year	6,075,867	54,624,660	11,848,927	64,494,119	22,857,711	26,281,996	3,238,875	703,666	190,125,821
Accumulated amortization, beginning 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
Amortization	171,595	1,080,998	705,002	1,642,778	333,151	365,688	167,821	95,704	4,562,737
Disposals	-	-	(189,669)	-	-	-	-	-	(189,669)
Accumulated amortization, end of year	956,721	26,655,058	5,752,436	35,674,798	7,772,044	10,255,915	2,225,471	463,774	89,756,217
Net carrying amount, end of year	\$ 5,119,146	\$ 27,969,602	\$ 6,096,491	\$ 28,819,321	\$ 15,085,667	\$ 16,026,081	\$ 1,013,404	\$ 239,892	\$ 100,369,604

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

December 31, 2019

10. Tangible Capital Assets (continued)

									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 net book value of tangible capital assets not being amortized because they are under construction is \$173,170 (2018 - \$83,584). 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, 2019

11. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2019	2018
Investment in tangible capital assets		
Tangible capital assets	\$ 100,542,774	\$ 101,403,027
Long-term debt	(946,230)	(1,261,640)
Total investment in tangible capital assets	99,596,544	100,141,387
General operating	2,180,074	1,951,220
Business improvement area	60,173	55,296
Total operating surplus	2,240,247	2,006,516
Other allocated deficits		
Landfill closure	(921,217)	(897,858)
Employee future benefits	(193,429)	(208,740)
Total other allocated deficits	(1,114,646)	(1,106,598)
Reserve funds		
Waterworks projects	7,142,552	5,667,424
Replacement of vehicles and equipment	931,171	1,207,735
Library building	603,240	605,690
Landfill closure	889,007	746,147
Parks and cemeteries	54,023	47,327
Social and family assistance	92,420	90,802
Corporate projects and contingencies	6,235,733	4,896,566
Cultural projects	35,608	34,767
Townsend theatre	125,328	115,135
Total reserve funds	16,109,082	13,411,593
Working capital reserve	1,000,000	1,000,000
Investment in government business enterprises	6,208,489	6,141,617
	\$ 124,039,716	\$ 121,594,515

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, 2019

12. Government Transfers - Federal

	2019	2018
Operating		
Other	\$ 16,179	\$ 32,039
Tangible Capital Assets		
Association of Municipalities of Ontario		
Federal Gas Tax Fund	490,483	582,198
Clean Water and Wastewater Fund	210,016	51,647
Other	11,760	43,246
Total tangible capital asset transfers	712,259	677,091
Total federal transfers	\$ 728,438	\$ 709,130

13. Government Transfers - Provincial

	2019	2018
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 3,363,500	\$ 3,342,100
Ontario Cannabis Implementation Fund	8,779	-
Ministry of Transportation	82,272	41,004
Ontario Seniors' Secretariat	45,923	49,862
Rainy River District Social Services		
Administration Board	906,866	1,158,071
Ontario Provincial Police	270,700	153,460
Other	265,471	606,671
Total operating transfers	4,943,511	5,044,248
Tangible Capital Assets		
Province of Ontario		
Ontario Modernization Grant	689,030	-
Ministry of Transportation	672,730	2,550,583
Northern Ontario Heritage Fund	7,875	-
Rainy River District Social Services		
Administration Board	-	33,438
Other	9,579	74,516
Total tangible capital asset transfers	1,379,214	2,658,537
Total provincial transfers	\$ 6,322,725	\$ 7,702,785

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

December 31, 2019

14. Other Income

	2019	2018
Penalties and interest on taxes	\$ 107,791	\$ 98,964
Rents, concessions and franchises	89,349	92,181
Donations	177,622	145,793
Gain on sale of tangible capital assets	45,000	190,741
Gain (Loss) on sale of land held for sale	681	(10,576)
Provincial offences	251,992	397,532
Insurance proceeds and other recoveries	174,440	1,456,183
	<u>\$ 846,875</u>	<u>\$ 2,370,818</u>

15. Expenses by Object

	2019	2018
Salaries, wages and employee benefits	\$ 9,448,110	\$ 9,132,407
Long-term debt charges - interest	51,207	65,421
Materials	3,731,205	3,958,399
Contracted services	5,366,485	4,600,728
Rents and financial expenses	901,584	1,022,652
Contributions to other organizations	2,723,511	2,535,085
Amortization	4,562,737	4,440,790
	<u>\$ 26,784,839</u>	<u>\$ 25,755,482</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.

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

December 31, 2019

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:

	2019	2018
Revenue from services provided to Fort Frances Power Corporation	<u>\$ 146,673</u>	<u>\$ 166,118</u>
Expenses for electricity purchased from Fort Frances Power Corporation	<u>\$ 916,872</u>	<u>\$ 825,995</u>
Other purchased services provided by Fort Frances Power Corporation	<u>134,650</u>	<u>64,049</u>
	<u>\$ 1,051,522</u>	<u>\$ 890,044</u>

18. Operations of School Boards

	2019	2018
During the year, the following taxation revenue was raised and remitted to the school boards	<u>\$ 1,475,658</u>	<u>\$ 1,540,460</u>

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

December 31, 2019

19. Pension Agreements

The employees of the Municipality participate in the Ontario Municipal Employees 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, 2019. 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 Municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2019 were \$577,729 (2018 - \$555,148) for current services.

20. Trust Funds

The Trust Funds administered by the Municipality amounting to \$1,138,973 (2018 - \$1,118,418) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

21. Contributions to Unconsolidated Boards

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

	2019	2018
Northwestern Health Unit	\$ 375,866	\$ 368,813
Rainy River District Social Services Administration Board		
Ambulance service	1,063,297	990,229
General assistance	58,093	73,867
Child care	88,638	91,891
Social housing	738,593	706,743
	<u>\$ 2,324,487</u>	<u>\$ 2,231,543</u>

The Corporation of the Town of Fort Frances

Notes to Consolidated Financial Statements

December 31, 2019

22. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impact of COVID-19 continues, there could be future impact on the Municipality, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Municipality's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Municipality is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances the duration of the disruption and the related financial impact cannot be reasonably estimated at this time. The Municipality's ability to continue delivering non-essential services and employ related staff will depend on the legislative mandates from the various levels of government. The Municipality will continue to focus on collecting receivables, managing expenditures and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

23. 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.

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

December 31, 2019

23. Segmented Information (continued)

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 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, 2019

23. 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	2019 Total
Revenue										
Taxation	\$ 1,175,290	\$ 1,761,888	\$ 1,759,716	\$ 2,209,071	\$ 1,427,959	\$ 302,583	\$ 983,868	\$ 1,992,789	\$ 185,585	\$ 11,798,749
Fees and user charges	202,458	52,827	651,430	6,262,693	53,112	384,662	-	911,259	172,288	8,690,729
Conditional grants	7,875	279,500	1,467,261	165,849	-	953,983	-	100,387	15,000	2,989,855
Unconditional grants	404,553	606,469	605,721	760,396	491,525	104,154	338,662	685,948	63,881	4,061,309
Other	168,282	252,275	251,964	316,305	204,462	43,325	140,875	285,337	26,573	1,689,398
	<u>1,958,458</u>	<u>2,952,959</u>	<u>4,736,092</u>	<u>9,714,314</u>	<u>2,177,058</u>	<u>1,788,707</u>	<u>1,463,405</u>	<u>3,975,720</u>	<u>463,327</u>	<u>29,230,040</u>
Expenses										
Wages and benefits	1,537,957	1,314,434	1,891,228	1,031,951	210,691	1,087,518	-	2,331,823	42,508	9,448,110
Long-term debt charges (interest)	49,075	-	565	1,567	-	-	-	-	-	51,207
Materials	362,227	227,037	911,336	751,755	48,801	192,098	-	1,145,452	92,499	3,731,205
Contracted services	208,410	2,621,214	583,083	1,546,850	4,876	93,488	-	252,879	55,685	5,366,485
Rents and financial	248,181	21,401	120,381	259,313	-	7,372	-	134,917	110,019	901,584
External transfers	132,728	38,116	-	24,755	1,507,163	146,731	738,593	-	135,425	2,723,511
Amortization	137,373	57,035	1,955,473	1,564,563	17,157	71,736	-	759,231	169	4,562,737
	<u>2,675,951</u>	<u>4,279,237</u>	<u>5,462,066</u>	<u>5,180,754</u>	<u>1,788,688</u>	<u>1,598,943</u>	<u>738,593</u>	<u>4,624,302</u>	<u>436,305</u>	<u>26,784,839</u>
Net surplus (deficit)	<u>\$ (717,493)</u>	<u>\$ (1,326,278)</u>	<u>\$ (725,974)</u>	<u>\$ 4,533,560</u>	<u>\$ 388,370</u>	<u>\$ 189,764</u>	<u>\$ 724,812</u>	<u>\$ (648,582)</u>	<u>\$ 27,022</u>	<u>\$ 2,445,201</u>

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

December 31, 2019

23. 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)	<u>\$ 345,208</u>	<u>\$ (1,207,526)</u>	<u>\$ 80,697</u>	<u>\$ 4,408,700</u>	<u>\$ 599,418</u>	<u>\$ 267,914</u>	<u>\$ 876,958</u>	<u>\$ (412,599)</u>	<u>\$ 79,735</u>	<u>\$ 5,038,505</u>

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 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, 2019, 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, 2019, 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
July 13, 2020

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

December 31, 2019	Multi Use Tennis Court	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	2019 Total	2018 Total
Assets						
Cash	\$ 152	\$ -	\$ 11,766	\$ 84,057	\$ 95,975	\$ 82,837
Accounts receivable Own Municipality	-	(6,224)	-	9	(6,215)	11,372
Investments	-	321,180	728,033	-	1,049,213	1,024,209
	<u>\$ 152</u>	<u>\$ 314,956</u>	<u>\$ 739,799</u>	<u>\$ 84,066</u>	<u>\$ 1,138,973</u>	<u>\$ 1,118,418</u>
Liabilities						
Own Municipality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance capital	152	314,956	739,799	84,066	1,138,973	1,118,418
	<u>\$ 152</u>	<u>\$ 314,956</u>	<u>\$ 739,799</u>	<u>\$ 84,066</u>	<u>\$ 1,138,973</u>	<u>\$ 1,118,418</u>

Statement of Continuity

December 31, 2019	Multi Use Tennis Court	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	2019 Total	2018 Total
Balance, beginning of year	\$ 149	\$ 308,376	\$ 727,481	\$ 82,412	\$ 1,118,418	\$ 1,098,197
Revenue and receipts						
Grants	-	-	-	12,772	12,772	16,686
Care receipts and contributions	-	6,580	13,995	-	20,575	31,874
Investment income (loss)	3	-	-	1,541	1,544	(53,742)
Donations	-	-	-	16,950	16,950	20,481
	<u>3</u>	<u>6,580</u>	<u>13,995</u>	<u>31,263</u>	<u>51,841</u>	<u>15,299</u>
Expenditures						
Administration	-	-	-	253	253	87
Transfers to Municipality	-	-	1,677	-	1,677	(45,949)
Grants	-	-	-	29,356	29,356	40,940
	<u>-</u>	<u>-</u>	<u>1,677</u>	<u>29,609</u>	<u>31,286</u>	<u>(4,922)</u>
Balance, end of year	\$ 152	\$ 314,956	\$ 739,799	\$ 84,066	\$ 1,138,973	\$ 1,118,418

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

December 31, 2019

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.

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.

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.

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.

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

December 31, 2019

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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