

**The Corporation of the  
Town of Fort Frances  
Consolidated Financial Statements  
For the year ended December 31, 2010**

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Consolidated Financial Statements  
For the year ended December 31, 2010**

**Contents**

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<b>Independent Auditor's Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Consolidated Financial Statements	10
<b>The Corporation of the Town of Fort Frances Trust Funds</b>	
Independent Auditor's Report	26
Balance Sheet and Statement of Continuity	27
Notes to Financial Statements	28



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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

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Fort Frances as at December 31, 2010, which comprise the Consolidated Statement of Financial Position as at December 31, 2010, 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 a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the consolidated financial position of the Corporation of the Town of Fort Frances as at December 31, 2010, and their financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO CANADA LLP*

Chartered Accountants, Licensed Public Accountants


Fort Frances, Ontario  
July 11, 2011

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

December 31	2010	2009
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 1,146,521	\$ 2,057,197
Taxes receivable	827,354	928,241
Accounts receivable	2,253,813	4,192,045
Investments (Note 2)	6,700,463	6,700,087
Investment in government business enterprises (Note 3)	5,671,416	5,654,674
Loans receivable (Note 4)	930,577	1,015,844
	<b>17,530,144</b>	<b>20,548,088</b>
<b>Liabilities</b>		
Bank indebtedness (Note 5)	-	2,659,411
Accounts payable and accrued liabilities	1,875,041	2,573,967
Deferred revenue (Note 6)	155,251	324,877
Net long-term debt (Note 7)	4,484,634	4,484,696
Solid waste closure and post-closure liabilities (Note 8)	229,570	222,602
Post employment benefits	531,461	520,809
	<b>7,275,957</b>	<b>10,786,362</b>
<b>Net financial assets</b>	<b>10,254,187</b>	<b>9,761,726</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	87,827,609	81,992,479
Tangible capital assets under construction	295,728	3,309,921
Prepaid expenses and inventory of supplies	406,637	503,830
	<b>88,529,974</b>	<b>85,806,230</b>
<b>Accumulated surplus (Note 10)</b>	<b>\$ 98,784,161</b>	<b>\$ 95,567,956</b>

Contingent liabilities (Note 13)

Laurie A. Wickerspoon Treasurer

 Mayor

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

For the year ended December 31	Budget 2010	2010	2009
	(Note 20)		
<b>Revenue</b>			
Taxation	\$ 11,055,760	\$ 11,062,267	\$ 10,743,945
Government grants - Federal	1,880,252	1,728,737	2,103,735
Government grants - Provincial	5,800,827	6,059,177	7,963,742
User fees and service charges	6,628,341	7,135,912	6,740,671
Permits, licenses and fines	44,640	45,496	51,627
Investment income	65,000	316,560	352,307
Income (loss) from government business enterprises (Note 3)	-	16,742	(57,865)
Other income (Note 11)	834,304	908,646	1,163,383
	<u>26,309,124</u>	<u>27,273,537</u>	<u>29,061,545</u>
<b>Expenses</b>			
General government	2,252,679	2,786,420	2,708,759
Protection services	4,147,647	4,194,149	4,081,686
Transportation services	5,200,522	4,770,207	4,572,145
Environmental services	3,898,927	4,225,765	3,798,080
Health services	1,588,889	1,576,247	1,592,602
Social and family services	2,109,587	2,014,753	2,224,105
Social housing	474,659	475,559	467,110
Recreation and cultural services	3,550,262	3,594,089	3,349,397
Planning and development	519,776	420,143	487,699
	<u>23,742,948</u>	<u>24,057,332</u>	<u>23,281,583</u>
<b>Annual surplus</b>	<u>2,566,176</u>	<u>3,216,205</u>	<u>5,779,962</u>
<b>Accumulated surplus, beginning of year</b>	<u>95,567,956</u>	<u>95,567,956</u>	<u>89,787,994</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 98,134,132</u>	<u>\$ 98,784,161</u>	<u>\$ 95,567,956</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  
Consolidated Statement of Change in Net Financial Assets**

For the year ended December 31	Budget 2010	2010	2009
	(Note 20)		
Annual surplus	\$ 2,566,176	\$ 3,216,205	\$ 5,779,962
Acquisition of tangible capital assets	(9,493,057)	(9,493,057)	(7,483,425)
Amortization of tangible capital assets	3,373,723	3,604,813	3,075,028
Loss (gain) on sale of tangible capital assets	-	18,610	(51,250)
Proceeds on sale of tangible capital assets	-	34,504	51,250
Capitalization (acquisition) of assets under construction	3,014,193	3,014,193	(2,959,833)
	<u>(538,965)</u>	<u>395,268</u>	<u>(1,588,268)</u>
Acquisition of prepaid expenses and inventory of supplies	-	-	(26,904)
Use/consumption of prepaid expenses and inventory of supplies	-	97,193	-
Net change in net financial assets	(538,965)	492,461	(1,615,172)
Net financial assets, beginning of year	9,761,726	9,761,726	11,376,898
Net financial assets, end of year	<u>\$ 9,222,761</u>	<u>\$ 10,254,187</u>	<u>\$ 9,761,726</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  
Consolidated Statement of Cash Flows**

For the year ended December 31	2010	2009
<b>Operating transactions</b>		
Annual surplus	\$ 3,216,205	\$ 5,779,962
Items not involving cash		
Loss (income) from government business enterprise	(16,742)	57,865
Amortization	3,604,813	3,075,028
Loss (gain) on disposal of tangible capital assets	18,610	(51,250)
Changes in non-cash operating balances		
Taxes receivable	100,887	(135,344)
Accounts receivable	1,938,232	(2,642,808)
Loans receivable	85,267	83,767
Prepaid expenses and inventory of supplies	97,193	(26,904)
Accounts payable and accrued liabilities	(698,926)	596,246
Deferred revenue	(169,626)	(927,409)
Solid waste closure and post-closure liabilities	6,968	6,968
Post-employment benefits	10,652	29,116
	<u>8,193,533</u>	<u>5,845,237</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(9,493,057)	(7,483,425)
Proceeds on sale of tangible capital assets	34,504	51,250
Capitalization (acquisition) of tangible capital assets under construction	<u>3,014,193</u>	<u>(2,959,833)</u>
	<u>(6,444,360)</u>	<u>(10,392,008)</u>
<b>Investing transactions</b>		
Increase in investments	<u>(376)</u>	<u>(166,863)</u>
<b>Financing transactions</b>		
Increase (decrease) in bank indebtedness	(2,659,411)	2,659,411
Proceeds from issuance of long-term debt	747,889	859,640
Repayment of long-term debt	<u>(747,951)</u>	<u>(579,765)</u>
	<u>(2,659,473)</u>	<u>2,939,286</u>
<b>Net change in cash and cash equivalents</b>	<b>(910,676)</b>	<b>(1,774,348)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>2,057,197</b></u>	<u><b>3,831,545</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 1,146,521</b></u>	<u><b>\$ 2,057,197</b></u>

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

December 31, 2010

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### Management's

#### Responsibility for the Financial Statements

The consolidated financial statements of the Municipality are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

### 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

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.

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

**December 31, 2010**

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

The consolidated statement of financial position reflects all of the financial assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year. Accumulated surplus represents the financial position of the Municipality, and is the difference between its' assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its' ability to finance activities and meet its' obligations.

**Cash and Cash  
Equivalents**

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

**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.

**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

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

December 31, 2010

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<b>Trust Funds</b>	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.
<b>Revenue Recognition</b>	<p>The Municipality prepares property tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC), in accordance with rates established and approved annually by council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.</p> <p>User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.</p>
<b>Deferred Revenue</b>	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
<b>Government Transfers</b>	Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.
<b>School Boards</b>	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.
<b>Solid Waste Landfills</b>	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.
<b>Use of Estimates</b>	The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles 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.

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

December 31, 2010

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### 1. Cash and Cash Equivalents

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

	2010	2009
Unrestricted	\$ 304,986	\$ 58,622
Restricted by Council resolution	841,535	1,998,575
	\$ 1,146,521	\$ 2,057,197

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 10)

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### 2. Investments

	2010	2009
Restricted by Council resolution	\$ 6,687,331	\$ 6,446,566
Other	13,132	253,521
	\$ 6,700,463	\$ 6,700,087

The income from investments for the year was \$240,756 (2009 - \$320,684). The Municipality's restricted investments have a market value of \$6,824,864 (2009 - \$6,625,914). The Municipality's other investments have a market value of \$13,132 (2009 - \$253,521).

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 10)

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### 3. Investment in Government Business Enterprises

	2010	2009
Fort Frances Power Corporation	\$ 5,613,401	\$ 5,596,349
Fort Frances Network Services Corporation	58,015	58,325
	\$ 5,671,416	\$ 5,654,674

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

**December 31, 2010**

**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:

	<b>2010</b>	<b>2009</b>
Financial position		
Current assets	\$ 5,636,445	\$ 3,860,225
Property, plant and equipment	3,074,231	2,909,521
Regulatory assets	819,928	643,663
Future income tax assets	224,413	213,990
Total assets	9,755,017	7,627,399
Current liabilities	3,349,647	1,184,600
Employee future benefits	114,568	109,715
Regulatory liabilities	677,401	736,735
Total liabilities	4,141,616	2,031,050
Net assets		
Equity	5,613,401	5,596,349
Total net assets	5,613,401	5,596,349
Results of operations		
Revenue	7,591,625	7,095,159
Expenses	(7,574,573)	(7,152,823)
Net income (loss) for the year	\$ 17,052	\$ (57,664)

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

**December 31, 2010**

**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 Corporation was also an investor in Norwest Mobility, a cellular phone provider. The Municipality holds 100% of the common shares of Fort Frances Network Services Corporation. The condensed supplementary financial information is as follows:

	2010	2009
Financial position		
Current assets	\$ 58,917	\$ 60,994
Accounts receivable	48	-
Total assets	58,965	60,994
Current liabilities	950	1,000
Due to shareholder	-	1,669
Total liabilities	950	2,669
Net assets		
Equity	58,015	58,325
Total net assets	58,015	58,325
Results of operations		
Revenue	590	249
Expenses	(900)	(450)
Net loss for the year	\$ (310)	\$ (201)

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

**December 31, 2010**

**4. Loans Receivable**

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

	2010	2009
Fort Frances Community Clinic loan, repayable at \$5,555.56 monthly, non-interest bearing. Matures August 1, 2022.	\$ 777,777	\$ 844,444
Debenture debt, annual payments of \$34,026.00, including interest at 9%. Matures September 1, 2016.	152,800	171,400
	\$ 930,577	\$ 1,015,844

Loans receivable are restricted by Council resolution and represent assets that are maintained in respect of reserve funds. (Note 10)

**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.

**6. Deferred Revenue**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 300,450	\$ 576,386	\$ 14,763	\$ (799,256)	\$ 92,343
Infrastructure programs	10,930	-	-	(10,930)	-
Other	13,497	62,908	-	(13,497)	62,908
	\$ 324,877	\$ 639,294	\$ 14,763	\$ (823,683)	\$ 155,251

Federal Gas Tax

The Federal Government advances 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 3 years.

Infrastructure Programs

These programs relate to various capital grants that are required to be spent on infrastructure. Until the funding has been spent on infrastructure it has not been earned and therefore, has been deferred.

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

**December 31, 2010**

**7. Net Long-term Debt**

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

	2010	2009
Demand bank loan, payable at \$21,030.50 monthly, including interest at 2.92%. Matures November 30, 2013.	\$ 704,773	\$ 932,935
Demand bank loan, payable at \$15,557.64 monthly, including interest at 3.29%. Matures December 24, 2014.	698,820	859,640
Debenture debt, annual payments of \$229,023.48, including interest at rates between 6.3% to 9%. Matures December 1, 2017.	2,333,152	2,592,930
Northern Ontario Heritage Loan, annual payments of \$99,191. Interest at 5% if principle payments in default. Matures January 1, 2010.	-	99,191
Demand bank loan, payable at \$7,790.51 monthly, including interest at 3.31%. Matures December 30, 2013.	747,889	-
	<b>\$ 4,484,634</b>	<b>\$ 4,484,696</b>

Principal and interest repayments relating to net long-term debt of \$4,484,634 outstanding are due as follows:

	Principal Repayments	Interest	Total
2011	\$ 771,503	\$ 208,421	\$ 979,924
2012	802,228	174,579	976,807
2013	813,563	139,126	952,689
2014	612,288	106,003	718,291
2015	451,061	77,477	528,538
Thereafter	1,033,991	74,883	1,108,874
	<b>\$ 4,484,634</b>	<b>\$ 780,489</b>	<b>\$ 5,265,123</b>

The gross interest paid relating to the above long-term debt was \$211,911 (2009 - \$224,821).

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

**December 31, 2010**

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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 \$229,570 and represents the present value of closure and post-closure costs for 100% of the current site's opened cells, using the average long-term borrowing rate of 6.0%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenditures for closure and post-closure care are \$424,524 leaving an amount to be recognized of \$194,954. The estimated remaining capacity of the site's opened cells are approximately 173,375 cubic meters, which will be filled in 19 years. 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 Corporation of the Town of Fort Frances  
Notes to Consolidated Financial Statements**

**December 31, 2010**

**9. Tangible Capital Assets**

**2010**

	Land and land improvements	Buildings equipment	Machinery and equipment	Roads and bridges	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total
Cost, beginning of year	\$ 2,504,250	\$ 43,500,848	\$ 4,747,997	\$ 46,460,039	\$ 15,825,213	\$ 18,597,773	\$ 2,751,843	\$ 370,909	\$ 134,758,872
Additions	304,477	5,616,196	587,485	1,962,581	423,809	256,659	136,635	205,215	9,493,057
Disposals	(13,763)	(46,986)	-	(816)	-	-	-	(19,025)	(80,590)
Cost, end of year	2,794,964	49,070,058	5,335,482	48,421,804	16,249,022	18,854,432	2,888,478	557,099	144,171,339
Accumulated amortization, beginning of year	69,511	16,196,449	2,397,220	20,292,394	4,909,247	7,121,252	1,609,057	171,263	52,766,393
Amortization	77,447	963,110	355,148	1,444,605	245,170	280,202	167,322	71,809	3,604,813
Disposals	-	(7,635)	-	(816)	-	-	-	(19,025)	(27,476)
Accumulated amortization, end of year	146,958	17,151,924	2,752,368	21,736,183	5,154,417	7,401,454	1,776,379	224,047	56,343,730
Net carrying amount, end of year	\$ 2,648,006	\$ 31,918,134	\$ 2,583,114	\$ 26,685,621	\$ 11,094,605	\$ 11,452,978	\$ 1,112,099	\$ 333,052	\$ 87,827,609

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

December 31, 2010

**9. Tangible Capital Assets (continued)**

2009

	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	\$ 2,429,952	\$ 42,128,118	\$ 3,820,561	\$ 42,990,796	\$ 15,249,775	\$ 17,927,824	\$ 2,666,885	\$ 341,408	\$127,555,319
Additions	74,298	1,372,730	1,043,936	3,469,243	575,438	669,949	229,908	47,923	7,483,425
Disposals	-	-	(116,500)	-	-	-	(144,950)	(18,422)	(279,872)
Cost, end of year	2,504,250	43,500,848	4,747,997	46,460,039	15,825,213	18,597,773	2,751,843	370,909	134,758,872
Accumulated amortization, beginning of year	61,935	15,312,753	2,251,902	19,066,812	4,674,843	6,849,702	1,618,379	134,911	49,971,237
Amortization	7,576	883,696	261,818	1,225,582	234,404	271,550	135,628	54,774	3,075,028
Disposals	-	-	(116,500)	-	-	-	(144,950)	(18,422)	(279,872)
Accumulated amortization, end of year	69,511	16,196,449	2,397,220	20,292,394	4,909,247	7,121,252	1,609,057	171,263	52,766,393
Net carrying amount, end of year	\$ 2,434,739	\$ 27,304,399	\$ 2,350,777	\$ 26,167,645	\$ 10,915,966	\$ 11,476,521	\$ 1,142,786	\$ 199,646	\$ 81,992,479

The net book value of tangible capital assets not being amortized because they are under construction is \$295,728 (2009 - \$3,309,921). 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, 2010**

**10. Accumulated Surplus**

The Municipality segregates its accumulated surplus in the following categories:

	<u>2010</u>	<u>2009</u>
Investment in tangible capital assets		
Tangible capital assets	\$ 87,827,609	\$ 81,992,479
Investment in tangible capital assets under construction	295,728	3,309,921
Long-term debt	(4,484,634)	(4,484,696)
Local improvements to be recovered in future years	(14,560)	(27,335)
	<u>83,624,143</u>	<u>80,790,369</u>
Total investment in tangible capital assets		
General operating	318,034	207,318
Water	-	(42,079)
Sewer	-	(107,324)
Business improvement area	9,919	4,648
	<u>327,953</u>	<u>62,563</u>
Total operating surplus		
Other allocated deficits		
Landfill closure	(229,570)	(222,602)
Employee future benefits	(21,000)	(21,000)
	<u>(250,570)</u>	<u>(243,602)</u>
Total other allocated deficits		
Reserve funds		
Waterworks projects	4,140,807	3,503,833
Water pollution control plant	1,078,312	924,284
Replacement of vehicles and equipment	1,266,231	1,147,971
Library building	205,653	751,279
Landfill closure	233,776	226,067
Parks and cemeteries	46,264	39,758
Social and family assistance	22,383	21,645
Corporate projects	1,602,958	1,876,863
Townsend theatre	78,931	76,346
	<u>8,675,315</u>	<u>8,568,046</u>
Total reserve funds		
Working capital reserve	735,906	735,906
	<u>5,671,414</u>	<u>5,654,674</u>
Investment in government business enterprises		
	<u>\$ 98,784,161</u>	<u>\$ 95,567,956</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.

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

**December 31, 2010**

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**11. Other Income**

	<u>2010</u>	<u>2009</u>
Penalties and interest on taxes	\$ 164,210	\$ 213,867
Rents, concessions and franchises	147,532	91,880
Donations	173,722	212,453
Gain (loss) on sale of land and capital assets	(18,610)	80,699
Provincial offences	397,969	330,974
Insurance proceeds and other recoveries	43,823	233,510
	<u>\$ 908,646</u>	<u>\$ 1,163,383</u>

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**12. Expenses by Object**

	<u>2010</u>	<u>2009</u>
Salaries, wages and employee benefits	\$ 8,003,569	\$ 7,918,210
Long-term debt charges - interest	211,911	224,821
Materials	4,038,471	4,095,831
Contracted services	4,391,507	4,179,636
Rents and financial expenses	738,392	660,683
Contributions to other organizations	3,068,669	3,127,374
Amortization	3,604,813	3,075,028
	<u>\$ 24,057,332</u>	<u>\$ 23,281,583</u>

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**13. Contingent Liabilities**

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

A claim against the Municipality relating to damages to J.W. Walker Elementary School as a result of a gas explosion on February 27, 2008. The amount claimed is \$3,500,000 plus business interruption expenses, special damages, interest and costs. Should any loss result from this claim it is expected that Corporate liability insurance will fully cover any amounts which might become payable as a result of this claim.

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

December 31, 2010

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### 13. Contingent Liabilities (continued)

A claim in the amount of \$1,000,000 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.

The Municipality is the defendant in a claim relating to damages arising from a personal injury suffered by an individual while the Municipality was undertaking utility work. The amount claimed is \$1,500,000 plus interest and costs.

The Municipality is the defendant in a claim relating to damages arising from a property damage suffered by a Corporation while the Municipality was undertaking capital construction work. The amount claimed is \$5,000,000 plus interest and costs. Management believes this claim will be insured by the insurance policy of the contractor involved, as the Municipality has been specifically added to the insured's policy in relation to the capital work in question.

In the opinion of management and legal counsel, the outcome of the lawsuits, 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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### 14. Commitments

- (a) As a result of the restructuring of Rainycrest Home for the Aged, the Corporation has agreed to annual contributions to Riverside Health Care Facilities, Inc. for support of Long-term Care Programs and Services, until the year ended December 31, 2017.

The committed annual payments for the next five years and thereafter are as follows:

Year	Amount
2011	\$363,766
2012	\$303,138
2013	\$242,160
2014	\$181,883
2015	\$120,904
Thereafter	\$ 60,276

- (b) In accordance with the Ontario Economic Development Financial Incentive Plan, the Town entered into a Realty Tax Increment Equivalent Program on the "Bio-Mass" property. Under the terms of this program a grant will be provided using a three year phased process that provides a percentage of the municipal portion of the increase in property taxes relating to that specific building improvement.

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### 15. Operations of School Boards

	2010	2009
During the year, the following taxation revenue was raised and remitted to the school boards	\$ 2,140,700	\$ 2,628,381

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

December 31, 2010

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### 16. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 110 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2010 was \$431,535 (2009 - \$380,390) for current services. The OMERS Board rate was 6.3% to 9.7% depending on the income level for 2010 (2009 - 6.3% to 9.5% depending on the income level).

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### 17. Trust Funds

The trust funds administered by the Municipality amounting to \$1,563,383 (2009 - \$1,500,222) 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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### 18. Contributions to Unconsolidated Boards

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

	2010	2009
Northwestern Health Unit	\$ 395,414	\$ 395,414
Rainy River District Social Services Administration Board		
Ambulance service	873,710	891,828
General assistance	383,075	533,759
Child care	111,783	115,452
Social housing	475,559	467,110
	<u>\$ 2,239,541</u>	<u>\$ 2,403,563</u>

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### 19. Subsequent Event

Subsequent to year end, a rate payer filed an appeal to the Municipal Property Assessment Corporation for the reduction of their 2009, 2010 and 2011 assessment values. If the appeal is successful, the maximum retroactive payment that the Municipality would be required to make is \$2.2 million for the municipal portion of the adjustment. In addition, the adjustment would result in a reduction of approximately \$800,000 from the Municipality's annual taxation revenue. The Municipality is in the process of defending this appeal.

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

**December 31, 2010**

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**20. Budget**

The Financial Plan (Budget) By-Law adopted by Council on June 14, 2010, was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$NIL. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the Financial Plan adopted by Council on June 14, 2010, with adjustments as follows:

	<u>2010</u>
Financial Plan (Budget) by-law deficit for the year	\$ (29,649)
Add:	
Tangible capital asset additions	9,493,057
Long-term debt principal repayments	824,328
Less:	
Budgeted transfers from reserve funds	(244,874)
Decrease in construction in progress	(3,014,192)
Amortization	(3,604,813)
Long-term debt financing	<u>(857,681)</u>
Budget surplus per consolidated statement of operations	<u>\$ 2,566,176</u>

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# The Corporation of the Town of Fort Frances

## Notes to Consolidated Financial Statements

December 31, 2010

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### 21. 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.

#### **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, 2010**

**21. 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	2010 Total
						Family Services	Social Services				
Revenue											
Taxation	\$ 2,010,755	\$ 1,851,968	\$ 1,523,147	\$ 1,610,495	\$ 1,448,885	\$ 544,547	\$ 937,847	\$ 944,662	\$ 189,961	\$ 11,062,267	
Fees and user charges	294,235	72,672	631,324	4,920,335	65,691	118,255	-	928,967	104,433	7,135,912	
Conditional grants	-	198,620	1,250,907	765,916	-	821,886	-	1,584,885	11,000	4,633,214	
Unconditional grants	573,420	528,138	434,366	251,169	413,188	155,292	475,559	269,396	54,172	3,154,700	
Other	234,015	215,535	177,266	187,432	168,623	63,376	109,148	109,941	22,108	1,287,444	
	3,112,425	2,866,933	4,017,010	7,735,347	2,096,387	1,703,356	1,522,554	3,837,851	381,674	27,273,537	
Expenses											
Wages and benefits	1,281,888	1,220,347	1,789,750	659,076	187,070	768,682	-	1,930,641	166,115	8,003,569	
Long-term debt charges (interest)	-	-	29,110	54,909	-	-	-	120,147	7,745	211,911	
Materials	885,675	245,245	700,379	981,563	32,227	151,091	-	883,712	158,479	4,038,471	
Contracted services	174,649	2,409,358	329,706	1,168,400	7,974	88,510	-	138,034	74,876	4,391,507	
Rents and financial	307,019	21,015	51,266	271,142	-	7,504	-	80,025	421	738,392	
External transfers	65,552	233,529	-	23,794	1,343,483	919,252	475,559	-	7,500	3,068,669	
Amortization	71,637	64,655	1,869,996	1,066,781	5,493	79,714	-	441,530	5,007	3,604,813	
	2,786,420	4,194,149	4,770,207	4,225,765	1,576,247	2,014,753	475,559	3,594,089	420,143	24,057,332	
Net surplus (deficit)	\$ 326,005	\$ (1,327,216)	\$ (753,197)	\$ 3,509,582	\$ 520,140	\$ (311,397)	\$ 1,046,995	\$ 243,762	\$ (38,469)	\$ 3,216,205	

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

**December 31, 2010**

**21. Segmented Information (continued)**

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Family Services	Social and Services	Social Housing	Recreation and Cultural Services	Planning and Development	2009	
											Total	Total
Revenue												
Taxation	\$ 1,376,476	\$ 1,860,873	\$ 2,048,505	\$ 1,758,481	\$ 861,393	\$ 640,255	\$ 342,003	\$ 1,504,455	\$ 351,504	\$ 10,743,945		
Fees and user charges	260,550	82,033	556,899	4,639,925	62,285	105,249	-	852,146	181,584	6,740,671		
Conditional grants	-	49,270	64,577	56,100	-	836,706	-	89,321	-	1,095,974		
Unconditional grants	1,149,397	1,553,882	1,710,561	1,468,381	719,288	534,631	285,583	1,256,263	293,517	8,971,503		
Other	193,386	261,440	287,801	247,055	121,020	89,951	48,049	211,366	49,384	1,509,452		
	<u>2,979,809</u>	<u>3,807,498</u>	<u>4,668,343</u>	<u>8,169,942</u>	<u>1,763,986</u>	<u>2,206,792</u>	<u>675,635</u>	<u>3,913,551</u>	<u>875,989</u>	<u>29,061,545</u>		
Expenses												
Wages and benefits	1,311,060	1,223,724	1,726,548	676,745	189,841	792,667	-	1,812,924	184,701	7,918,210		
Long-term debt charges (interest)	-	-	19,156	65,636	-	-	-	125,393	14,636	224,821		
Materials	872,224	272,379	891,771	786,235	29,719	176,967	-	844,178	222,358	4,095,831		
Contracted services	152,654	2,433,136	312,341	1,039,257	6,078	57,835	-	125,380	52,955	4,179,636		
Rents and financial	236,458	23,406	45,169	277,017	-	7,319	-	70,893	421	660,683		
External transfers	66,533	76,855	-	13,257	1,361,886	1,134,233	467,110	-	7,500	3,127,374		
Amortization	69,830	52,186	1,508,602	1,008,491	5,078	55,084	-	370,629	5,128	3,075,028		
	<u>2,708,759</u>	<u>4,081,686</u>	<u>4,503,587</u>	<u>3,866,638</u>	<u>1,592,602</u>	<u>2,224,105</u>	<u>467,110</u>	<u>3,349,397</u>	<u>487,699</u>	<u>23,281,583</u>		
Net surplus (deficit)	\$ 271,050	\$ (274,188)	\$ 164,756	\$ 4,303,304	\$ 171,384	\$ (17,313)	\$ 208,525	\$ 564,154	\$ 388,290	\$ 5,779,962		

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

We have audited the accompanying balance sheet of the Trust Funds of the Corporation of the Town of Fort Frances as at December 31, 2010, and the statement of continuity of the Trust Funds for the year then ended and a summary of significant accounting policies and other explanatory information (together "the financial statements").

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Fort Frances Trust Funds as at December 31, 2010, and the continuity thereof, in accordance with Canadian Generally Accepted Accounting Principles.

*BDO CANADA LLP*

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario  
July 11, 2011

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

December 31, 2010	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	Rainy River District School Board	Skateboard Park	2010 Total	2009 Total
<b>Assets</b>							
Cash	\$ -	\$ 15,730	\$ 85,279	\$ -	\$ -	\$ 101,009	\$ 78,393
Accounts receivable							
Own municipality	-	-	11	-	-	11	-
Investments							
Other	252,333	756,463	-	468,627	-	1,477,423	1,423,575
	\$ 252,333	\$ 772,193	\$ 85,290	\$ 468,627	\$ -	\$ 1,578,443	\$ 1,501,968
<b>Liabilities</b>							
Own municipality	\$ -	\$ 15,060	\$ -	\$ -	\$ -	\$ 15,060	\$ 1,746
Balance capital	252,333	757,133	85,290	468,627	-	1,563,383	1,500,222
	\$ 252,333	\$ 772,193	\$ 85,290	\$ 468,627	\$ -	\$ 1,578,443	\$ 1,501,968

**Statement of Continuity**

December 31, 2010	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	Rainy River District School Board	Skateboard Park	2010 Total	2009 Total
<b>Balance,</b> beginning of the year	\$ 243,546	\$ 734,617	\$ 62,680	\$ 459,485	\$ (106)	\$ 1,500,222	\$ 1,022,373
<b>Capital receipts</b>							
Care receipts and contributions	8,787	22,516	-	-	-	31,303	485,669
Interest earned	7,857	23,575	353	9,142	-	40,927	37,047
Donations	-	-	113,014	-	106	113,120	60,228
	16,644	46,091	113,367	9,142	106	185,350	582,944
<b>Expenditures</b>							
Administration	-	-	291	-	-	291	99
Interest paid to cemetery	7,857	23,575	-	-	-	31,432	32,243
Grants	-	-	90,466	-	-	90,466	72,753
	7,857	23,575	90,757	-	-	122,189	105,095
<b>Balance,</b> end of the year	\$ 252,333	\$ 757,133	\$ 85,290	\$ 468,627	\$ -	\$ 1,563,383	\$ 1,500,222

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

**December 31, 2010**

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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. 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** 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. 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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**3. Community Chest Trust**

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

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**4. Rainy River District School Board Trust**

The Rainy River District School Board Trust was established as security during the construction of the new Robert Moore School and the Education Centre, and the demolition of the old Robert Moore School.

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**5. Statement of Changes in Financial Position**

A statement of changes in financial position has not been provided since the sources and uses of cash are readily apparent from the information included in the financial statements.