

**The Corporation of the  
Town of Fort Frances  
Consolidated Financial Statements  
For the year ended December 31, 2011**

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For the year ended December 31, 2011**

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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, 2011, which comprise the Consolidated Statement of Financial Position as at December 31, 2011, 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, 2011, and the results of operations, change in net financial assets 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  
June 11, 2012

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

December 31	2011	2010
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 2,173,554	\$ 1,146,521
Taxes receivable	820,044	827,354
Accounts receivable	2,258,436	2,253,815
Investments (Note 2)	6,930,189	6,700,463
Investment in government business enterprises (Note 3)	5,665,793	5,671,414
Loans receivable (Note 4)	843,611	930,577
	<u>18,691,627</u>	<u>17,530,144</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,456,617	2,385,502
Deferred revenue (Note 6)	387,449	155,251
Net long-term debt (Note 7)	3,713,130	4,484,634
Solid waste closure and post-closure liabilities (Note 8)	236,538	229,570
Post-employment benefits liabilities (Note 9)	237,790	21,000
	<u>7,031,524</u>	<u>7,275,957</u>
<b>Net financial assets</b>	<u>11,660,103</u>	<u>10,254,187</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 10)	86,914,434	87,827,609
Tangible capital assets under construction	295,728	295,728
Inventory of supplies	398,249	356,343
Prepaid expenses	202,048	50,294
	<u>87,810,459</u>	<u>88,529,974</u>
<b>Accumulated surplus (Note 11)</b>	<u>\$ 99,470,562</u>	<u>\$ 98,784,161</u>

Contingent liabilities (Note 14)



Treasurer



Mayor

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 Operations**

For the year ended December 31	Budget 2011	2011	2010
<b>Revenue</b>			
Taxation	\$ 11,350,746	\$ 11,291,415	\$ 11,062,267
Government grants - Federal	1,076,132	640,826	1,728,737
Government grants - Provincial	4,455,846	4,392,424	6,059,177
User fees and service charges	6,864,493	7,153,459	7,135,912
Permits, licenses and fines	41,850	61,248	45,496
Investment income	70,000	337,813	316,560
Income (loss) from government business enterprises (Note 3)	-	(5,623)	16,742
Other income (Note 12)	684,900	902,609	908,646
	<b>24,543,967</b>	<b>24,774,171</b>	<b>27,273,537</b>
<b>Expenses</b>			
General government	2,339,674	2,608,719	2,786,420
Protection services	4,186,400	4,391,730	4,194,149
Transportation services	4,668,543	4,678,483	4,770,207
Environmental services	4,463,707	4,396,310	4,225,765
Health services	1,695,058	1,668,131	1,576,247
Social and family services	1,773,557	1,726,557	2,014,753
Social housing	600,382	600,382	475,559
Recreation and cultural services	3,535,133	3,617,953	3,594,089
Planning and development	460,329	399,505	420,143
	<b>23,722,783</b>	<b>24,087,770</b>	<b>24,057,332</b>
<b>Annual surplus</b>	<b>821,184</b>	<b>686,401</b>	<b>3,216,205</b>
<b>Accumulated surplus, beginning of year</b>	<b>98,784,161</b>	<b>98,784,161</b>	<b>95,567,956</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 99,605,345</b>	<b>\$ 99,470,562</b>	<b>\$ 98,784,161</b>

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 2011	2011	2010
Annual surplus	\$ 821,184	\$ 686,401	\$ 3,216,205
Acquisition of tangible capital assets	(3,739,974)	(2,583,816)	(9,493,057)
Amortization of tangible capital assets	3,500,000	3,496,989	3,604,813
Loss (gain) on sale of tangible capital assets	-	(58,257)	18,610
Proceeds on sale of tangible capital assets	-	58,259	34,504
Capitalization (acquisition) of assets under construction	-	-	3,014,193
	<b>581,210</b>	<b>1,599,576</b>	<b>395,268</b>
Acquisition of prepaid expenses and inventory of supplies	-	(193,660)	-
Use/consumption of prepaid expenses and inventory of supplies	-	-	97,193
<b>Net change in net financial assets</b>	<b>581,210</b>	<b>1,405,916</b>	<b>492,461</b>
<b>Net financial assets, beginning of year</b>	<b>10,254,187</b>	<b>10,254,187</b>	<b>9,761,726</b>
<b>Net financial assets, end of year</b>	<b>\$ 10,835,397</b>	<b>\$ 11,660,103</b>	<b>\$ 10,254,187</b>

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	2011	2010
<b>Operating transactions</b>		
Annual surplus	\$ 686,401	\$ 3,216,205
Items not involving cash		
Loss (income) from government business enterprises	5,623	(16,742)
Amortization	3,496,989	3,604,813
Loss (gain) on disposal of tangible capital assets	(58,257)	18,610
Changes in non-cash operating balances		
Taxes receivable	7,310	100,887
Accounts receivable	(4,624)	1,938,232
Loans receivable	86,967	85,267
Inventory of supplies	(41,906)	(25,456)
Prepaid expenses	(151,754)	122,649
Accounts payable and accrued liabilities	71,115	(698,926)
Deferred revenue	232,198	(169,626)
Solid waste closure and post-closure liabilities	6,968	6,968
Post-employment benefits	216,790	10,652
	<u>4,553,820</u>	<u>8,193,533</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(2,583,816)	(9,493,057)
Proceeds on sale of tangible capital assets	58,259	34,504
Capitalization (acquisition) of tangible capital assets under construction	-	3,014,193
	<u>(2,525,557)</u>	<u>(6,444,360)</u>
<b>Investing transactions</b>		
Increase in investments	<u>(229,726)</u>	<u>(376)</u>
<b>Financing transactions</b>		
Decrease in bank indebtedness	-	(2,659,411)
Proceeds from issuance of long-term debt	-	747,889
Repayment of long-term debt	<u>(771,504)</u>	<u>(747,951)</u>
	<u>(771,504)</u>	<u>(2,659,473)</u>
<b>Net change in cash and cash equivalents</b>	<b>1,027,033</b>	<b>(910,676)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>1,146,521</b></u>	<u><b>2,057,197</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 2,173,554</b></u>	<u><b>\$ 1,146,521</b></u>

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

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# The Corporation of the Town of Fort Frances

## Summary of Significant Accounting Policies

December 31, 2011

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### Management's

#### Responsibility for the Consolidated 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, 2011

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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, 2011

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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>	<p>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.</p> <p>The estimates used in preparation of these consolidated financial statements are the useful lives of the property, plant and equipment, the capacity of the landfill site, the useful life of the landfill site, the closure and post-closure costs of the landfill and the present value of the Municipality's employee post-retirement benefits.</p>

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

December 31, 2011

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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:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 420,907	\$ 304,986
Restricted by Council resolution	1,752,647	841,535
	<u>\$ 2,173,554</u>	<u>\$ 1,146,521</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)

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### 2. Investments

	<u>2011</u>	<u>2010</u>
Bond and money market mutual funds	\$ 6,928,629	\$ 6,687,331
Other	1,560	13,132
	<u>\$ 6,930,189</u>	<u>\$ 6,700,463</u>

The income from investments for the year was \$240,756 (2010 - \$320,684). The Municipality's bond and money market mutual funds have effective interest rates of 1.31% to 3.23% (2010 - 1.64% to 3.52%) and a market value of \$6,824,864 (2010 - \$6,625,914). The Municipality's other investments have a market value of \$13,132 (2010 - \$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 11)

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### 3. Investment in Government Business Enterprises

	<u>2011</u>	<u>2010</u>
Fort Frances Power Corporation	\$ 5,607,966	\$ 5,613,401
Fort Frances Network Services Corporation	57,827	58,015
	<u>\$ 5,665,793</u>	<u>\$ 5,671,416</u>

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

**December 31, 2011**

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

**Fort Frances Power Corporation**

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

	<u>2011</u>	<u>2010</u>
Financial position		
Current assets	\$ 5,215,480	\$ 5,636,445
Property, plant and equipment	2,870,592	3,074,231
Regulatory assets	815,879	819,928
Future income tax assets	227,762	224,413
	<u>9,129,713</u>	<u>9,755,017</u>
Total assets		
Current liabilities	2,405,163	3,349,647
Employee future benefits	132,620	114,568
Regulatory liabilities	983,964	677,401
	<u>3,521,747</u>	<u>4,141,616</u>
Total liabilities		
Net assets		
Equity	<u>5,607,966</u>	<u>5,613,401</u>
Total net assets	<u>\$ 5,607,966</u>	<u>\$ 5,613,401</u>
Results of operations		
Revenue	\$ 8,015,626	\$ 7,591,625
Expenses	<u>(8,021,061)</u>	<u>(7,574,573)</u>
Net income (loss) for the year	<u>\$ (5,435)</u>	<u>\$ 17,052</u>

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

**December 31, 2011**

**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:

	2011	2010
Financial position		
Current assets	\$ 58,453	\$ 58,917
Accounts receivable	124	48
	58,577	58,965
Total assets		
Current liabilities	750	950
	750	950
Total liabilities		
Net assets		
Equity	57,827	58,015
	\$ 57,827	\$ 58,015
Total net assets		
Results of operations		
Revenue	\$ 562	\$ 590
Expenses	(750)	(900)
	\$ (188)	\$ (310)
Net loss for the year		

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

**December 31, 2011**

**4. Loans Receivable**

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

	2011	2010
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.	\$ 711,111	\$ 777,777
Debenture debt, annual payments of \$34,026, including interest at 9%. Matures September 1, 2016.	132,500	152,800
	\$ 843,611	\$ 930,577

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.

**6. Deferred Revenue**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal and provincial gas tax	\$ 92,343	\$ 553,375	\$ 7,142	\$ (293,748)	\$ 359,112
Other	62,908	28,337	-	(62,908)	28,337
	\$ 155,251	\$ 581,712	\$ 7,142	\$ (356,656)	\$ 387,449

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 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, 2011**

**7. Net Long-term Debt**

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

	2011	2010
Demand bank loan, payable at \$21,030 monthly, including interest at 2.92%. Matures November 30, 2013.	\$ 469,859	\$ 704,773
Demand bank loan, payable at \$15,558 monthly, including interest at 3.29%. Matures December 24, 2014.	532,628	698,820
Debenture debt, annual payments of \$229,023, including interest at rates between 6.3% to 9%. Matures December 1, 2017.	2,056,240	2,333,152
Demand bank loan, payable at \$7,791 monthly, including interest at 3.31%. Matures December 30, 2013.	654,403	747,889
	<b>\$ 3,713,130</b>	<b>\$ 4,484,634</b>

Principal and interest repayments relating to net long-term debt of \$3,713,130 outstanding are due as follows:

	Principal Repayments	Interest	Total
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
2016	474,706	50,758	525,464
Thereafter	559,284	24,125	583,409
	<b>\$ 3,713,130</b>	<b>\$ 572,068</b>	<b>\$ 4,285,198</b>

The gross interest paid relating to the above long-term debt was \$206,474 (2010 - \$211,911).

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

December 31, 2011

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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 \$236,538 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 \$187,986. The estimated remaining capacity of the site's opened cells are approximately 164,250 cubic meters, which will be filled in 18 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, 2011

### 9. Post-Employment Benefits Liabilities

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

	2011	2010
Post-retirement benefits liability	\$ 219,040	\$ -
Life insurance coverage	18,750	21,000
	<u>\$ 237,790</u>	<u>\$ 21,000</u>

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

- Extended health care
- Dental benefits

The latest actuarial valuation was performed in April 2012.

Post-Retirement Benefits Liabilities	2011	2010
Accrued post-retirement benefits obligation	\$ 237,030	\$ -
Unamortized net estimation adjustment	(17,990)	-
Post-retirement benefits liabilities	<u>\$ 219,040</u>	<u>\$ -</u>

Post-Retirement Benefits Expenditures	2011	2010
Opening balance adjustment	\$ 207,251	\$ -
Current year service costs	1,855	-
Interest on accrued benefit obligation	9,934	-
Post-retirement benefits expenditures	<u>\$ 219,040</u>	<u>\$ -</u>

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

	2011	2010
Discount on accrued benefit obligations	3.75%	N/A
Dental cost trend rates	4.0%	N/A
Extended health care trend rates	8.5%	N/A

For December 31, 2011, extended health care trend rates are assumed to be 8.5%, decreasing by 0.5% per annum beginning in 2013 to an ultimate rate of 5.0% thereafter.

As at December 31, 2011, the Municipality's post-retirement benefits were 100% unfunded.

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

December 31, 2011

10. Tangible Capital Assets

								2011	
	Land and land improvements	Buildings and equipment	Machinery and equipment	Roads and bridges infrastructure	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total
Cost, beginning of year	\$ 2,776,346	\$ 49,073,561	\$ 5,250,683	\$ 48,977,157	\$ 16,249,022	\$ 18,854,432	\$ 2,887,269	\$ 557,099	\$ 144,625,569
Additions	421,537	121,993	576,183	257,657	608,291	420,356	162,854	14,945	2,583,816
Disposals	(2)	-	-	-	-	-	(70,569)	(35,716)	(106,287)
Cost, end of year	3,197,881	49,195,554	5,826,866	49,234,814	16,857,313	19,274,788	2,979,554	536,328	147,103,098
Accumulated amortization, beginning of year	128,340	17,155,427	2,667,569	22,291,536	5,154,417	7,401,454	1,775,170	224,047	56,797,960
Amortization	59,601	1,016,648	313,574	1,324,917	248,957	282,151	165,114	86,027	3,496,989
Disposals	-	-	-	-	-	-	(70,569)	(35,716)	(106,285)
Accumulated amortization, end of year	187,941	18,172,075	2,981,143	23,616,453	5,403,374	7,683,605	1,869,715	274,358	60,188,664
Net carrying amount, end of year	\$ 3,009,940	\$ 31,023,479	\$ 2,845,723	\$ 25,618,361	\$ 11,453,939	\$ 11,591,183	\$ 1,109,839	\$ 261,970	\$ 86,914,434

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

December 31, 2011

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

								2010	
	Land and land improvements	Buildings equipment	Machinery and equipment	Roads and bridges infrastructure	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total
Cost, beginning of year	\$ 2,485,632	\$ 43,504,351	\$ 4,663,198	\$ 47,015,392	\$ 15,825,213	\$ 18,597,773	\$ 2,750,634	\$ 370,909	\$135,213,102
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	2,776,346	49,073,561	5,250,683	48,977,157	16,249,022	18,854,432	2,887,269	557,099	144,625,569
Accumulated amortization, beginning of year	50,893	16,199,952	2,312,421	20,847,747	4,909,247	7,121,252	1,607,848	171,263	53,220,623
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	128,340	17,155,427	2,667,569	22,291,536	5,154,417	7,401,454	1,775,170	224,047	56,797,960
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 net book value of tangible capital assets not being amortized because they are under construction is \$295,728 (2010 - \$295,728). 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, 2011**

**11. Accumulated Surplus**

The Municipality segregates its accumulated surplus in the following categories:

	<u>2011</u>	<u>2010</u>
Investment in tangible capital assets		
Tangible capital assets	\$ 86,914,434	\$ 87,827,609
Investment in tangible capital assets under construction	295,728	295,728
Long-term debt	(3,713,130)	(4,484,634)
Local improvements to be recovered in future years	(1,785)	(14,560)
	<u>83,495,247</u>	<u>83,624,143</u>
General operating	17,134	318,034
Water	-	-
Sewer	-	-
Business improvement area	33,075	9,919
	<u>50,209</u>	<u>327,953</u>
Total operating surplus		
Other allocated deficits		
Landfill closure	(236,538)	(229,570)
Employee future benefits	(237,790)	(21,000)
	<u>(474,328)</u>	<u>(250,570)</u>
Total other allocated deficits		
Reserve funds		
Waterworks projects	4,681,719	4,140,807
Water pollution control plant	1,168,678	1,078,312
Replacement of vehicles and equipment	1,387,568	1,266,231
Library building	247,889	205,653
Landfill closure	241,338	233,776
Parks and cemeteries	45,346	46,264
Social and family assistance	23,107	22,383
Corporate projects and contingencies	2,114,528	1,602,958
Townsend theatre	87,562	78,931
	<u>9,997,735</u>	<u>8,675,315</u>
Total reserve funds		
Working capital reserve	735,906	735,906
	<u>5,665,793</u>	<u>5,671,414</u>
Investment in government business enterprises		
	<u>\$ 99,470,562</u>	<u>\$ 98,784,161</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, 2011**

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**12. Other Income**

	2011	2010
Penalties and interest on taxes	\$ 160,386	\$ 164,210
Rents, concessions and franchises	104,390	147,532
Donations	127,884	173,722
Gain (loss) on sale of land and capital assets	58,257	(18,610)
Provincial offences	311,824	397,969
Insurance proceeds and other recoveries	139,868	43,823
	<u>\$ 902,609</u>	<u>\$ 908,646</u>

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**13. Expenses by Object**

	2011	2010
Salaries, wages and employee benefits	\$ 8,354,080	\$ 8,003,569
Long-term debt charges - interest	206,474	211,911
Materials	3,999,748	4,038,471
Contracted services	4,596,296	4,391,507
Rents and financial expenses	521,721	738,392
Contributions to other organizations	2,912,462	3,068,669
Amortization	3,496,989	3,604,813
	<u>\$ 24,087,770</u>	<u>\$ 24,057,332</u>

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**14. Contingent Liabilities**

(a) 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 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. Management believes this claim will be insured by the Municipality's insurance policy.

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.

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

December 31, 2011

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## 14. Contingent Liabilities (continued)

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.

- (b) A significant rate payer has 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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## 15. Commitments

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 are as follows:

Year	Amount
2012	\$303,138
2013	\$242,160
2014	\$181,883
2015	\$120,904
2016	\$ 60,276

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## 16. Operations of School Boards

	2011	2010
During the year, the following taxation revenue was raised and remitted to the school boards	<u>\$ 2,063,566</u>	<u>\$ 2,140,700</u>

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

December 31, 2011

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## 17. 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 2011 was \$437,713 (2010 - \$431,535) for current services. The OMERS Board rate was 7.4% to 10.7% depending on the income level for 2011 (2010 - 6.3% to 9.7% depending on the income level).

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## 18. Trust Funds

The Trust Funds administered by the Municipality amounting to \$1,553,715 (2010 - \$1,563,383) 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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## 19. Contributions to Unconsolidated Boards

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

	2011	2010
Northwestern Health Unit	\$ 359,129	\$ 395,414
Rainy River District Social Services Administration Board		
Ambulance service	1,009,262	873,710
General assistance	234,060	383,075
Child care	115,460	111,783
Social housing	600,382	475,559
	<u>\$ 2,318,293</u>	<u>\$ 2,239,541</u>

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## 20. Comparative Figures

The comparative figures presented in the consolidated financial statements have been restated to conform to current year financial statement presentation.

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# The Corporation of the Town of Fort Frances

## Notes to Consolidated Financial Statements

December 31, 2011

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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, 2011

21. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Family Services	Social and Social Services	Social Housing	Recreation and Cultural Services	Planning and Development	2011 Total
Revenue											
Taxation	\$ 1,215,591	\$ 2,016,508	\$ 1,871,746	\$ 2,030,680	\$ 1,065,939	\$ 440,885	\$ 565,419	\$ 1,613,391	\$ 471,256	\$ 11,291,415	
Fees and user charges	228,427	58,058	598,259	5,073,953	59,308	155,327	-	916,866	63,261	7,153,459	
Conditional grants	15,520	89,950	685,521	64,298	-	786,026	-	176,135	-	1,817,450	
Unconditional grants	346,201	574,302	533,074	578,338	303,580	125,564	161,032	459,495	134,214	3,215,800	
Other	139,528	231,458	214,842	233,085	122,350	50,605	64,900	185,188	54,091	1,296,047	
	1,945,267	2,970,276	3,903,442	7,980,354	1,551,177	1,558,407	791,351	3,351,075	722,822	24,774,171	
Expenses											
Wages and benefits	1,258,989	1,430,726	1,842,187	744,335	176,706	774,324	-	1,956,243	170,570	8,354,080	
Long-term debt charges (interest)	-	-	43,506	47,815	-	-	-	-	109,568	5,585	206,474
Materials	770,588	252,331	719,585	1,098,806	44,662	145,167	-	811,529	157,080	3,999,748	
Contracted services	200,607	2,559,727	378,996	1,191,454	4,920	63,756	-	143,267	53,569	4,596,296	
Rents and financial	236,475	12,945	38,193	193,298	-	5,583	-	34,761	466	521,721	
External transfers	67,052	75,283	-	12,608	1,436,350	713,287	600,382	-	7,500	2,912,462	
Amortization	75,008	60,718	1,656,016	1,107,994	5,493	24,440	-	562,585	4,735	3,496,989	
	2,608,719	4,391,730	4,678,483	4,396,310	1,668,131	1,726,557	600,382	3,617,953	399,505	24,087,770	
Net surplus (deficit)	\$ (663,452)	\$ (1,421,454)	\$ (775,041)	\$ 3,584,044	\$ (116,954)	\$ (168,150)	\$ 190,969	\$ (266,878)	\$ 323,317	\$ 686,401	

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

December 31, 2011

### 21. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Family Services	Social and Social Housing Services	Recreation and Cultural Services	Planning and Development	2010 Total
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
	<u>3,112,425</u>	<u>2,866,933</u>	<u>4,017,010</u>	<u>7,735,347</u>	<u>2,096,387</u>	<u>1,703,356</u>	<u>1,522,554</u>	<u>3,837,851</u>	<u>381,674</u>	<u>27,273,537</u>
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	981,663	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
	<u>2,786,420</u>	<u>4,194,149</u>	<u>4,770,207</u>	<u>4,225,765</u>	<u>1,576,247</u>	<u>2,014,753</u>	<u>475,559</u>	<u>3,594,089</u>	<u>420,143</u>	<u>24,057,332</u>
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

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, 2011, 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, 2011, and the continuity thereof, in accordance with Canadian Generally Accepted Accounting Principles.

*BDO CANADA LLP*

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario  
June 11, 2012

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

<b>December 31, 2011</b>	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	Rainy River District School Board	2011 Total	2010 Total
<b>Assets</b>						
Cash	\$ -	\$ 743	\$ 73,648	\$ -	\$ 74,391	\$ 101,009
Accounts receivable						
Own Municipality	-	-	-	-	-	11
Investments						
Other	259,742	785,727	-	450,813	1,496,282	1,477,423
	<u>\$ 259,742</u>	<u>\$ 786,470</u>	<u>\$ 73,648</u>	<u>\$ 450,813</u>	<u>\$ 1,570,673</u>	<u>\$ 1,578,443</u>
<b>Liabilities</b>						
Own Municipality	\$ -	\$ 16,958	\$ -	\$ -	\$ 16,958	\$ 15,060
Balance capital	259,742	769,512	73,648	450,813	1,553,715	1,563,383
	<u>\$ 259,742</u>	<u>\$ 786,470</u>	<u>\$ 73,648</u>	<u>\$ 450,813</u>	<u>\$ 1,570,673</u>	<u>\$ 1,578,443</u>

**Statement of Continuity**

<b>December 31, 2011</b>	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	Rainy River District School Board	2011 Total	2010 Total
<b>Balance, beginning of year</b>	\$ 252,333	\$ 757,133	\$ 85,290	\$ 468,627	\$ 1,563,383	\$ 1,500,222
<b>Capital receipts</b>						
Care receipts and contributions	7,409	22,350	-	-	29,759	31,303
Interest earned	8,085	23,954	634	6,943	39,616	40,927
Donations	-	-	107,626	-	107,626	113,120
	<u>15,494</u>	<u>46,304</u>	<u>108,260</u>	<u>6,943</u>	<u>177,001</u>	<u>185,350</u>
<b>Expenditures</b>						
Administration	-	-	822	-	822	291
Interest paid to school board	-	-	-	18,382	18,382	-
Transfers to Municipality	-	9,971	-	6,375	16,346	-
Interest paid to cemetery	8,085	23,954	-	-	32,039	31,432
Grants	-	-	119,080	-	119,080	90,466
	<u>8,085</u>	<u>33,925</u>	<u>119,902</u>	<u>24,757</u>	<u>186,669</u>	<u>122,189</u>
<b>Balance, end of year</b>	<u>\$ 259,742</u>	<u>\$ 769,512</u>	<u>\$ 73,648</u>	<u>\$ 450,813</u>	<u>\$ 1,553,715</u>	<u>\$ 1,563,383</u>

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

**December 31, 2011**

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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.