

**The Corporation of the
Town of Fort Frances
Consolidated Financial Statements
For the year ended December 31, 2013**

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Town of Fort Frances
Consolidated Financial Statements
For the year ended December 31, 2013

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Independent Auditor's Report

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, 2013, which comprise the Consolidated Statement of Financial Position as at December 31, 2013, 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 overall 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, 2013, 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

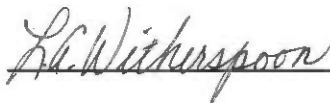
Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario
June 23, 2014

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

December 31	2013	2012
Financial assets		
Cash and cash equivalents (Note 1)	\$ 834,722	\$ 803,537
Taxes receivable	971,238	836,350
Accounts receivable	2,813,640	2,019,665
Investments (Note 2)	8,073,024	8,668,454
Investment in government business enterprises (Note 3)	5,749,823	5,351,650
Loans receivable (Note 4)	664,077	754,844
Land held for sale	658,634	-
	<u>19,765,158</u>	<u>18,434,500</u>
Liabilities		
Accounts payable and accrued liabilities	3,246,540	2,335,830
Deferred revenue (Note 6)	425,386	176,723
Net long-term debt (Note 7)	4,244,994	3,910,903
Solid waste closure and post-closure liabilities (Note 8)	781,060	614,416
Post-employment benefits liabilities (Note 9)	254,760	247,715
	<u>8,952,740</u>	<u>7,285,587</u>
Net financial assets	<u>10,812,418</u>	<u>11,148,913</u>
Non-financial assets		
Tangible capital assets (Note 10)	89,214,991	88,566,458
Tangible capital assets under construction	-	15,136
Inventory of supplies	395,110	400,248
Prepaid expenses	264,811	204,635
	<u>89,874,912</u>	<u>89,186,477</u>
Accumulated surplus (Note 11)	<u>\$ 100,687,330</u>	<u>\$ 100,335,390</u>

Contingent liabilities (Note 14)



Treasurer



Mayor

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

For the year ended December 31	Budget 2013	2013	2012
Revenue			
Taxation	\$ 10,046,419	\$ 9,479,614	\$ 11,551,050
Government transfers - Federal	981,338	390,600	770,761
Government transfers - Provincial	5,009,673	5,550,959	4,490,977
User fees and service charges	6,983,347	7,611,171	7,458,005
Permits, licenses and fines	43,000	77,773	71,782
Investment income	59,000	210,631	297,184
Income (loss) from government business enterprises (Note 3)	-	398,173	(314,143)
Other income (Note 12)	727,445	1,297,328	1,105,778
	<u>23,850,222</u>	<u>25,016,249</u>	<u>25,431,394</u>
Expenses			
General government	2,412,261	2,824,745	2,835,096
Protection services	4,218,335	4,669,438	4,321,218
Transportation services	4,740,001	4,604,774	4,628,487
Environmental services	4,618,929	4,582,944	4,624,641
Health services	1,766,548	1,721,460	1,702,790
Social and family services	1,720,577	1,750,042	1,756,427
Social housing	652,712	652,712	645,034
Recreation and cultural services	3,532,908	3,562,587	3,745,446
Planning and development	346,968	295,607	307,427
	<u>24,009,239</u>	<u>24,664,309</u>	<u>24,566,566</u>
Annual surplus (deficit)	<u>(159,017)</u>	<u>351,940</u>	<u>864,828</u>
Accumulated surplus, beginning of year	100,335,390	100,335,390	99,470,562
Accumulated surplus, end of year	<u>\$100,176,373</u>	<u>\$100,687,330</u>	<u>\$100,335,390</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**

<u>For the year ended December 31</u>	<u>Budget 2013</u>	<u>2013</u>	<u>2012</u>
Annual surplus (deficit)	\$ (159,017)	\$ 351,940	\$ 864,828
Acquisition of tangible capital assets	(4,471,682)	(4,316,488)	(5,260,943)
Amortization of tangible capital assets	2,900,000	3,667,953	3,608,918
Gain on sale of tangible capital assets	-	(9,260)	(20,816)
Proceeds on sale of tangible capital assets	-	9,262	20,817
Capitalization of assets under construction	-	15,136	280,592
	(1,730,699)	(281,457)	(506,604)
Acquisition of prepaid expenses and inventory of supplies	-	(55,038)	(4,586)
Net change in net financial assets	(1,730,699)	(336,495)	(511,190)
Net financial assets, beginning of year	11,148,913	11,148,913	11,660,103
Net financial assets, end of year	\$ 9,418,214	\$ 10,812,418	\$ 11,148,913

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	2013	2012
Operating transactions		
Annual surplus	\$ 351,940	\$ 864,828
Items not involving cash		
Loss (income) from government business enterprises	(398,173)	314,143
Amortization	3,667,953	3,608,918
Gain on disposal of tangible capital assets	(9,260)	(20,816)
Changes in non-cash operating balances		
Taxes receivable	(134,888)	(16,306)
Accounts receivable	(793,975)	238,771
Loans receivable	90,767	88,767
Inventory of supplies	5,138	(1,999)
Prepaid expenses	(60,176)	(2,587)
Accounts payable and accrued liabilities	910,710	(120,787)
Deferred revenue	248,663	(210,726)
Solid waste closure and post-closure liabilities	166,644	377,878
Post-employment benefits	7,045	9,925
	<u>4,052,388</u>	<u>5,130,009</u>
Capital transactions		
Acquisition of tangible capital assets	(4,316,488)	(5,260,943)
Proceeds on sale of tangible capital assets	9,262	20,817
Capitalization of tangible capital assets under construction	15,136	280,592
	<u>(4,292,090)</u>	<u>(4,959,534)</u>
Investing transactions		
Decrease (increase) in investments	595,430	(1,738,265)
Acquisition of tangible capital assets held for sale	(658,634)	-
	<u>(63,204)</u>	<u>(1,738,265)</u>
Financing transactions		
Proceeds from issuance of long-term debt	1,200,000	1,000,000
Repayment of long-term debt	(865,909)	(802,227)
	<u>334,091</u>	<u>197,773</u>
Net change in cash and cash equivalents	31,185	(1,370,017)
Cash and cash equivalents, beginning of year	<u>803,537</u>	<u>2,173,554</u>
Cash and cash equivalents, end of year	<u>\$ 834,722</u>	<u>\$ 803,537</u>

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

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

December 31, 2013

**Management's
Responsibility for the
Financial Statements**

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

Basis of Accounting

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

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

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

Basis of Consolidation

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

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

Library Board
Waterworks
Business Improvement Area

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

December 31, 2013

Basis of Consolidation
(continued)

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

The following boards are not consolidated:

Northwestern Health Unit
Rainy River District Social Services Administration Board

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

**Cash and Cash
Equivalents**

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

Inventory

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

Investments

The Municipality accounts for its investments at cost. The carrying value of an investment is written down to its net recoverable amount if a decline in value is judged to be other than temporary.

Loans Receivable

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

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

December 31, 2013

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

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

Revenue Recognition

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 at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.

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

Government Transfers

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

Solid Waste Landfills

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

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

December 31, 2013

Retirement Benefits and Other Employee Benefit Plans

The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

School Boards

The Municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian 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.

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

Trust Funds

Trust Funds held in trust by the Municipality, and their related operations, are not included in these consolidated financial statements. The financial activity and position of the Trust Funds are reported separately on the Trust Funds statement of continuity and balance sheet.

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

December 31, 2013

1. Cash and Cash Equivalents

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

	2013	2012
Unrestricted	\$ 111,768	\$ 703,251
Restricted by Council resolution	722,954	100,286
	\$ 834,722	\$ 803,537

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

2. Investments

	2013	2012
Bond and money market mutual funds	\$ 7,303,603	\$ 7,155,473
GIC, 1.35% annual interest rate	-	755,131
GIC, 1.65% annual interest rate	-	756,273
GIC, 1.40% annual interest rate	767,830	-
Other	1,591	1,577
	\$ 8,073,024	\$ 8,668,454

The income from investments for the year was \$243,874 (2012 - \$238,248). The Municipality's bond and money market mutual funds have effective interest rates of 1.09% to 2.97% (2012 - 1.11% to 3.02%) and a market value of \$7,303,603 (2012 - \$7,221,482). The Municipality's other investments have a market value of \$1,591 (2012 - \$1,577).

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)

3. Investment in Government Business Enterprises

	2013	2012
Fort Frances Power Corporation	\$ 5,693,372	\$ 5,294,053
Fort Frances Network Services Corporation	56,451	57,597
	\$ 5,749,823	\$ 5,351,650

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

December 31, 2013

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>2013</u>	<u>2012</u>
Financial position		
Current assets	\$ 5,410,451	\$ 4,835,042
Property, plant and equipment	3,428,897	3,250,364
Regulatory assets	193,435	159,306
Future income tax assets	<u>226,288</u>	<u>253,852</u>
Total assets	<u>9,259,071</u>	<u>8,498,564</u>
Current liabilities	2,819,144	2,006,240
Employee future benefits	135,128	120,722
Regulatory liabilities	<u>611,427</u>	<u>1,077,549</u>
Total liabilities	<u>3,565,699</u>	<u>3,204,511</u>
Net assets		
Equity	<u>\$ 5,693,372</u>	<u>\$ 5,294,053</u>
Results of operations		
Revenue	\$ 10,370,460	\$ 9,200,855
Expenses	<u>(9,971,141)</u>	<u>(9,514,768)</u>
Net income (loss) for the year	<u>\$ 399,319</u>	<u>\$ (313,913)</u>

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

December 31, 2013

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:

	2013	2012
Financial position		
Cash and bank	\$ 57,046	\$ 58,299
Accounts receivable	215	98
	57,261	58,397
Total assets		
Current liabilities	810	800
Net assets		
Equity	\$ 56,451	\$ 57,597
Results of operations		
Revenue	\$ 520	\$ 570
Expenses	(1,666)	(800)
Net loss for the year	\$ (1,146)	\$ (230)

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

December 31, 2013

4. Loans Receivable

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

	2013	2012
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.	\$ 577,777	\$ 644,444
Debenture debt, annual payments of \$34,026, including interest at 9%. Matures September 1, 2016.	86,300	110,400
	\$ 664,077	\$ 754,844

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	\$ 141,033	\$ 570,882	\$ 4,561	\$ (347,259)	\$ 369,217
Other	35,690	56,169	-	(35,690)	56,169
	\$ 176,723	\$ 627,051	\$ 4,561	\$ (382,949)	\$ 425,386

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.

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

December 31, 2013

7. Net Long-term Debt

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

	2013	2012
Demand bank loan, payable at \$21,030 monthly, including interest at 2.92%. Matures November 30, 2013.	\$ -	\$ 227,993
Demand bank loan, payable at \$15,558 monthly, including interest at 3.92%. Matures December 24, 2014.	183,407	360,886
Debenture debt, annual payments of \$229,023, including interest at rates between 6.3% to 9%. Matures December 1, 2017.	1,446,502	1,761,107
Demand bank loan, payable at \$7,051 monthly, including interest at 3.3%. Matures December 2017.	947,654	1,000,000
Demand bank loan, payable at \$7,791 monthly, plus interest at 4.19%. Matures December 30, 2018.	467,431	560,917
Demand bank loan, payable at \$7,143 monthly, plus interest at 3.36%. Matures December 31, 2027.	1,200,000	-
	\$ 4,244,994	\$ 3,910,903

Principal and interest repayments relating to net long-term debt of \$4,244,994 outstanding are due as follows:

	Principal Repayments	Interest	Total
2014	\$ 752,156	\$ 175,462	\$ 927,618
2015	592,743	142,241	734,984
2016	618,264	110,737	729,001
2017	1,331,202	59,959	1,391,161
2018	179,200	29,480	208,680
Thereafter	771,429	88,893	860,322
	\$ 4,244,994	\$ 606,772	\$ 4,851,766

The gross interest paid relating to the above long-term debt was \$169,099 (2012 - \$172,513).

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

December 31, 2013

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 \$781,060 (2012 - \$614,416) 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 3.0%. The liability is recorded based on the capacity of the landfill used to date. The estimated remaining capacity of the site's opened cells are approximately 140,000 cubic meters, which will be filled in 14 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 Municipality has \$306,868 (2012 - \$248,022) in an investment which relates to the solid waste closure and post-closure liability. The landfill liability is therefore underfunded by \$474,192 (2012 - \$366,394) at year end.

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

December 31, 2013

9. Post-Employment Benefits Liabilities

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

	2013	2012
Post-retirement benefits liability	\$ 236,010	\$ 228,965
Life insurance coverage	18,750	18,750
	\$ 254,760	\$ 247,715

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	2013	2012
Accrued post-retirement benefits obligation	\$ 210,591	\$ 244,706
Unamortized net estimation adjustment	25,419	(15,741)
Post-retirement benefits liabilities	\$ 236,010	\$ 228,965

Post-Retirement Benefits Expenditures	2013	2012
Opening balance adjustment	\$ -	\$ -
Current year service costs	2,455	2,366
Interest on accrued benefit obligation	9,141	8,910
Amortization of net estimation adjustments	2,249	2,249
Post-retirement benefits expenditures	\$ 13,845	\$ 13,525
Benefit payments during the year	\$ 6,800	\$ 3,600

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

	2013	2012
Discount on accrued benefit obligations	3.75%	3.75%
Dental cost trend rates	4.0%	4.0%
Extended health care trend rates	7.5%	8.5%

For December 31, 2013, extended health care trend rates are assumed to be 7.5%, decreasing by 0.25% per annum beginning in 2014 to an ultimate rate of 4.5% thereafter.

As at December 31, 2013, the Municipality's post-retirement benefits were 100% unfunded.

The Corporation of the Town of Fort France:
Notes to Consolidated Financial Statement:

December 31, 2013

								2012	
	Land and land improvements	Buildings and equipment	Machinery and equipment	Roads and bridges infrastructure	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	
								Tota	
Cost, beginning of year	\$ 3,226,622	\$ 50,886,324	\$ 6,102,378	\$ 50,459,465	\$ 18,015,430	\$ 19,744,008	\$ 3,128,374	\$ 540,846	\$ 152,103,447
Additions	19,306	1,206,676	199,088	1,896,060	377,263	548,956	-	69,139	4,316,488
Disposals	(2)	-	-	-	-	-	-	(11,659)	(11,661)
Cost, end of year	3,245,926	52,093,000	6,301,466	52,355,525	18,392,693	20,292,964	3,128,374	598,326	156,408,274
Accumulated amortization, beginning of year	225,118	19,099,971	3,228,698	25,008,862	5,664,905	7,970,617	2,012,671	326,147	63,536,989
Amortization	37,093	1,090,089	323,287	1,415,543	270,570	291,999	156,964	82,408	3,667,953
Disposals	-	-	-	-	-	-	-	(11,659)	(11,659)
Accumulated amortization, end of year	262,211	20,190,060	3,551,985	26,424,405	5,935,475	8,262,616	2,169,635	396,896	67,193,283
Net carrying amount, end of year	\$ 2,983,715	\$ 31,902,940	\$ 2,749,481	\$ 25,931,120	\$ 12,457,218	\$ 12,030,348	\$ 958,739	\$ 201,430	\$ 89,214,991

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

December 31, 2013

10. Tangible Capital Assets (continued)

												2012
	Land and land improvements	Buildings	Machinery and equipment	Roads and bridges	Water infrastructure	Sewer infrastructure	Vehicles	Computer hardware and software	Total			
Cost, beginning of year	\$ 3,197,881	\$ 49,195,554	\$ 5,826,866	\$ 49,234,814	\$ 16,857,313	\$ 19,274,788	\$ 2,979,554	\$ 536,328	\$ 147,103,098			
Additions	28,742	1,822,044	348,699	1,224,651	1,158,117	469,220	175,072	34,398	5,260,943			
Disposals	(1)	(131,274)	(73,187)	-	-	-	(26,252)	(29,880)	(260,594)			
Cost, end of year	3,226,622	50,886,324	6,102,378	50,459,465	18,015,430	19,744,008	3,128,374	540,846	152,103,447			
Accumulated amortization, beginning 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			
Amortization	37,177	1,059,170	320,742	1,392,409	261,531	287,012	169,208	81,669	3,608,918			
Disposals	-	(131,274)	(73,187)	-	-	-	(26,252)	(29,880)	(260,593)			
Accumulated amortization, end of year	225,118	19,099,971	3,228,698	25,008,862	5,664,905	7,970,617	2,012,671	326,147	63,536,989			
Net carrying amount, end of year	\$ 3,001,504	\$ 31,786,353	\$ 2,873,680	\$ 25,450,603	\$ 12,350,525	\$ 11,773,391	\$ 1,115,703	\$ 214,699	\$ 88,566,458			

The net book value of tangible capital assets not being amortized because they are under construction is \$NIL (2012 - \$15,136). 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, 2013

11. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	<u>2013</u>	<u>2012</u>
Investment in tangible capital assets		
Tangible capital assets	\$ 89,214,991	\$ 88,566,458
Investment in tangible capital assets under construction	-	15,136
Long-term debt	(4,244,994)	(3,910,903)
Land held for sale	658,634	-
Total investment in tangible capital assets	85,628,631	84,670,691
General operating	(63,204)	8,154
Water	-	-
Sewer	-	-
Business improvement area	56,390	42,523
Total operating surplus (deficit)	(6,814)	50,677
Other allocated deficits		
Landfill closure	(781,060)	(614,416)
Employee future benefits	(254,760)	(247,715)
Total other allocated deficits	(1,035,820)	(862,131)
Reserve funds		
Waterworks projects	5,271,578	4,848,561
Water pollution control plant	1,271,917	1,335,143
Replacement of vehicles and equipment	1,402,420	1,389,136
Library building	297,161	279,419
Landfill closure	306,868	248,022
Parks and cemeteries	45,931	42,648
Social and family assistance	22,500	22,066
Corporate projects and contingencies	913,483	2,146,155
Townsend theatre	83,747	77,447
Total reserve funds	9,615,605	10,388,597
Working capital reserve	735,906	735,906
Investment in government business enterprises	5,749,822	5,351,650
	\$100,687,330	\$100,335,390

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by by-law or Council resolution for specific purposes.

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

December 31, 2013

12. Other Income

	2013	2012
Penalties and interest on taxes	\$ 142,923	\$ 150,907
Rents, concessions and franchises	103,071	105,799
Donations	96,897	297,613
Gain on sale of land and capital assets	9,260	20,816
Provincial offences	251,407	343,799
Insurance proceeds and other recoveries	693,770	186,844
	<u>\$ 1,297,328</u>	<u>\$ 1,105,778</u>

13. Expenses by Object

	2013	2012
Salaries, wages and employee benefits	\$ 7,981,870	\$ 8,151,727
Long-term debt charges - interest	169,099	172,513
Materials	3,749,717	3,717,914
Contracted services	5,038,356	4,834,043
Rents and financial expenses	1,283,979	1,226,715
Contributions to other organizations	2,773,335	2,854,736
Amortization	3,667,953	3,608,918
	<u>\$ 24,664,309</u>	<u>\$ 24,566,566</u>

14. 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 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.

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

December 31, 2013

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.

15. Taxation Revenue

The Municipality's taxation revenue for the year ended December 31, 2013, has been reduced by \$2,580,453 in taxation revenue write-offs relating to minutes of settlement filed by a significant rate payer for the years 2009 to 2012 and 2013. During the 2013 year, a joint settlement agreement was reached with the rate payer resulting in the rate payer recovering approximately \$1.763 million from the Municipality for reductions to the rate payer's 2009 to 2012 property assessment values. In addition, the rate payer has filed an application for a reduction of its 2013 property assessment value. The Municipality considers the likelihood of the application being successful to be likely and has therefore recognized an estimated \$816,844 taxation revenue write-off and a corresponding accrued liability for the year ended December 31, 2013.

The Municipality and the rate payer have been involved in negotiations regarding an agreement that could result in a reduction of the 2013 tax write-off discussed above. The reduction of the write-off is contingent on the rate payer's approval of the agreement. As at December 31, 2013, no asset has been recognized for the contingent reduction to the 2013 write-off of taxation revenue.

16. Commitments

As a result of the restructuring of Rainycrest Home for the Aged, the Municipality 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, 2016.

The committed annual payments for the next three years are as follows:

Year	Amount
2014	\$181,883
2015	\$120,904
2016	\$ 60,276

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

December 31, 2013

17. Operations of School Boards

	2013	2012
During the year, the following taxation revenue was raised and remitted to the school boards	\$ 1,491,863	\$ 1,964,486

18. Pension Agreements

OMERS provides pension services to more than 439,528 active and retired members and approximately 982 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,004 million in respect of benefits accrued for service with actuarial assets at that date of \$64,363 million indicating an actuarial deficit of \$8,641 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2013 were \$510,050 (2012 - \$494,202).

19. Trust Funds

The Trust Funds administered by the Municipality amounting to \$1,477,612 (2012 - \$1,445,331) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

20. Contributions to Unconsolidated Boards

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

	2013	2012
Northwestern Health Unit	\$ 347,142	\$ 341,599
Rainy River District Social Services Administration Board		
Ambulance service	1,040,469	1,049,669
General assistance	188,662	160,181
Child care	105,219	134,189
Social housing	652,712	645,034
	\$ 2,334,204	\$ 2,330,672

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

December 31, 2013

21. Change in Accounting Policy

Effective January 1, 2013, the municipality adopted on a prospective basis the new accounting standards PS3410 Government Transfers and PS3510 Tax Revenue from the Chartered Professional Accountants Canada Handbook.

Government transfers are recognized when authorized and eligibility criteria have been met unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished.

22. Segmented Information

The Corporation of the Town of Fort Frances is a diversified municipal government institution that provides a wide range of services to its citizens. The management of the Municipality considers decisions based on separate service areas. These service areas are: general government, protection services, transportation services, environmental services, health services, social and family services, social housing, recreation and cultural services and planning and development.

Descriptions of the services and funds that management bases their decisions on, are as follows:

General Government

General government consists of governance, Corporate management and program support. These categories relate to operations of all of the various programs and services that the Municipality offers to its citizens.

Protection Services

Protection is comprised of police service and fire protection. Police service is contracted out to the Ontario Provincial Police. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires.

Transportation Services

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

Environmental Services

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

Health Services

Health services are comprised of public health services and ambulance service. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

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

December 31, 2013

22. Segmented Information (continued)

Social and Family Services

Social and family services are comprised of general assistance, child care and assistance to the aged. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social Housing

The Municipality contributes to a local board, which provides social housing if the citizens of the Corporation of the Town of Fort Frances require the service.

Recreation and Cultural Services

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

Planning and Development

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

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

December 31, 2013

22. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and			Recreation and Cultural Services	Planning and Development	2013 Total
						Family Services	Social Services	Housing			
Revenue											
Taxation	\$ 143,840	\$ 3,247,893	\$ 2,469,986	\$ 1,735	\$ 1,268,892	\$ 219,985	\$ 149,517	\$ 1,797,017	\$ 180,749	\$ 9,479,614	
Fees and user charges	279,937	77,766	553,926	5,450,818	57,118	200,023	-	913,783	77,800	7,611,171	
Conditional grants	316,952	18,553	1,225,970	92,492	-	960,861	-	129,431	-	2,744,259	
Unconditional grants	130,083	451,500	642,486	-	386,201	445,040	503,195	601,893	36,902	3,197,300	
Other	1,018,167	822,529	-	73,321	4,993	19,789	-	45,106	-	1,983,905	
	1,888,979	4,618,241	4,892,368	5,618,366	1,717,204	1,845,698	652,712	3,487,230	295,451	25,016,249	
Expenses											
Wages and benefits	1,214,513	1,220,808	1,768,087	786,688	205,480	869,338	-	1,831,486	85,470	7,981,870	
Long-term debt charges (interest)	32,267	-	23,545	32,365	-	-	-	79,832	1,070	169,099	
Materials	339,997	738,696	663,475	801,660	31,677	229,821	-	812,756	131,615	3,749,717	
Contracted services	221,171	2,590,317	428,630	1,522,953	14,480	43,793	-	159,597	57,415	5,038,356	
Rents and financial	835,505	27,544	49,310	252,889	-	6,361	-	92,489	19,881	1,283,979	
External transfers	64,976	40,264	-	18,378	1,460,612	536,393	652,712	-	-	2,773,335	
Amortization	116,316	51,809	1,671,707	1,167,991	9,211	64,336	-	586,427	156	3,667,953	
	2,824,745	4,669,438	4,604,774	4,582,944	1,721,460	1,750,042	652,712	3,562,587	295,607	24,664,309	
Net surplus (deficit)	\$ (935,766)	\$ (51,197)	\$ 287,594	\$ 1,035,422	\$ (4,256)	\$ 95,656	\$ -	\$ (75,357)	\$ (156)	\$ 351,940	

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

December 31, 2013

22. 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	2012 Total
Revenue	\$ 1,647,460	\$ 3,405,987	\$ 2,597,242	\$ 10,595	\$ 1,276,087	\$ 427,258	\$ 348,400	\$ 1,703,346	\$ 134,675	\$ 11,551,050		
Taxation	278,703	46,443	543,404	5,349,337	55,301	206,733	-	921,482	56,602	7,458,005		
Fees and user charges	97,665	54,920	806,146	72,063	-	847,743	-	122,801	21,000	2,022,338		
Conditional grants	549,334	562,563	504,022	-	357,868	231,764	218,390	777,690	37,769	3,239,400		
Unconditional grants	379,325	201,553	180,579	15,078	128,216	42,929	78,244	171,145	13,532	1,160,601		
Other	2,902,487	4,271,466	4,631,393	5,447,073	1,617,472	1,756,427	645,034	3,696,464	263,578	25,431,394		
Expenses	1,262,402	1,233,789	1,821,016	691,848	180,943	855,396	-	2,018,443	87,890	8,151,727		
Wages and benefits	-	1,771	33,590	40,374	-	-	-	95,189	1,589	172,513		
Long-term debt charges (interest)	398,495	302,374	699,365	1,144,095	43,041	180,965	-	797,309	152,270	3,717,914		
Materials	232,409	2,621,101	361,083	1,331,539	7,284	56,386	-	169,613	54,628	4,834,043		
Contracted services	775,157	20,972	50,694	278,035	-	6,311	-	92,248	3,278	1,226,715		
Rents and financial	64,551	75,943	-	-	1,464,198	597,510	645,034	-	7,500	2,854,736		
External transfers	102,082	65,268	1,662,739	1,138,750	7,324	59,819	-	572,644	272	3,608,918		
Amortization	2,835,096	4,321,218	4,628,487	4,624,641	1,702,790	1,756,417	645,034	3,745,446	307,427	24,566,566		
Net surplus (deficit)	\$ 67,391	\$ (49,752)	\$ 2,906	\$ 822,432	\$ 114,682	\$ -	\$ -	\$ (48,982)	\$ (43,849)	\$ 864,828		

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 Corporation of the Town of Fort Frances Trust Funds as at December 31, 2013, and the statement of continuity 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 these 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, 2013, and the continuity thereof, in accordance with Canadian Generally Accepted Accounting Principles.

BDO CANADA LLP

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario
June 23, 2014

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

December 31, 2013	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	Rainy River District School Board	2013 Total	2012 Total
Assets						
Cash	\$ -	\$ 757	\$ 77,613	\$ -	\$ 78,370	\$ 69,759
Accounts receivable						
Own Municipality	-	-	18	-	18	13
Investments						
Other	273,379	781,863	-	455,758	1,511,000	1,494,507
	<u>\$ 273,379</u>	<u>\$ 782,620</u>	<u>\$ 77,631</u>	<u>\$ 455,758</u>	<u>\$ 1,589,388</u>	<u>\$ 1,564,279</u>
Liabilities						
Own Municipality	\$ -	\$ 111,599	\$ 177	\$ -	\$ 111,776	\$ 118,948
Balance capital	273,379	671,021	77,454	455,758	1,477,612	1,445,331
	<u>\$ 273,379</u>	<u>\$ 782,620</u>	<u>\$ 77,631</u>	<u>\$ 455,758</u>	<u>\$ 1,589,388</u>	<u>\$ 1,564,279</u>

Statement of Continuity

December 31, 2013	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	Rainy River District School Board	2013 Total	2012 Total
Balance, beginning of year	\$ 267,217	\$ 658,279	\$ 69,022	\$ 450,813	\$ 1,445,331	\$ 1,553,715
Capital receipts						
Care receipts and contributions	6,162	17,625	-	-	23,787	32,706
Interest earned	3,342	8,213	633	4,945	17,133	20,457
Donations	-	-	52,964	-	52,964	87,838
	<u>9,504</u>	<u>25,838</u>	<u>53,597</u>	<u>4,945</u>	<u>93,884</u>	<u>141,001</u>
Expenditures						
Administration	-	-	222	-	222	371
Interest paid to school board	-	-	-	-	-	4,486
Transfers to Municipality	-	4,883	-	-	4,883	136,464
Interest paid to cemetery	3,342	8,213	-	-	11,555	15,191
Grants	-	-	44,943	-	44,943	92,873
	<u>3,342</u>	<u>13,096</u>	<u>45,165</u>	<u>-</u>	<u>61,603</u>	<u>249,385</u>
Balance, end of year	<u>\$ 273,379</u>	<u>\$ 671,021</u>	<u>\$ 77,454</u>	<u>\$ 455,758</u>	<u>\$ 1,477,612</u>	<u>\$ 1,445,331</u>

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

December 31, 2013

1. Summary of Significant Accounting Policies

Management's Responsibility The financial information of the Corporation of the Town of Fort Frances Trust Funds is the representation of management and has been prepared in accordance with Canadian Generally Accepted Accounting Principles. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.

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

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

2. 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.

3. Community Chest Trust

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

4. Rainy River District School Board Trust

The Rainy River District School Board Trust Fund 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.

5. Statement of Changes in Cash Flows

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