

**The Corporation of the Town of
Fort Frances
Consolidated Financial Statements
For the year ended December 31, 2008**

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The Corporation of the Town of Fort Frances

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Fort Frances

We have audited the consolidated statement of financial position of the Corporation of the Town of Fort Frances as at December 31, 2008, and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the municipality's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Fort Frances as at December 31, 2008, and the results of its financial activities and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

"BDO Dunwoody LLP"

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario
April 15, 2009

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

December 31	2008	2007
Assets		
Financial assets		
Cash (Note 1)	\$ 3,831,545	\$ 3,055,636
Taxes receivable	792,897	832,230
Trade and other receivable	1,633,004	1,554,668
Long-term investments (Note 2)	13,453,261	13,883,104
	\$ 19,710,707	\$ 19,325,638
Liabilities and Municipal Position		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,977,721	\$ 1,791,506
Deferred revenue - obligatory reserve funds	412,568	245,338
- other	839,718	103,711
Net long-term liabilities (Note 3)	4,204,821	4,770,665
Solid waste landfill closure and post-closure liability (Note 4)	215,634	208,665
Post-employment benefits	491,693	458,042
	8,142,155	7,577,927
Municipal position		
Current fund (Note 5)	5,952,024	6,594,024
Capital fund (Note 6)	(40,111)	(52,886)
Reserves and reserve funds	10,581,271	10,666,990
	16,493,184	17,208,128
Amounts to be recovered (Note 7)	(4,924,632)	(5,460,417)
	11,568,552	11,747,711
	\$ 19,710,707	\$ 19,325,638

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

For the year ended December 31	Budget	2008	2007
Revenues			
Taxation	\$ 10,398,641	\$ 10,386,446	\$ 9,643,944
Fees and user charges	6,495,376	6,731,024	6,603,063
Canada grants	261,699	295,609	386,737
Ontario grants	7,011,417	6,013,950	7,945,694
Other income (Note 8)	1,666,490	1,794,445	1,693,647
Business enterprise revenue	-	(13,724)	301,098
	25,833,623	25,207,750	26,574,183
Expenditures			
Current (Note 9)			
General government	2,552,839	2,418,347	2,626,028
Protection services	3,890,606	4,008,195	3,917,779
Transportation services	3,042,332	2,992,442	2,793,564
Environmental services	2,665,425	2,741,600	2,712,037
Health services	1,574,138	1,708,798	1,765,635
Social and family services	2,297,396	2,266,300	2,366,617
Social housing	455,070	455,070	398,506
Recreational and cultural services	2,768,999	2,688,016	2,673,414
Planning and development	635,313	467,791	538,132
	19,882,118	19,746,559	19,791,712
Capital			
General government	44,950	133,361	158,545
Protection services	315,000	319,295	46,276
Transportation services	3,594,146	2,647,129	2,027,496
Environmental services	2,106,243	1,843,309	1,103,610
Health services	31,000	30,691	80,210
Social and family services	41,542	37,764	79,707
Recreational and cultural services	398,000	402,745	762,708
Planning and development	31,200	28,768	13,260
	6,562,081	5,443,062	4,271,812
Total expenditures	26,444,199	25,189,621	24,063,524
Net revenue for the year	(610,576)	18,129	2,510,659
Change in amounts to be recovered			
Amounts to be recovered	-	535,785	653,858
Debt principal payments	(629,894)	(565,843)	(585,141)
Transferred from (to) obligatory reserves	-	(167,230)	139,258
	(629,894)	(197,288)	207,975
Change in fund balances for the year	\$ (1,240,470)	\$ (179,159)	\$ 2,718,634

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

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

For the year ended December 31	2008	2007
Cash provided by (used in)		
Operating activities		
Net revenue for the year	\$ 18,129	\$ 2,510,659
Decrease (increase) in surplus for the year in business enterprises	13,724	(301,098)
	<u>31,853</u>	<u>2,209,561</u>
(Increase) decrease in taxes receivable	39,333	278,902
(Increase) decrease in accounts receivable	(78,336)	704,236
Increase (decrease) in accounts payable	186,215	290,193
Increase (decrease) in deferred revenue	903,237	(100,736)
Increase in solid waste landfill closure and post-closure	6,969	6,968
Increase (decrease) in post-employment benefits	33,651	(10,751)
	<u>1,091,069</u>	<u>1,168,812</u>
	<u>1,122,922</u>	<u>3,378,373</u>
Investing activities		
Decrease (increase) in long-term investments	416,119	(1,181,096)
Financing activities		
Repayment of long-term debt	(565,844)	(585,141)
Decrease (increase) in amounts to be recovered	(197,288)	207,975
	<u>(763,132)</u>	<u>(377,166)</u>
Net change in cash and cash equivalents	775,909	1,820,111
Cash and cash equivalents, beginning of the year	<u>3,055,636</u>	<u>1,235,525</u>
Cash and cash equivalents, end of the year	<u>\$ 3,831,545</u>	<u>\$ 3,055,636</u>

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

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

December 31, 2008

Management Responsibility

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 accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Basis of Consolidation

The consolidated statements reflect the assets, liabilities, revenues and expenditures of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees and boards which are owned or controlled by Council. 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 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 and partnerships are separate legal entities which do not rely on the municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. Fort Frances Power Corporation and Fort Frances Network Services are reflected in the consolidated statements.

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

December 31, 2008

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. Municipal position 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.

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 in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

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

Long-term Investments

Long-term investments are recorded at the lower of cost and market value.

Capital Assets

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities in the period of acquisition.

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

December 31, 2008

Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.

Amounts to be Recovered

Amounts to be recovered are reported in the municipal position on the consolidated statement of financial position. The balance represents the liabilities not yet due and other future expenditures not yet levied on the ratepayers.

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.

Trust Funds

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, 2008

1. Cash

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

	2008	2007
Unrestricted	\$ 985,330	\$ 907,197
Restricted	2,846,215	2,148,439
	\$ 3,831,545	\$ 3,055,636

2. Long-term Investments

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

	2008	2007
Unrestricted		
Business enterprises - wholly owned		
Fort Frances Network Services		
1 Common share	\$ 1	\$ 1
Accumulated surplus	58,524	655,093
	58,525	655,094
Fort Frances Power Corporation		
5,807,391 Common shares	5,807,391	5,807,391
Accumulated surplus (deficit)	38,277	55,433
	5,845,668	5,862,824
Other		
	5,904,193	6,517,918
	252,405	251,461
	6,156,598	6,769,379
Restricted		
Other	6,197,052	4,953,969
Investment in own debentures	188,500	1,181,978
Loan - Fort Frances Community Clinic	911,111	977,778
	7,296,663	7,113,725
	\$ 13,453,261	\$ 13,883,104

Government business enterprises are accounted for using the modified equity method. The total of other investments of \$252,405 (2007 - \$251,461) reported at cost value, has a market value of \$252,405 (2007 - \$251,461) at the end of the year. The total of restricted investments of \$7,296,663 (2007 - \$7,113,725) reported at cost value has a market value of \$7,510,649 (2007 - \$7,113,725) at the end of the year.

No market exists for the loan to the Fort Frances Community Clinic, therefore the market value is not readily available and has not been disclosed.

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

December 31, 2008

3. Long-term Liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	<u>2008</u>	<u>2007</u>
Bank loan - 4.44%	\$ 1,169,736	\$ 1,407,648
Debenture debt, various interest rates	2,836,703	3,065,443
Northern Ontario Heritage Loan - 5% - only if principal payments in default	<u>198,382</u>	<u>297,574</u>
	<u>\$ 4,204,821</u>	<u>\$ 4,770,665</u>

Principal payments for the next five years and thereafter are as follows:

Year	Amount
2009	\$ 580,876
2010	596,881
2011	514,824
2012	533,045
2013	532,693
Thereafter	<u>1,446,502</u>
	<u>\$ 4,204,821</u>

4. Solid Waste Landfill Closure and Post-Closure Liabilities

Landfill 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 liability for the landfill site is recorded at \$215,634 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 \$205,890. The estimated remaining capacity of the site's opened cells are approximately 191,625 cubic meters, which will be filled in 21 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, 2008

5. Current Fund

	2008	2007
Available to offset future revenue requirements (required to be financed from future revenues):		
General area taxation	\$ -	\$ 23,079
Debenture pre levies	47,680	48,629
Business improvement area	149	4,397
Equity in government business enterprises	5,904,195	6,517,919
	\$ 5,952,024	\$ 6,594,024

6. Capital Fund

	2008	2007
Acquisition of capital assets to be financed from the proceeds of long-term liabilities and reserve funds	\$ (40,111)	\$ (52,886)

7. Amounts to be Recovered

	2008	2007
Net long-term liabilities	\$ 4,204,821	\$ 4,770,665
Post-employment benefits	27,250	27,250
Solid waste management facilities	215,634	208,665
Future expenditures not yet levied for	476,927	453,837
	\$ 4,924,632	\$ 5,460,417

8. Other Income

	2008	2007
Penalties and interest on taxes	\$ 146,666	\$ 133,424
Investment income	561,215	528,320
Rents, concessions and franchises	91,798	77,200
Donations	432,934	455,692
Sale of land and other assets	2,200	65,000
Provincial offences	340,884	354,705
Other fines	10,270	10,179
Licence and permits	36,990	42,451
Insurance proceeds and other recoveries	171,488	26,676
	\$ 1,794,445	\$ 1,693,647

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

December 31, 2008

9. Expenditures by Object

Total operating expenditures for the year reported on the consolidated statement of financial activities are as follows:

	<u>2008</u>	<u>2007</u>
Salaries, wages and employee benefits	\$ 7,787,017	\$ 7,659,555
Long-term debt charges - interest	262,593	277,124
Materials	3,707,159	3,881,252
Contracted services	4,246,340	4,089,547
Rents and financial expenses	542,891	568,273
Contributions to other organizations	3,200,559	3,315,961
	<u>\$ 19,746,559</u>	<u>\$ 19,791,712</u>

10. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 108 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 2008 was \$357,263 (2007 - \$359,554) for current services. The OMERS Board rate was 6.5% to 10.7% depending on the income level for 2008 (2007 - 6.5% to 10.7% depending on the income level).

11. Budget Amounts

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2008 budget amounts for the Corporation of the Town of Fort Frances approved by Council have been restated to conform to the basis of preparation of the revenues and expenditures on the consolidated statement of financial activities.

12. Operations of School Boards

	<u>2008</u>	<u>2007</u>
During the year, the following taxation revenue was raised and remitted to the school boards	\$ 2,792,548	\$ 3,058,757

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

December 31, 2008

13. Trust Funds

The trust funds administered by the municipality amounting to \$1,022,373 (2007 - \$1,053,271) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities.

14. Contributions to Unconsolidated Boards

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

	<u>2008</u>	<u>2007</u>
Northwestern Health Unit	\$ 395,414	\$ 395,414
Rainy River District Social Services Administration Board		
Ambulance service	824,511	890,452
General assistance	598,803	660,571
Child care	109,220	109,661
Social housing	455,070	398,506
	<u>\$ 2,383,018</u>	<u>\$ 2,454,604</u>

15. Contingent Liabilities

Various lawsuits have been filed against the Corporation for incidents which arose in the ordinary course of business as well as land claims. These lawsuits include a claim against the Corporation that has been estimated at a minimum settlement of \$350,000. 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.

16. Tangible Capital Assets

For the year ended December 31, 2009, the municipality will be required to comply with Section 3150, Tangible Capital Assets of the Public Sector Accounting Board Handbook. Section 3150 requires the capitalization and amortization of tangible capital assets in the financial statements. As a transitional provision, Public Sector Guideline - 7, Tangible Capital Assets of Local Governments, requires disclosure of information for each major class of tangible capital asset for which all the relevant information can be provided.

The municipality is currently in the process of assessing the value of their capital assets. No relevant and complete information is available as of December 31, 2008.

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

December 31, 2008

17. Commitments

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

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

2009	\$485,022
2010	\$424,394
2011	\$363,766
2012	\$303,138
2013	\$242,160
Thereafter	\$362,712

- (b) In accordance with the Ontario Economic Development Financial Incentive Plan, the Town has committed to the following:
- (i) In 2007 the Town approved a municipal service grant to Abitibi-Bowater in regards to the "Bio-Mass" project. The maximum value of this grant is \$100,000. At December 31, 2008, \$26,726 of services has been utilized.
 - (ii) In addition to the grant noted above, the Town waived building permits in the amount of \$73,360 under the Building Permit Fee Program.
 - (iii) The Town also entered into a Realty Tax Increment Equivalent Program on the "Bio-Mass" property. Under the terms of this program a grant will be provided using a three year phased process that provides a percentage of the municipal portion of the increase in property taxes relating to that specific building improvement.

18. Comparative Figures

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

19. 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, recreational and cultural services and planning and development.

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

December 31, 2008

19. Segmented Information (continued)

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 services 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.

Recreational 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 Schedule of Current Fund Operations

For the year ended December 31	Budget	2008	2007
Revenues			
Taxation	\$ 10,398,641	\$ 10,386,446	\$ 9,643,944
Fees and user charges	6,495,376	6,731,024	6,603,063
Canada grants	83,415	11,709	24,613
Ontario grants	4,029,811	4,273,243	5,818,442
Other	856,490	1,225,408	1,252,985
Business enterprise revenue	-	(13,724)	301,098
	21,863,733	22,614,106	23,644,145
Expenditures			
General government	2,552,839	2,418,347	2,626,028
Protection services	3,890,606	4,008,195	3,917,779
Transportation services	3,042,332	2,992,442	2,793,564
Environmental services	2,665,425	2,741,600	2,712,037
Health services	1,574,138	1,708,798	1,765,635
Social and family services	2,297,396	2,266,300	2,366,617
Social housing	455,070	455,070	398,506
Recreational and cultural services	2,768,999	2,688,016	2,673,414
Planning and development	635,313	467,791	538,132
	19,882,118	19,746,559	19,791,712
Net revenues for the year	1,981,615	2,867,547	3,852,433
Financing and transfers			
Debt principal repayments	(629,894)	(565,843)	(585,141)
Transfers to capital fund operations	(1,298,398)	(1,054,918)	(1,040,395)
Transfers from (to) reserves and reserve funds	(680,800)	(1,888,786)	(2,107,276)
	(2,609,092)	(3,509,547)	(3,732,812)
Change in fund balance for the year	(627,477)	(642,000)	119,621
Current fund, beginning of the year	6,594,024	6,594,024	6,474,403
Current fund, end of the year	\$ 5,966,547	\$ 5,952,024	\$ 6,594,024

The Corporation of the Town of Fort Frances Schedule of Capital Fund Operations

For the year ended December 31	Budget	2008	2007
Revenues			
Canada grants	\$ 178,284	\$ 283,900	\$ 362,124
Ontario grants	2,981,606	1,740,707	2,127,252
Other	810,000	170,321	99,082
	<u>3,969,890</u>	<u>2,194,928</u>	<u>2,588,458</u>
Expenditures			
General government	44,950	133,361	158,545
Protection services	315,000	319,295	46,276
Transportation services	3,594,146	2,647,129	2,027,496
Environmental services	2,106,243	1,843,309	1,103,610
Health services	31,000	30,691	80,210
Social and family services	41,542	37,764	79,707
Recreational and cultural services	398,000	402,745	762,708
Planning and development	31,200	28,768	13,260
	<u>6,562,081</u>	<u>5,443,062</u>	<u>4,271,812</u>
Net deficit for the year	<u>(2,592,191)</u>	<u>(3,248,134)</u>	<u>(1,683,354)</u>
Financing and transfers			
Transfers from current fund operations	1,298,398	1,054,918	1,040,395
Transfers from reserves and reserve funds	1,293,793	2,205,991	658,463
	<u>2,592,191</u>	<u>3,260,909</u>	<u>1,698,858</u>
Change in fund balance for the year	-	12,775	15,504
Capital fund, beginning of the year	-	(52,886)	(68,390)
Capital fund, end of the year	\$ -	\$ (40,111)	\$ (52,886)

The Corporation of the Town of Fort Frances Schedule of Reserves and Reserve Funds

For the year ended December 31	Budget	2008	2007
Revenues			
Other revenue	\$ -	\$ 398,716	\$ 341,580
Net transfers from (to) other funds			
Transfer from (to) current fund operations	680,800	1,888,786	2,107,276
Transfer from (to) capital fund operations	(1,293,793)	(2,205,991)	(658,463)
	<u>(612,993)</u>	<u>(317,205)</u>	<u>1,448,813</u>
Change in balance for the year	(612,993)	81,511	1,790,393
Reserves and reserve funds, beginning of the year	10,912,328	10,912,328	9,121,935
Reserves and reserve funds, end of the year	\$ 10,299,335	\$ 10,993,839	\$ 10,912,328

Analyzed as follows:

Deferred revenue			
Obligatory reserves		\$ 412,568	\$ 245,338
Reserves set aside for specific purpose by Council:			
Working funds		735,905	205,905
Capital purposes		422,271	1,368,801
		<u>1,158,176</u>	<u>1,574,706</u>
Reserve funds set aside for specific purpose by Council:			
Replacement of equipment		432,065	432,105
Sick leave and insurance		341,902	327,424
Current purposes		1,550,896	1,556,486
Capital purposes		7,098,232	6,776,269
		<u>9,423,095</u>	<u>9,092,284</u>
Reserves and reserve funds, end of the year		\$ 10,993,839	\$ 10,912,328

The Corporation of the Town of Fort Frances Schedule of Segment Disclosure

**For the year ended
December 31, 2008**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreational and Cultural Services	Planning and Development	Eliminations	Total
Revenues											
Taxation	\$ 1,269,172	\$ 2,087,181	\$ 1,507,146	\$ 1,407,956	\$ 1,210,442	\$ 743,269	\$ 550,996	\$ 1,366,224	\$ 244,060		- \$ 10,386,446
Fees and user charges	246,907	101,574	791,950	4,433,006	58,854	91,048	-	743,295	264,390		- 6,731,024
Conditional grants	5,415	40,077	127,079	64,815	-	853,207	-	90,571	3,788		- 1,184,952
Unconditional grants	378,805	622,952	449,832	420,226	361,276	221,840	164,454	407,771	72,844		- 3,100,000
Other	148,062	243,491	175,824	164,252	141,210	86,710	64,279	159,384	28,472		- 1,211,684
Capital	-	-	1,532,468	540,319	-	33,333	-	88,808	-		- 2,194,928
Reserve	104,357	-	28,406	153,553	-	8,056	-	92,924	11,420		- 398,716
Total Revenue	2,152,718	3,095,275	4,612,705	7,184,127	1,771,782	2,037,463	779,729	2,948,977	624,974		- 25,207,750
Expenses											
Wages and benefits	1,252,637	1,248,301	1,706,411	601,538	307,215	790,155	-	1,668,534	212,226		- 7,787,017
Long-term debt charges (Interest)	-	-	23,686	78,428	-	-	-	141,993	18,486		- 262,593
Materials	846,787	222,960	880,223	646,589	93,234	160,800	-	703,239	153,327		- 3,707,159
Contracted services	151,863	2,438,391	328,579	1,092,959	6,110	56,574	-	114,528	57,336		- 4,246,340
Rents and financial	90,777	17,894	53,543	289,271	7,670	5,098	-	59,722	18,916		- 542,891
External transfers	76,283	80,649	-	32,815	1,294,569	1,253,673	455,070	-	7,500		- 3,200,559
Total current fund expenses	2,418,347	4,008,195	2,992,442	2,741,600	1,708,798	2,266,300	455,070	2,688,016	467,791		- 19,746,559
Capital expenses	133,361	319,295	2,647,129	1,843,309	30,691	37,764	-	402,745	28,768		- 5,443,062
Total expenses	2,551,708	4,327,490	5,639,571	4,584,909	1,739,489	2,304,064	455,070	3,090,761	496,559		- 25,189,621
Net surplus (deficit)	\$ (398,990)	\$ (1,232,215)	\$ (1,026,866)	\$ 2,599,218	\$ 32,293	\$ (266,601)	\$ 324,659	\$ (141,784)	\$ 128,415		- \$ 18,129



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The Corporation of the Town of Fort Frances

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Fort Frances

We have audited the balance sheet of the Trust Funds of the Corporation of the Town of Fort Frances as at December 31, 2008, and the statement of continuity of the Trust Funds for the year then ended. These financial statements are the responsibility of the municipality's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Corporation of the Town of Fort Frances as at December 31, 2008, and the continuity of the Trust Funds for the year then ended in accordance with the accounting principles disclosed in the note to the financial statements.

"BDO Dunwoody LLP"

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario
April 15, 2009

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

December 31, 2008	Area Services Board	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	Skateboard Park	Total
Assets						
Cash	\$ -	\$ -	\$ 34,416	\$ 74,969	\$ 65	\$ 109,450
Accounts receivable						
Own municipality	-	-	-	17	14	31
Investments						
Other	-	234,888	697,078	-	-	931,966
	\$ -	\$ 234,888	\$ 731,494	\$ 74,986	\$ 79	\$ 1,041,447
Liabilities						
Own municipality	\$ -	\$ -	\$ 18,888	\$ -	\$ 186	\$ 19,074
Balance capital	-	234,888	712,606	74,986	(107)	1,022,373
	\$ -	\$ 234,888	\$ 731,494	\$ 74,986	\$ 79	\$ 1,041,447

Statement of Continuity

December 31, 2008	Area Services Board	Cemetery Care and Maintenance	Cemetery Special Care	Community Chest	Skateboard Park	Total
Balance, beginning of the year	\$ 47,130	\$ 164,937	\$ 758,872	\$ 82,239	\$ 93	\$ 1,053,271
Capital receipts						
Care receipts and contributions	-	8,682	15,003	-	-	23,685
Interest earned	-	10,554	32,019	2,078	11	44,662
Donations	-	-	-	69,208	160	69,368
	-	19,236	47,022	71,286	171	137,715
Expenditures						
Operations	-	-	-	-	371	371
Administration	-	-	-	6,310	-	6,310
Capital funds	-	(61,269)	61,269	-	-	-
Transfer to Province	47,130	-	-	-	-	47,130
Interest paid to cemetery	-	10,554	32,019	-	-	42,573
Grants	-	-	-	72,229	-	72,229
	47,130	(50,715)	93,288	78,539	371	168,613
Balance, end of the year	\$ -	\$ 234,888	\$ 712,606	\$ 74,986	\$ (107)	\$ 1,022,373

The accompanying notes are an integral part of these financial statements.

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

December 31, 2008

Summary of Significant Accounting Policies

Management Responsibility The financial statements of the Corporation of the Town of Fort Frances Trust Funds are 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 Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long-term liabilities which are charged against operations in the periods in which they are paid.

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.

Capital Assets The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are recorded as an expenditure on the statement of continuity in the year of acquisition.