

**CORPORATION OF THE
TOWN OF DEEP RIVER**

Consolidated Financial Statements
For the Year Ended December 31, 2009

CORPORATION OF THE TOWN OF DEEP RIVER

Consolidated Financial Statements

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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
CORPORATION OF THE TOWN OF DEEP RIVER

We have audited the consolidated statement of financial position of the **CORPORATION OF THE TOWN OF DEEP RIVER** as at December 31, 2009 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Town'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 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 Town as at December 31, 2009 and the results of its operations and the changes in net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Pembroke, Ontario
March 10, 2010

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Financial Position
As At December 31, 2009

	2009	2008
FINANCIAL ASSETS		
Cash	\$ 2,329,829	\$ 224,792
Investments (Note 2)	3,013,055	2,916,189
Taxes receivable	121,502	70,873
Trade and other receivables	215,489	154,963
Loan receivable (Note 3)	88,816	98,361
Inventories for resale	2,974	2,440
	\$ 5,771,665	\$ 3,467,618
LIABILITIES		
Temporary loans (Note 4)	\$ -	\$ 2,661,780
Accounts payable and accrued liabilities	994,575	775,991
Deferred revenue (Schedule 3)	265,010	170,110
Long term liabilities (Note 5)	7,618,300	3,617,458
Employee benefits and post employment liabilities (Note 6)	1,410,542	1,368,865
Landfill closure and post-closure liabilities (Note 7)	154,561	151,303
	10,442,988	8,745,507
Net Financial Assets	(4,671,323)	(5,277,889)
Non-Financial Assets		
Tangible capital assets - net (Schedule 4)	25,822,292	25,573,082
Inventory of supplies	6,729	3,768
Prepaid expenses	1,452	1,431
	25,830,473	25,578,281
ACCUMULATED SURPLUS (Schedule 5)	\$21,159,150	\$20,300,392

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

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CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Operations
For the Year Ended December 31, 2009

	2009	2009	2008
	Budget	Actual	Actual
	(Note 17)		
REVENUES (Note 8)			
Taxation	\$ 4,896,236	\$ 4,927,052	\$ 4,934,284
User charges	2,539,633	2,599,185	2,485,376
Government transfers	882,804	924,829	826,413
Other	34,400	57,323	96,049
	8,353,073	8,508,389	8,342,122
EXPENDITURES			
General government	\$ 996,107	\$ 960,558	\$ 1,057,149
Protection to persons and property	2,186,507	2,655,444	2,274,373
Transportation services	924,559	1,000,999	964,132
Environmental services	2,282,403	2,964,130	3,246,909
Health services	19,778	16,485	18,796
Recreation and cultural services	1,329,160	1,390,045	1,249,804
Planning and development	152,062	145,412	118,599
	7,890,576	9,133,073	8,929,762
NET REVENUES (EXPENSES)	462,497	(624,684)	(587,640)
OTHER			
Grants and transfers related to capital			
Deferred revenue earned - Schedule 3	\$ -	\$ 40,315	\$ 40,315
Government transfers:			
• Federal	-	1,280,096	-
• Provincial	-	18,541	224,287
AECL capital grant	-	-	107,724
Donations	-	47,613	1,000
	-	1,386,565	373,326
INTEREST EARNED ON RESERVES	-	96,877	208,102
ANNUAL SURPLUS (DEFICIT)	462,497	858,758	(6,212)
ACCUMULATED SURPLUS, beginning of year	20,300,392	20,300,392	20,306,604
ACCUMULATED SURPLUS, end of year	\$20,762,889	\$21,159,150	\$20,300,392

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

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2009

	2009	2009	2008
	Budget	Actual	Actual
ANNUAL SURPLUS (DEFICIT)	\$ 462,497	\$ 858,758	\$ (6,212)
Amortization of tangible capital assets	-	1,224,891	1,196,840
Acquisition of tangible capital assets	(1,902,179)	(1,474,101)	(1,101,232)
Acquisition (use) of supplies inventories	-	(2,961)	1,185
Acquisition (consumption) of prepaid expenses	-	(21)	2,438
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,439,682)	606,566	93,019
NET FINANCIAL ASSETS, beginning of year	(5,277,889)	(5,277,889)	(5,370,908)
NET FINANCIAL ASSETS, end of year	\$(6,717,571)	\$(4,671,323)	\$(5,277,889)

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

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2009

	2009	2008
CASH FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 858,758	\$ (6,212)
Adjustments for item not affecting cash		
Amortization of tangible capital assets	1,224,891	1,196,840
Changes in non-cash working capital		
Taxes receivable	(50,629)	81,069
Trade and other receivables	(60,526)	787,707
Loan receivable	9,545	9,039
Inventory of supplies	(3,495)	830
Prepaid expenses	(21)	2,438
Accounts payable and accrued liabilities	218,584	(1,121,051)
Employee benefits and post-employment liabilities	41,677	100,041
Landfill closure and post-closure liabilities	3,258	6,032
Deferred revenue	94,900	30,877
Temporary loans	(2,661,780)	-
	(324,838)	1,087,610
CASH FROM FINANCING ACTIVITIES		
Proceeds from issue of debentures	4,221,916	-
Payments on long-term liabilities	(221,074)	(207,524)
	4,000,842	(207,524)
CASH FROM INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,474,101)	(1,101,232)
	(1,474,101)	(1,101,232)
INCREASE (DECREASE) IN CASH POSITION	2,201,903	(221,146)
CASH POSITION, beginning of year	3,140,981	3,362,127
CASH POSITION, end of year	\$ 5,342,884	\$ 3,140,981
COMPRISED OF:		
Cash	\$ 2,329,829	\$ 224,792
Investments	3,013,055	2,916,189
	\$ 5,342,884	\$ 3,140,981

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

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Continuity of Reserves
For the Year Ended December 31, 2009

SCHEDULE 1

	BALANCE		REVENUES			TRANSFERS			BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total Operations	To Capital	Other	Total	
									End of Year
Reserves									
Acquisition of capital assets	\$ 1,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,565
Sick leave and payroll contingency	108,865	-	50,000	-	50,089	-	-	50,089	108,776
Waterworks	411,032	-	-	-	34,829	-	-	34,829	376,203
Sewer	303,208	-	188,458	-	188,458	-	-	-	491,666
Working funds	384,892	-	18,906	-	312,826	-	22,066	334,892	68,906
Recreation facilities	1,333	-	-	-	-	-	-	-	1,333
Police services legal	690	-	-	-	690	-	-	690	-
Insurance claims	46,720	-	-	-	-	-	-	-	46,720
WSIB	72,964	-	-	-	-	-	-	-	72,964
Physician recruitment	11,594	-	-	22,066	22,066	-	-	-	33,660
Living legacy	4,425	-	-	-	-	-	-	-	4,425
Asset replacement	562,929	-	7,412	40,000	47,412	7,500	76,256	83,756	526,585
	1,910,217	-	264,776	62,066	326,842	405,934	76,256	22,066	1,732,803
Reserve funds (Schedule 2)	2,599,947	96,877	487,049	-	583,926	-	327,895	40,000	2,815,978
Total reserves and reserve funds	\$4,510,164	\$ 96,877	\$ 751,825	\$ 62,066	\$ 910,768	\$ 405,934	\$ 404,151	\$ 62,066	\$ 4,548,781

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

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Continuity of Reserve Funds
For the Year Ended December 31, 2009

SCHEDULE 2

	BALANCE		REVENUES				TRANSFERS			BALANCE			
	Beginning of Year	Interest on Investments	From Operations	Other	Total Operations	To Operations	To Capital	Other	Total				
Reserve Funds													
Capital asset replacement	\$2,390,724	\$ 88,830	\$ 481,193	\$ -	\$ 570,023	\$ -	\$ 307,895	\$ -	\$ 307,895	\$2,652,852			
Hydro sale proceeds	160,269	8,036	-	-	8,036	-	20,000	40,000	60,000	108,305			
Humanitarian donations	1,907	8	-	-	8	-	-	-	-	1,915			
Airport operations	46,327	-	5,856	-	5,856	-	-	-	-	52,183			
Other	720	3	-	-	3	-	-	-	-	723			
	\$2,599,947	\$ 96,877	\$ 487,049	\$ -	\$ 583,926	\$ -	\$ 327,895	\$ 40,000	\$ 367,895	\$2,815,978			

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

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Deferred Revenue
For the Year Ended December 31, 2009

SCHEDULE 3

	BALANCE		REVENUES				TRANSFERS			BALANCE
	Beginning of Year	Interest on Investments	Operating	From Government	Total	To Operating	To Capital	Other	Total	End of Year
Deferred Revenue										
Obligatory Reserve Funds										
Gas tax rebates	\$ 170,110	\$ 856	\$ -	\$ 134,359	\$ 135,215	\$ -	\$ 40,315	\$ -	\$ 40,315	\$ 265,010
	\$ 170,110	\$ 856	\$ -	\$ 134,359	\$ 135,215	\$ -	\$ 40,315	\$ -	\$ 40,315	\$ 265,010

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

**Corporation of the Town of Deep River
Consolidated Schedule of Tangible Capital Assets**
For the year ended December 31, 2009

Schedule 4	General										Totals			
	Land	Buildings	Vehicles	Equipment	Computer	Other	Roads	Plants & Facilities	Infrastructure & Other	Other Structures	Construction	Assets Under Construction	2009	2008
Cost														
Balance, Beginning of year	1,338,932	6,176,444	1,647,900	520,523	58,104	543,648	3,063,008	19,408,801	4,457,718	972,428	67,031	38,254,537	37,424,567	
Add:														
Additions during year	68,120	293,853	60,555	51,930	5,637	58,099	122,424	-	-	78,433	735,050	1,474,101	1,101,232	
Less:														
Disposals during year	-	-	(21,309)	-	-	-	-	-	-	-	-	(21,309)	(264,911)	
Balance, End of year	1,407,052	6,470,297	1,687,146	572,453	63,741	601,747	3,185,432	19,408,801	4,457,718	1,050,861	802,081	39,707,329	38,260,888	
Accumulated Amortization														
Balance, Beginning of year	-	3,011,537	749,797	305,485	58,104	334,841	2,583,971	2,271,089	2,656,400	710,231	-	12,681,455	11,755,877	
Add:														
Amortization during the year	-	130,074	118,767	36,693	2,819	58,699	32,324	781,010	41,040	23,465	-	1,224,891	1,196,840	
Less:														
Reduction on disposals	-	-	(21,309)	-	-	-	-	-	-	-	-	(21,309)	(264,911)	
Balance, End of year	0	3,141,611	847,255	342,178	60,923	393,540	2,616,295	3,052,089	2,697,440	733,696	0	13,885,037	12,687,806	
Net book value of Tangible Capital Assets	1,407,052	3,328,686	839,891	230,275	2,818	208,207	569,137	16,356,702	1,760,278	317,165	802,081	25,822,292	25,573,082	
Cost														
Balance, Beginning of year	2,189,140	133,031	688,639	4,341,989	1,074,525	16,268,297	7,665,257	198,463	5,695,196	-	-	38,254,537	37,424,567	
Add:														
Additions during year	37,201	40,025	24,351	145,891	73,700	-	735,050	-	410,920	6,963	-	1,474,101	1,101,232	
Less:														
Disposals during year	-	-	-	(21,309)	-	-	-	-	-	-	-	(21,309)	(264,911)	
Balance, End of year	2,226,341	173,056	712,990	4,466,571	1,148,225	16,268,297	8,400,307	198,463	6,106,116	6,963	0	39,707,329	38,260,888	
Accumulated Amortization														
Balance, Beginning of year	876,814	48,706	220,254	3,272,792	507,737	2,275,337	2,652,152	87,387	2,740,276	-	-	12,681,455	11,755,877	
Add:														
Amortization during the year	47,115	34,316	45,371	91,675	29,838	592,994	229,055	11,457	141,675	1,395	-	1,224,891	1,196,840	
Less:														
Reduction on disposals	-	-	-	(21,309)	-	-	-	-	-	-	-	(21,309)	(264,911)	
Balance, End of year	923,929	83,022	265,625	3,343,158	537,575	2,868,331	2,881,207	98,844	2,881,951	1,395	0	13,885,037	12,687,806	
Net Book Value of Tangible Capital Assets	1,302,412	90,034	447,365	1,123,413	610,650	13,399,966	5,519,100	99,619	3,224,165	5,568	0	25,822,292	25,573,082	

The accompanying notes and schedules are an integral part of these financial statements

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Accumulated Surplus
For the Year Ended December 31, 2009

SCHEDULE 5

	2009	2008
RESERVE FUNDS - Schedule 2		
Capital asset replacement	\$ 2,652,852	\$ 2,390,724
Hydro sale proceeds	108,305	160,269
Humanitarian donations	1,915	1,907
Airport operations	52,183	46,327
Other	723	720
Total	2,815,978	2,599,947
RESERVE - Schedule 1		
Acquisition of capital assets	\$ 1,565	\$ 1,565
Sick leave and payroll contingency	108,776	108,865
Waterworks	376,203	411,032
Sewer	491,666	303,208
Working funds	68,906	384,892
Recreation facilities	1,333	1,333
Police service legal	-	690
Insurance claims	46,720	46,720
WSIB	72,964	72,964
Physician recruitment	33,660	11,594
Living legacy	4,425	4,425
Asset replacement	526,585	562,929
Total	1,732,803	1,910,217
Total - Reserves and reserve Funds	4,548,781	4,510,164
SURPLUSES		
Invested in tangible capital assets	\$18,145,585	\$17,283,206
General revenue fund	8,101	14,118
Landfill operations board	21,786	13,072
Airport commission	-	-
Unfunded		
• Employment benefits and post-employment liabilities	(1,410,542)	(1,368,865)
• Landfill closure and post-closure liabilities	(154,561)	(151,303)
Total surpluses	16,610,369	15,790,228
ACCUMULATED SURPLUS	\$21,159,150	\$20,300,392

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

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**Corporation of the Town of Deep River
Consolidated Schedule of Segmented Information
for the year ended December 31**

Schedule 6

	General Government		Protection		Transportation		Environment		Health		Recreation		Planning		Totals	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Operations																
Revenue																
Taxation	4,927,052	4,934,284													4,927,052	4,934,284
Government transfers	722,500	411,359	130,258	30,642	349,941	25,000	25,000	14,574	14,471	32,497	20,000	20,000	924,829	826,413		
User charges	25,374	23,467	266,272	252,964	101,858	101,302	1,859,982	1,748,780	13,702	18,900	328,497	334,832	5,131	2,599,185	2,485,376	
Other income	35,588	34,788	5,965	2,462	10,459	11,222	19,225	5,121	25,374	2,930	238	238	57,323	96,049		
	5,710,514	5,403,898	396,530	289,571	104,320	461,702	1,896,204	1,768,005	13,702	18,900	348,192	374,677	38,927	25,369	8,508,389	8,342,122
Expenses																
Salaries and wages	497,518	522,978	2,206,524	1,925,558	496,119	502,399	161,761	158,792	12,418	716,425	602,742	83,013	75,908	4,171,242	3,800,795	
Services and rents	15,879	16,088			105,527	77,266	1,065,188	1,051,534	6,378	6,378	515,327	470,053	61,004	1,186,594	1,144,888	
Materials and supplies	427,642	491,683	298,309	209,442	270,260	271,823	661,745	1,046,806	16,618	34,900	16,618	34,900	2,240,890	2,538,876		
Grants and transfer payments					7,580	9,791	273,592	187,743						292,838	213,463	
Debt charges	11,666	15,929	70,924	70,512			(31,662)	(31,472)						0	0	
Intra government transfers	(39,262)	(39,040)	79,687	68,860	121,513	102,854	833,506	833,506	141,675	142,109	1,395	1,395	1,224,891	1,196,840		
Amortization	47,115	49,511														
	980,558	1,057,149	2,655,444	2,274,372	1,000,999	964,133	2,964,130	3,246,909	16,485	18,796	1,390,045	1,249,804	145,412	118,599	9,133,073	8,929,762
Net Revenues	4,749,956	4,346,749	(2,258,914)	(1,984,801)	(896,679)	(502,431)	(1,067,926)	(1,478,904)	(2,783)	104	(1,041,853)	(875,127)	(106,485)	(93,230)	(624,684)	(587,640)

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

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2009

The **TOWN OF DEEP RIVER** is an incorporated municipality in the Province of Ontario. Its operations are guided by the provisions of provincial statutes such as the *Municipal Act*, *Municipal Affairs Act* and related legislation.

1. SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Town of Deep River are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Town and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Town and is the difference between financial assets and liabilities. This information explains the Town's overall future revenue requirements and its ability to finance activities and meet its obligations.

Effective January 1, 2009, the Town changed its accounting and financial reporting to conform to the revised guidelines in the Public Sector Accounting Handbook regarding financial reporting presentation (Section PS 1200) and tangible capital asset accounting (PS 3150). Current year data is presented on the new basis. Prior year data has been restated on the same basis wherever possible, to be comparable with the current year data. The most significant change is the reporting on tangible capital assets for the first time, and the inclusion of the Consolidated Statement of Change in Net Financial Assets.

REPORTING ENTITY

- (a) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reverse funds and changes in investment in tangible capital assets of the Town. The consolidated statements include the activities of all committees of Council and the following boards and utilities which are under the control of Council:

- Deep River Public Library Board
- Deep River Waterworks

The municipality is also a member of two non-controlled joint local boards which are accounted for using the proportionate consolidation method whereby the municipality's proportionate share of revenues, expenditures, assets and liabilities are included in the accounts after elimination of the proportionate share of inter-entity transactions:

	Proportionate Share
• North Renfrew Landfill Operations Board	52.00 %
• Pembroke and Area Airport Commission	8.554%

- (b) **Accounting for County and School Board Transactions**

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Renfrew are not reflected in these financial statements.

- (c) **Trust Funds**

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately in the Trust Funds Statement of Financial Activities and Fund Balances and the Trust Funds Statement of Financial Position.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF ACCOUNTING

(a) Accrual Basis of Accounting

Expenditures and related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(b) Revenue Recognition

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. Any supplementary billing adjustments made necessary by assessment appeals submitted by the ratepayers and changes to assessed value reflecting new construction are recognized in the year they are determined.

User charges and fees are recognized as revenue in the year the goods and services are provided.

Investment income is recognized as it is earned. Investment income earned on federal gas tax reserve funds is recorded as deferred revenue and included in Municipal revenues in the year that they are applied to qualifying capital expenditures.

Government transfers are recognized as revenue in the year in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligible criteria have been met, and reasonable estimates of the amounts can be made.

(c) Non-Financial Assets

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, provided the Change in Net Financial Assets for the year.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

<u>Assets</u>	<u>Useful Life-Years</u>
Buildings	10-50
Vehicles	4-20
Equipment	10-20
Computer equipment	2
Other	5-7
Roads	20-40
Plants and facilities	20-80
Underground and other networks	50-75
Other structures	15-25

Landfill sites are amortized using the units of production method based upon capacity used during the year.

1. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

- (c) Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is in service.

The Town has a capitalization threshold so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. The Canada-wide Consumer Price Index was used to deflate the replacement or reproduction cost to estimate historical cost in the year of acquisition.

Certain assets have been assigned a nominal value of one Canadian dollar because of the difficulty of determining a tenable valuation. The most significant such assets are the Town's road allowances and most Town lands.

Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

- (d) **Pension and Employee Benefits**

The Town accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement, sick leave benefits and certain post employment benefits. Vacation entitlements and sick leave benefits are accrued as entitlements are earned. Other post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service life of the employee groups.

- (e) **Deferred Revenue**

Government transfers of gas taxes are reported as deferred revenue in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the period in which related expenditures are incurred.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2009

1. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(f) **Investments**

Investments consist of bond funds and are recorded at market value.

(g) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates.

(h) **Financial Instruments**

Cash and investments are classified as held for trading and stated at fair value. The unrealized gain or loss on investments, being the difference between book value and fair value, is included in investment income in the Consolidated Statement of Operations. The fair value of investments is based on quoted market prices.

Taxes and other receivables are classified as loans and receivables, which are measured at amortized cost.

Accounts payable, accrued liabilities and long term liabilities are classified as other liabilities, which are measured at amortized cost.

2. **INVESTMENTS**

	2009	2008
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 3,013,055	\$ 2,916,189

The book value of the investments is \$2,977,892 (2008 - \$2,825,001).

3. **LOAN RECEIVABLE**

Loan receivable from Deep River Golf Club (1972) Incorporated, bearing interest at 4% per annum, receivable in semi-annual instalments of \$6,697 until August 2019, secured by a real property mortgage and chattel mortgage on Golf Club property and equipment.

4. **TEMPORARY LOANS**

	2009	2008
Ontario Infrastructure Projects Corporation (OIPC) loan, interest payable monthly at the OIPC floating rate. As at December 31, 2008, the interest rate was 2.5%	\$ -	\$ 2,661,780

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2009

5. LONG TERM LIABILITIES

- (a) The balance of long term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2009	2008
6.8% loan from Province of Ontario, maturing December 31, 2011, repayable in blended annual instalments of \$42,319	\$ 76,726	\$ 111,466
6.41% fixed rate term loan, maturing December 2011, repayable in blended semi-annual instalments of \$40,229	128,090	196,882
6.72% fixed rate term loan, maturing December 2011, repayable in blended semi-annual instalments of \$41,684	129,585	200,510
5.45% fixed rate loan, maturing June 2012, repayable in blended monthly instalments of \$17,904	3,061,983	3,108,600
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	4,221,916	-
	<u>\$ 7,618,300</u>	<u>\$ 3,617,458</u>

- (b) Principal is due on long term liabilities as follows:

2010	\$ 271,526
2011	237,552
2012	94,626
2013	99,842
2014	105,347
Thereafter	<u>6,809,407</u>
	<u>\$7,618,300</u>

The long term liabilities in (a) issued in the name of the municipality have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

- (c) Total interest charges for Town long-term liabilities reported on the Consolidated Statement are \$292,838 (2008 - \$213,463).

Of the total charges shown above, \$31,688 (2008 - \$42,763) was paid from general revenues of the Town, \$92,923 (2008 - Nil) was recovered from the water supply operation and \$168,227 (2008 - \$1,707) was recovered from the sanitary sewerage operation. These amounts are included on the Consolidated Statement of Operation, classified under the appropriate functional expenditure headings.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2009

6. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES

	2009	2008
Accrued vacation pay benefits	\$ 196,092	\$ 203,617
Sick leave (Note 6 (a))	699,600	693,627
Post-employment benefits (Note 6 (b))	514,850	471,621
	\$ 1,410,542	\$ 1,368,865

(a) SICK LEAVE BENEFITS

Under the sick leave benefit plans, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment. An amount of \$50,089 (2008 - \$11,793) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$108,776 (2008 - \$108,865) have been established to provide for these liabilities and are reported on the Consolidated Statement of Financial Position.

(b) POST EMPLOYMENT BENEFITS

The Municipality has defined benefit plans providing various post-retirement medical and life insurance benefits.

The liability and expense for 2009 was determined by an actuarial valuation prepared as of December 31, 2006 and forecasted for 2009.

Information about the plan is as follows:

	2009	2008
• Accrued benefit obligation at beginning of year	\$ 471,621	\$ 431,682
• Current service cost	22,194	21,087
• Interest on accrued benefits	25,835	23,652
• Benefit payments	(4,800)	(4,800)
• Accrued benefit obligations at end of year	\$ 514,850	\$ 471,621

Discount rate	5.25%
Assumed dental cost trend rate	4.0 %

The assumed health care cost trend rate was 10%, decreasing by 1% every 3 years until 5% is reached.

7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The Town operates a landfill site that now receives only construction and demolition waste. The estimated remaining life of the site at the current level of usage is three to five years. The estimated required period of post-closure care is six years. These financial statements recognize a liability for closure and post-closure care to the extent that the site has been used to date. Since costs are to be incurred in the future they have been discounted at 5.5% which is the Town's estimated long-term borrowing rate net of 2% inflation. Currently a liability of \$140,000 has been accrued. The present value of estimated total expenditures is approximately \$170,000. The liability remaining to be recognized is \$30,000.

The Town is also a joint member of the North Renfrew Landfill Operations Board which owns and operates one open landfill site. Currently, the landfill site is estimated to be 26.1% filled and has a remaining volume of 141,406 m³. At the current rate of usage, the landfill site is expected to close in 24 years or by December 31, 2033. The Board is liable for closing costs of this landfill site and post-closure costs for monitoring, reporting, site reconnaissance and maintenance on an annual basis for a period of at least four years following the closure of the site. The present value of the expected closure and post-closure costs have been reported as a liability in the Statement of Financial Position. The liability was estimated using a discount factor of 3.25% and is accrued based on site usage. Currently a liability of \$28,001 (Town share - \$14,561) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$107,439 (Town share - \$55,868). The liability remaining to be recognized is \$79,438 (Town share - \$41,308).

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2009

8. **REVENUES**

	2009	2009	2008
	Budget	Actual	Actual
Taxation			
Residential and farm taxation	\$ 3,915,640	\$ 3,912,124	\$ 3,766,010
Commercial, industrial and business taxation	762,484	772,450	806,248
Taxation from other governments	2,667,710	2,724,371	2,801,043
	7,345,834	7,408,945	7,373,301
Deduct: amounts received or receivable for County and school boards	(2,449,598)	(2,481,893)	(2,439,017)
	4,896,236	4,927,052	4,934,284
User Charges			
	2,539,633	2,599,185	2,485,376
Government transfers			
Government of Canada	16,359	19,268	13,525
Province of Ontario	846,445	880,561	792,888
Other municipalities	20,000	25,000	20,000
	882,804	924,829	826,413
Other			
Investment income	5,800	6,830	8,792
Penalties and interest on taxes	19,000	15,674	21,736
Donations	-	5,121	25,162
Other	9,600	29,698	40,359
	34,400	57,323	96,049
	\$ 8,353,073	\$ 8,508,389	\$ 8,342,122

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2009

9. AMOUNTS TO BE RECOVERED IN FUTURE YEARS

Future year's recoveries represent the requirement of the Town to raise funds in subsequent periods to finance unfunded liabilities.

	2009	2008
Unfunded employee benefits and post employment liabilities	\$ 1,410,542	\$ 1,368,865
Landfill closure and post closure liability	154,561	151,303
Long term liabilities	7,618,300	3,617,458
Total future years recoveries	\$ 9,183,403	\$ 5,137,626
Funding available from Reserves and Reserve Funds		
Sick leave reserve	\$ 108,776	\$ 108,865

10. EXPENDITURES BY OBJECT

The Consolidated Statement of Operations presents the consolidated expenditures by function. The following classifies those same expenditures by object.

	2009	2008
Salaries, wages and employee benefits	\$ 4,171,242	\$ 3,800,795
Interest on long term liabilities	292,838	213,463
Transfers to external organizations	16,618	34,900
Materials, contracted services, rents and financial expenses	3,427,484	3,683,764
Amortization	1,224,891	1,196,840
	\$ 9,133,073	\$ 8,929,762

11. PENSION CONTRIBUTIONS

The Town contributed \$239,212 (2008 - \$203,719) to OMERS on behalf of employees for current service. Contributions by employees were a similar amount. The Town's contributions are included on the Statement of Operations classified under appropriate functional expenditure headings.

12. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash and investments, accounts receivable, accounts payable and accrued liabilities, temporary loans and long term liabilities. The fair value of these financial instruments is approximately equal to their carrying value. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.

13. CONTRACTUAL OBLIGATIONS

The Town has entered into contracts for the collection of residential and commercial waste and for the collection handling and processing of recyclables at an annual cost of approximately \$248,505. The contracts expire in September 2013.

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Reserves and Reserve Funds
For the Year Ended December 31, 2009

14. **TRUST FUNDS**

Trust funds administered by the Town totalling \$244,737 (2008 - \$235,870) are presented in separate trust fund financial statements. As such, balances held in trust by the Town for the benefit of others have not been included in the Consolidated Statement of Financial Position not have their operations been included in the Consolidated Statement of Operations.

15. **CONTINGENT LIABILITIES**

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. Management believes that the Town has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Town's financial position. Any adjustments, arising from these matters, will be recorded in future years.

16. **PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996**

The Town of Deep River is an employer subject to the Public Sector Salary Disclosure Act. In 2009, the following employee was paid a salary and reported taxable benefits in excess of \$100,000, as defined in the Public Sector Salary Disclosure Act:

	Salary	Taxable Benefits
Mr. Michael Ueltzhoffer, Chief of Police	\$ 114,301	\$ 1,059

17. **BUDGET FIGURES**

The operating budget approved by Town Council, for 2009 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Town does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

18. **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

DEEP RIVER PUBLIC LIBRARY BOARD

Financial Statements

For the Year Ended December 31, 2009



AUDITORS' REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of:
The Corporation of the Town of Deep River

We have audited the statement of financial position of the **DEEP RIVER PUBLIC LIBRARY BOARD** as at December 31, 2009 and the statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Board'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 **DEEP RIVER PUBLIC LIBRARY BOARD** as at December 31, 2009 and the results of its operations and the changes in its net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants

Pembroke, Ontario
March 11, 2010

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Financial Position
As At December 31, 2009

	2009	2008
		(Note 1)
Financial assets		
Due from own municipality	\$ 15,394	\$ 18,960
Liabilities		
Accounts payable and accrued liabilities	7,293	4,842
Net financial assets	\$ 8,101	\$ 14,118
Non-financial assets		
Tangible capital assets - net (Note 1 and Schedule 1)	\$ 158,950	\$ 159,806
Accumulated surplus		
Invested in tangible capital assets	158,950	159,806
Operating fund	8,101	14,118
	\$ 167,051	\$ 173,924

The accompanying notes are an integral part of this financial statement.

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Changes in Accumulated Surplus
For The Year Ended December 31, 2009

	2009			2008
				(Note 1)
	Invested in Tangible Capital Assets	Operating Fund	Total	Total
Balance, beginning of year	\$ 159,806	\$ 14,118	\$ 173,924	\$ 169,456
Annual surplus (deficit)	(51,992)	45,119	(6,873)	4,468
Invested in tangible capital assets	51,136	(51,136)	-	-
Balance, end of year	\$ 158,950	\$ 8,101	\$ 167,051	\$ 173,924

The accompanying notes are an integral part of this financial statement.

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Operations
For the Year Ended December 31, 2009

	2009	2009	2008
	Budget	Actual	Actual
			(Note 1)
Revenues			
Town of Deep River	\$ 297,529	\$ 297,529	\$ 298,402
Province of Ontario	9,581	9,581	9,581
Federal Youth Employment grant	-	1,330	1,227
Industry Canada	-	3,663	3,663
Copier receipts	1,500	1,531	1,252
Fines and fees	9,500	8,554	9,299
Room and equipment rental	3,000	2,254	2,402
Audio visual income	7,000	5,050	6,024
Fundraising and miscellaneous	150	1,319	1,309
Donations	500	4,721	24,162
Total revenues	328,760	335,532	357,321
Expenses			
Amortization	\$ -	\$ 51,992	\$ 51,450
Salaries and employee benefits	210,125	204,508	197,468
Books, periodicals and non-print materials	50,166	-	-
Utilities and telephone	28,196	25,723	26,761
Copying expenses	2,765	2,305	2,024
Supplies	5,500	5,986	4,905
Office and general	3,230	2,666	2,077
Professional fees	1,428	1,400	1,740
Repairs and maintenance	33,330	33,619	33,745
Insurance	8,138	8,138	7,808
Computer equipment and software	-	6,068	4,875
	342,878	342,405	332,853
Transfer to Deep River and District Community Foundation	-	-	20,000
Total expenses	342,878	342,405	352,853
Annual surplus (deficit)	\$ (14,118)	\$ (6,873)	\$ 4,468

The accompanying notes are an integral part of this financial statement.

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2009

	2009	2008
Annual surplus (deficit)	\$ (6,873)	\$ 4,468
Amortization of tangible capital assets	51,992	51,450
Acquisition of tangible assets	(51,136)	(51,478)
Increase (decrease) in net financial assets	(6,017)	4,440
Net financial assets, beginning of year	14,118	9,678
Net financial assets, end of year	\$ 8,101	\$ 14,118

The accompanying notes are an integral part of this financial statement.

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Cash Flows
For the Year Ended December 31, 2009

	2009	2008
Cash from operating activities		
Annual surplus (deficit)	\$ (6,873)	\$ 4,468
Amortization	51,992	51,450
Changes in non-cash working capital		
Due from own municipality	3,566	(4,320)
Accounts payable	2,451	(120)
	51,136	51,478
Capital		
Additions to library collection	(51,136)	(51,478)
	(51,136)	(51,478)
Increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

DEEP RIVER PUBLIC LIBRARY BOARD
Notes to the Financial Statements
For the Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Deep River Public Library Board are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Board and changes thereto. The statement of financial position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. The financial position of the Board is the difference between financial assets and liabilities. This information explains the Board's overall future revenue requirements and its ability to finance activities and meet its obligations.

Effective January 1, 2009, the Board adopted the revised guidelines in the Public Sector Accounting Handbook regarding financial reporting presentation and tangible capital assets. The current year figures are presented in accordance with the revised guidelines and the comparative figures have been restated in order to be comparable with the current year figures. The revised guidelines require tangible capital assets to be reported for the first time, as well as the inclusion of the Statement of Changes in Net Financial Assets.

Accrual Basis of Accounting

Expenditures and related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

Non-Financial Assets

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.

Tangible Capital Assets

Tangible capital assets consist of the library's collection which is recorded at cost. The collection has been pooled and is amortized on a straight line basis over its estimated useful life of seven years.

Revenue Recognition

Grants, fees, fines and other receipts are recorded in the period to which they relate and when collection is reasonably assured.

Donations are reported on a cash basis. Donation pledges are not reported in the accounts until received.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from those estimates.

DEEP RIVER PUBLIC LIBRARY BOARD

Notes to the Financial Statements

For the Year Ended December 31, 2009

2. **PENSION AGREEMENT**

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 6 members of its staff. The plan is a defined benefit plan, fully funded by equal contributions from participating employers and employees and by investment earnings of the OMERS Fund. The amount of the retirement benefit to be received by the employees is based on the length of service and rates of pay, and is integrated with the Canada Pension Plan.

The amount contributed to OMERS for 2009 was \$9,154 (2008 - \$11,092) for current service and is included as an expenditure in Statement of Operations.

DEEP RIVER PUBLIC LIBRARY BOARD
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2009

SCHEDULE 1

	2009	2008
Library Collection - Cost		
Balance, beginning of year	\$ 405,245	\$ 353,767
Additions during the year	51,136	51,478
Balance, end of year	456,381	405,245
Library Collection - Accumulated Amortization		
Balance, beginning of year	245,439	193,989
Amortization during the year	51,992	51,450
Balance, end of year	297,431	245,439
Net book value of tangible capital assets	\$ 158,950	\$ 159,806

**CORPORATION OF THE
TOWN OF DEEP RIVER WATERWORKS**
Financial Statements
For the Year Ended December 31, 2009



AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Town of Deep River

We have audited the statement of financial position of the **CORPORATION OF THE TOWN OF DEEP RIVER WATERWORKS** as at December 31, 2009 and the statements of operations, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the utility'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 **CORPORATION OF THE TOWN OF DEEP RIVER WATERWORKS** as at December 31, 2009 and the results of its operations and the changes in its net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants

Pembroke, Ontario
March 13, 2010

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Financial Position
As At December 31, 2009

	2009	2008
		(Note 1)
Financial assets		
Advances to own municipality	\$ 576,031	\$ -
Accounts receivable	16,379	16,271
	592,410	16,271
Liabilities		
Accounts payable and accrued liabilities	216,207	396,640
Advances from own municipality	-	4,692,073
Long term liability (Note 4)	4,221,916	-
	4,438,123	5,088,713
Net financial assets	\$(3,845,713)	\$(5,072,442)
Non-financial assets		
Tangible capital assets - net (Note 1 and Schedule 1)	\$13,399,966	\$13,992,960
Accumulated surplus		
Invested in tangible capital assets	9,178,050	8,509,488
Reserve (Note 2)	376,203	411,030
	\$ 9,554,253	\$ 8,920,518

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Operations
For the Year Ended December 31, 2009

	2009	2009	2008
	Budget	Actual	Actual
			(Note 1)
Revenues			
Sale of water	\$ 786,042	\$ 834,122	\$ 741,822
Hydrant rental	42,924	42,924	42,512
Other operating revenues	12,007	10,857	18,224
Province of Ontario	-	25,000	-
Filtration plant grants and contributions	-	1,261,556	315,724
Total revenues	840,973	2,174,459	1,118,282
Expenses			
Administration	101,622	117,924	84,429
Amortization	-	592,994	592,994
Plant operations and water treatment	583,915	679,903	846,581
Water transmission and distribution	120,500	56,980	262,146
Interest on long term liability	134,936	92,923	-
Total expenses	940,973	1,540,724	1,786,150
Annual surplus (deficit)	(100,000)	633,735	(667,868)
Accumulated surplus, at the beginning of the year	8,920,994	8,920,518	9,588,386
Accumulated surplus, at the end of the year	\$ 8,820,994	\$ 9,554,253	\$ 8,920,518

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Changes in Net Financial Assets
As At December 31, 2009

	2009	2008
Annual surplus (deficit)	\$ 633,735	\$ (667,868)
Amortization of tangible capital assets	592,994	592,994
Acquisition of tangible capital assets	-	(503,959)
Increase (decrease) in net financial assets	1,226,729	(578,833)
Net financial assets, beginning of year	(5,072,442)	(4,493,609)
Net financial assets, end of year	\$(3,845,713)	\$(5,072,442)

The accompanying notes are an integral part of this financial statement.

**CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Cash Flows
For the Year Ended December 31, 2009**

	2009	2008
Cash from operating activities		
Annual surplus (deficit)	\$ 633,735	\$ (667,868)
Amortization	592,994	592,994
Changes in non-cash working capital		
Accounts receivable	(108)	331
Accounts payable	(180,433)	28,598
	1,046,188	(45,945)
Capital		
Acquisition of tangible capital assets	-	(503,959)
	-	(503,959)
Cash from financing activities		
Advances from own municipality	(5,268,104)	549,904
Proceeds on issuance of long term liability	4,221,916	-
	(1,046,188)	549,904
Increase in cash	-	-
Cash position, beginning of year	-	-
Cash position, end of year	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

5.

**CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Notes to the Financial Statements
For the Year Ended December 31, 2009**

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the **Corporation of the Town of Deep River Waterworks** are the representation of management, prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Town of Deep River Waterworks and changes thereto. The statement of financial position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. The financial position of the Town of Deep River Waterworks is the difference between financial assets and liabilities. This information explains the overall future revenue requirements and its ability to finance activities and meet its obligations.

Effective January 1, 2009, the Town of Deep River Waterworks adopted the revised guidelines in the Public Sector Accounting Handbook regarding financial reporting presentation and tangible capital assets. The current year figures are presented in accordance with the revised guidelines and the comparative figures have been restated in order to be comparable with the current year figures. The revised guidelines require tangible capital assets to be reported for the first time, as well as the inclusion of the Statement of Changes in Net Financial Assets.

Accrual Basis of Accounting

Expenditures and related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

Non-Financial Assets

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.

Revenue Recognition

Revenue from the sale of water and provision of services is recognized as revenue in the year the goods and services are provided.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Assets	Useful Life-Years
Watermains	50
Water treatment plant	20-80

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Notes to the Financial Statements
For the Year Ended December 31, 2009

1. **SIGNIFICANT ACCOUNTING POLICIES (cond't)**

Annual amortization is charged in the year of acquisition and in the year of disposal.

The Town has a capitalization threshold so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. The Canada-wide Consumer Price Index was used to deflate the replacement or reproduction cost to estimate historical cost in the year of acquisition.

Certain assets have been assigned a nominal value of one Canadian dollar because of the difficulty of determining a tenable valuation. The most significant such assets are water facility lands.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from those estimates.

2. **RESERVE**

The waterworks surplus is held as a reserve for acquisition of capital assets.

3. **PENSION AGREEMENT**

The Town of Deep River Waterworks makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all members of its staff. The plan is a defined benefit plan, fully funded by equal contributions from participating employers and employees and by investment earnings of the OMERS Fund. The amount of the retirement benefit to be received by the employees is based on the length of service and rates of pay, and is integrated with the Canada Pension Plan.

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Notes to the Financial Statements
For the Year Ended December 31, 2009

4. **LONG TERM LIABILITY**

	2009	2008
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	\$ 4,221,916	\$ -

Projected principal payments on the long term liability are as follows:

2010	\$ 30,956
2011	32,657
2012	34,451
2013	36,343
2014	38,340
Thereafter	<u>4,049,169</u>
	<u>\$ 4,221,916</u>

5. **BUDGET FIGURES**

Budget figures established for reserves and reserve funds are based on a project-oriented basis, the costs of which may be incurred over one or more years. Although they may not be directly comparable with current year actual amounts, they have been reflected on the Statement of Operations.

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2009

SCHEDULE 1

	Land	Watermains	Water Treatment Plant	2009	2008
Cost					
Balance, beginning of year	\$ 3	\$ 1,909,493	\$14,358,801	\$16,268,297	\$15,764,338
Additions during the year	-	-	-	-	503,959
Balance, end of year	3	1,909,493	14,358,801	16,268,297	16,268,297
Accumulated Amortization					
Balance, beginning of year	-	1,240,236	1,035,101	2,275,337	1,682,343
Amortization during the year	-	17,983	575,011	592,994	592,994
Balance, end of year	-	1,258,219	1,610,112	2,868,331	2,275,337
Net book value of tangible capital assets	\$ 3	\$ 651,274	\$12,748,689	\$13,399,966	\$13,992,960

CORPORATION OF THE TOWN OF DEEP RIVER
TRUST FUNDS
Financial Statements
For the Year Ended December 31, 2009



AUDITORS' REPORT

To the Members of Council, Inhabitants, and Ratepayers of:
The Corporation of the Town of Deep River

We have audited the statement of financial position of the **CORPORATION OF THE TOWN OF DEEP RIVER TRUST FUNDS** as at December 31, 2009 and the statement of continuity of trust funds for the year then ended. These financial statements are the responsibility of the Town'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 Town Trust Funds as at December 31, 2009 and the results of the financial activities of the trust funds for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants

Pembroke, Ontario
March 10, 2010

CORPORATION OF THE TOWN OF DEEP RIVER
Trust Funds
Statement of Financial Position
As At December 31, 2009

	2009			2008	
	Cemetery Care	Emergency Response Unit	Total	Total	
Assets					
Cash	\$ 56,013	\$ 6,868	\$ 62,881	\$ 59,689	
Investments (Note 2)	181,605	-	181,605	175,714	
Accounts receivable	251	-	251	466	
	\$ 237,869	\$ 6,868	\$ 244,737	\$ 235,869	
Fund Balances	\$ 237,869	\$ 6,868	\$ 244,737	\$ 235,869	

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWN OF DEEP RIVER
Trust Funds
Statement of Financial Activities and Fund Balances
For the Year Ended December 31, 2009

	2009		2008	
	Cemetery Care	Emergency Response Unit	Total	Total
Capital Receipts				
Sale of plots	\$ 5,950	\$ -	\$ 5,950	\$ 7,882
Emergency calls	-	11,597	11,597	2,800
Interest earned	6,172	34	6,206	14,698
	12,122	11,631	23,753	25,380
Expenditures				
Emergency response	-	14,885	14,885	1,678
Excess of receipts (expenditures)	12,122	(3,254)	8,868	23,702
Fund Balances at the beginning of the year	225,747	10,122	235,869	212,167
Fund Balances at the end of the year	\$ 237,869	\$ 6,868	\$ 244,737	\$ 235,869

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE TOWN OF DEEP RIVER

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2009

1. **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the **Corporation of the Town of Deep River Trust Funds** are the representation of management, prepared in accordance with generally accepted accounting policies for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Accrual Method of Accounting

The Trust Funds follow the accrual method of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are the cost of goods or services acquired in the period whether or not payment has been made or invoices received.

Revenue Recognition

Revenue from emergency calls and cemetery plot sales are recorded in the period that the goods or services are provided.

Interest income is recorded as it is earned.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from those estimates.

Financial Instruments

Cash and investments are classified as held for trading and stated at fair value. The unrealized gain or loss on investments, being the difference between book value and fair value, is included in investment income in the Statement of Continuity. The fair value of investments is based on quoted market prices.

Accounts receivables are classified as receivables, which are measured at amortized cost.

2. **INVESTMENTS**

	2009	2008
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 181,605	\$ 175,714

The book value of the investments is \$181,071 (2008 - \$174,231).

3. **FINANCIAL INSTRUMENTS**

The Trust Fund's financial instruments consist of cash, investments and accounts receivable. The fair value of these financial instruments is approximately equal to their carrying value. It is management's opinion that the Trust Funds are not exposed to significant interest, currency or credit risks arising from these financial instruments.