

**CORPORATION OF THE  
TOWN OF DEEP RIVER**

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CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

# 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, 2006 and the consolidated statements of financial activities and changes in financial position 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 consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2006 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Licensed Public Accountants

Pembroke, Ontario  
March 9, 2007

# CORPORATION OF THE TOWN OF DEEP RIVER

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2006

|  | 2006               | 2005               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>FINANCIAL ASSETS</b>  |                    |                    |
| Cash and temporary investments                                     | 2,805,840          | 1,697,240          |
| Taxes receivable   | 114,043            | 136,732            |
| Trade and other receivables  | 1,591,278          | 151,982            |
| Loan receivable (Note 2)   | 116,087            | 125,896            |
| Prepaid expenses   | 3,970              | 9,280              |
| Inventories (Note 1(c))  | 5,972              | 2,162              |
|  | <u>4,637,190</u>   | <u>2,123,292</u>   |
| <b>Total Assets</b>  | <u>4,637,190</u>   | <u>2,123,292</u>   |
| <b>LIABILITIES</b>   |                    |                    |
| Temporary loans (Note 3)   | 2,661,780          | 1,648,073          |
| Accounts payable and accrued liabilities                           | 1,185,236          | 985,765            |
| Deferred revenue - obligatory reserve funds (Note 4)               | 81,670             | 40,314             |
| Long term liabilities (Note 5)                                     | 4,111,955          | 968,620            |
| Employee future benefits payable (Note 6)                          | 1,153,523          | 870,822            |
| Solid waste landfill closure and post-closure liabilities (Note 7) | 142,033            | 141,686            |
|  | <u>9,336,197</u>   | <u>4,655,280</u>   |
| <b>MUNICIPAL POSITION</b>  |                    |                    |
| Current fund (Note 8)  | 313,918            | 423,000            |
| Capital fund   | (3,176,305)        | (4,805,563)        |
| Reserves and reserve funds   | <u>3,570,891</u>   | <u>3,831,703</u>   |
|  | 708,504            | (550,860)          |
| Amounts to be recovered from reserves and future revenues          | <u>(5,407,511)</u> | <u>(1,981,128)</u> |
| <b>Municipal position</b>  | <u>(4,699,007)</u> | <u>(2,531,988)</u> |
| <b>Total Liabilities and Municipal Position</b>                    | <u>4,637,190</u>   | <u>2,123,292</u>   |

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

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# CORPORATION OF THE TOWN OF DEEP RIVER

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2006

|   | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|---|----------------------|----------------------|----------------------|
| <b>REVENUES (Note 9)</b>                              |                      |                      |                      |
| Taxation  | 4,723,264            | 4,691,324            | 4,733,173            |
| User charges  | 1,986,028            | 2,034,839            | 1,845,492            |
| Government transfers                                  | 8,254,518            | 4,944,984            | 395,701              |
| Other   | 36,992               | 723,021              | 126,546              |
|   | <u>15,000,802</u>    | <u>12,394,168</u>    | <u>7,100,912</u>     |
| <b>EXPENDITURES</b>                                   |                      |                      |                      |
| <b>Current operations</b>                             |                      |                      |                      |
| General government                                    | 902,875              | 852,460              | 677,152              |
| Protection to persons and property                    | 1,852,142            | 2,144,140            | 1,848,512            |
| Transportation services                               | 797,186              | 802,490              | 778,536              |
| Environmental services                                | 1,628,171            | 1,682,681            | 1,474,340            |
| Health services                                       | 21,492               | 22,097               | 59,112               |
| Recreation and cultural services                      | 1,188,519            | 1,044,166            | 1,020,897            |
| Planning and development                              | 133,254              | 147,477              | 126,969              |
|   | <u>6,523,639</u>     | <u>6,695,511</u>     | <u>5,985,518</u>     |
| <b>Capital</b>  |                      |                      |                      |
| General government                                    | 77,965               | 12,428               | 5,916                |
| Protection to persons and property                    | 249,739              | 81,552               | 48,904               |
| Transportation services                               | 501,891              | 406,113              | 264,463              |
| Environmental services                                | 10,716,384           | 7,298,999            | 1,228,641            |
| Recreation and cultural services                      | 337,817              | 66,584               | 114,858              |
| Planning and development                              | 2,500                | -                    | -                    |
|   | <u>11,886,296</u>    | <u>7,865,676</u>     | <u>1,662,782</u>     |
| <b>Total expenditures</b>                             | <u>18,409,935</u>    | <u>14,561,187</u>    | <u>7,648,300</u>     |
| <b>NET REVENUES (EXPENDITURES)</b>                    | <u>(3,409,133)</u>   | <u>(2,167,019)</u>   | <u>(547,388)</u>     |
| New debt issued                                       | 7,309,333            | 3,400,000            | -                    |
| Debt principal repayments                             | (140,419)            | (256,664)            | (134,224)            |
| Employee future benefits                              | -                    | 282,701              | 9,069                |
| Landfill closure and post-closure costs               | -                    | 346                  | (147)                |
| <b>Increase (decrease) in amounts to be recovered</b> | <u>7,168,914</u>     | <u>3,426,383</u>     | <u>(125,302)</u>     |
| <b>CHANGE IN FUND BALANCES</b>                        | <u>3,759,781</u>     | <u>1,259,364</u>     | <u>(672,690)</u>     |

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

3.

# CORPORATION OF THE TOWN OF DEEP RIVER

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2006

|   | 2006<br>\$         | 2005<br>\$         |
|---|--------------------|--------------------|
| <b>CASH FROM OPERATING ACTIVITIES</b>         |                    |                    |
| Net revenues (expenditures)                   | (2,167,019)        | (547,388)          |
| Changes in non-cash working capital           |                    |                    |
| Taxes receivable                              | 22,689             | (36,974)           |
| Trade and other receivables                   | (1,439,296)        | 53,895             |
| Loan receivable                               | 9,809              | 24,104             |
| Prepaid expenses                              | 5,310              | (377)              |
| Inventories                                   | (3,810)            | 665                |
| Accounts payable and accrued liabilities      | 199,471            | 114,865            |
| Employee benefits payable                     | 282,701            | 9,069              |
| Landfill closure and post-closure liabilities | 347                | (147)              |
| Deferred revenue - obligatory reserve funds   | 41,356             | 40,314             |
| Net cash from (used in) operating activities  | <u>(3,048,442)</u> | <u>(341,974)</u>   |
| <b>CASH FROM FINANCING ACTIVITIES</b>         |                    |                    |
| New debt issued                               | 3,400,000          | -                  |
| Payments on long-term debt                    | <u>(256,665)</u>   | <u>(134,224)</u>   |
| Net cash from (used in) financing activities  | <u>3,143,335</u>   | <u>(134,224)</u>   |
| <b>INCREASE (DECREASE) IN CASH POSITION</b>   | 94,893             | (476,198)          |
| <b>CASH POSITION, beginning of year</b>       | <u>49,167</u>      | <u>525,365</u>     |
| <b>CASH POSITION, end of year</b>             | <u>144,060</u>     | <u>49,167</u>      |
| Comprised of:                                 |                    |                    |
| Cash and temporary investments                | 2,805,840          | 1,697,240          |
| Temporary loans                               | <u>(2,661,780)</u> | <u>(1,648,073)</u> |
|   | <u>144,060</u>     | <u>49,167</u>      |

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

4.

# CORPORATION OF THE TOWN OF DEEP RIVER

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) BASIS OF CONSOLIDATION

- (i) These consolidated statements reflect the assets, liabilities, revenues and expenditures of the revenue fund, capital fund, reserves and reserve funds and 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

All interfund assets, liabilities, revenues and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

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    | 8.766%              |

- (ii) **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.

- (iii) **Trust Funds**

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

# CORPORATION OF THE TOWN OF DEEP RIVER

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

#### (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 adjustment 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) INVENTORIES

Inventories are stated at the lower of cost and net realizable value, with cost determined on a first-in, first-out basis.

#### (d) CAPITAL ASSETS

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

#### (e) DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

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.

#### (f) PENSION AND OTHER POST-RETIREMENT BENEFITS

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.

The Municipality determines the cost of other employment and post-retirement benefits offered to employees using the projected benefit method prorated on services and based on management's best estimate assumptions. Under this method, an equal portion of the total estimated future benefit is attributed to each year of service in the attribution period.

# CORPORATION OF THE TOWN OF DEEP RIVER

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

(g) **AMOUNTS TO BE RECOVERED FROM RESERVES AND FUTURE REVENUES**

Amounts to be recovered are reported in the municipal position on the consolidated statements of financial position. The balance represents the outstanding principal portion of unmatured long-term liabilities not yet due, and other future expenditures not yet levied on the ratepayers.

(h) **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.

(i) **FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, temporary bank 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.

2. **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.

3. **TEMPORARY LOANS**

|   | 2006             | 2005             |
|---|------------------|------------------|
|   | \$               | \$               |
| Ontario Infrastructure Projects Corporation (OIPC) loan, interest payable monthly at the OIPC floating rate. As at December 31, 2006, the interest rate was 4.57% | 2,661,780        | -                |
| Demand bank loan for sewer capital project, repayable in quarterly instalments of \$18,182, interest is paid monthly at the prime rate                            | -                | 673,073          |
| Demand bank loan, interest payable monthly at the prime rate  | -                | 975,000          |
|   | <u>2,661,780</u> | <u>1,648,073</u> |

# CORPORATION OF THE TOWN OF DEEP RIVER

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

**4. DEFERRED REVENUE - OBLIGATORY RESERVE FUND**

Deferred revenue is comprised of the Town's federal gas tax allocations for 2005 and 2006 plus accrued interest. This revenue must be expended on eligible projects and will be recognized when the expenditures are made.

**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:

|   | 2006             | 2005           |
|---|------------------|----------------|
|   | \$               | \$             |
| 6.8% loan from Province of Ontario, maturing December 31, 2011, repayable in blended annual instalments of \$42,319 | 174,450          | 202,968        |
| 6.41% fixed rate term loan, maturing December 2011, repayable in blended semi-annual instalments of \$40,229        | 321,952          | 378,751        |
| 6.72% fixed rate term loan, maturing December 2011, repayable in blended semi-annual instalments of \$41,684        | 328,886          | 386,901        |
| 5.45% fixed rate loan, maturing June 2011, repayable in monthly instalments of \$18,889 plus interest               | 3,286,667        | -              |
|   | <u>4,111,955</u> | <u>968,620</u> |

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

|            |                    |
|------------|--------------------|
| 2007       | \$ 380,220         |
| 2008       | 390,507            |
| 2009       | 401,485            |
| 2010       | 413,197            |
| 2011       | 373,213            |
| Thereafter | <u>2,153,333</u>   |
|            | <u>\$4,111,955</u> |

(c) 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.

# CORPORATION OF THE TOWN OF DEEP RIVER

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

### 6. EMPLOYEE FUTURE BENEFITS PAYABLE

|                                       | 2006             | 2005           |
|---------------------------------------|------------------|----------------|
|                                       | \$               | \$             |
| Accrued vacation pay                  | 200,436          | 223,724        |
| Accumulated sick leave (Note 6 (a))   | 558,293          | 557,098        |
| Post-retirement benefits (Note 6 (b)) | 394,794          | 90,000         |
|                                       | <u>1,153,523</u> | <u>870,822</u> |

- (a) 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 \$51,417 (2005 - \$17,022) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$25,084 (2005 - \$15,857) have been established to provide for these liabilities and are reported on the Consolidated Statement of Financial Position.
- (b) The Municipality has defined benefit plans providing various post-retirement medical and life insurance benefits.

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

Information about the plan is as follows:

|   |                  |
|---|------------------|
| • Accrued benefit obligation at beginning of year | \$ 90,000        |
| • Change in accounting estimate                   | 270,745          |
| • Current service cost                            | 19,036           |
| • Interest on accrued benefits                    | 19,813           |
| • Benefit payments                                | <u>(4,800)</u>   |
| • Accrued benefit obligations at end of year      | <u>\$394,794</u> |

|                                |       |
|--------------------------------|-------|
| 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.

# CORPORATION OF THE TOWN OF DEEP RIVER

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

### 7. SOLID WASTE 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 ten years. The estimated required period of post-closure care is ten 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 \$153,000. The liability remaining to be recognized is \$13,000.

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 17.2% filled and has a remaining volume of 158,241 m<sup>3</sup>. At the current rate of usage, the landfill site is expected to close in 24 years or by December 31, 2030. 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 7% and is accrued based on site usage. Currently a liability of \$3,909 (Town share - \$2,033) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$22,774 (Town share - \$11,842). The liability remaining to be recognized is \$18,865 (Town share - \$9,810).

### 8. CURRENT FUND BALANCES

Current fund balances consist of the following:

|  | 2006           | 2005           |
|--|----------------|----------------|
| To be used to offset taxation or user charges: |                |                |
| • Town   | \$ 301,175     | \$ 384,989     |
| • Landfill Operations Board                    | 11,750         | 15,388         |
| • Airport Commission                           | 993            | 22,623         |
|  | <u>313,918</u> | <u>423,000</u> |

# CORPORATION OF THE TOWN OF DEEP RIVER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

## 9. REVENUES

Revenues reported on the Consolidated Statement of Financial Activities are comprised of the following:

|   | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|---|----------------------|----------------------|----------------------|
| <b>Taxation</b>   |                      |                      |                      |
| Residential and farm taxation   | 3,505,415            | 3,485,614            | 3,471,218            |
| Commercial, industrial and business taxation                                  | 817,417              | 827,616              | 831,129              |
| Taxation from other governments   | <u>2,761,069</u>     | <u>2,750,369</u>     | <u>2,747,206</u>     |
|   | 7,083,901            | 7,063,599            | 7,049,553            |
| Deduct: Amounts received or receivable for county and school boards (Note 10) | <u>(2,360,637)</u>   | <u>(2,372,275)</u>   | <u>(2,316,380)</u>   |
|   | <u>4,723,264</u>     | <u>4,691,324</u>     | <u>4,733,173</u>     |
| <b>User Charges</b>   | <u>1,986,028</u>     | <u>2,034,839</u>     | <u>1,845,492</u>     |
| <b>Government Transfers</b>   |                      |                      |                      |
| Government of Canada  | 3,963,524            | 2,177,594            | 6,520                |
| Province of Ontario   | 4,270,994            | 2,741,922            | 372,753              |
| Other municipalities  | <u>20,000</u>        | <u>25,468</u>        | <u>16,428</u>        |
|   | <u>8,254,518</u>     | <u>4,944,984</u>     | <u>395,701</u>       |
| <b>Other</b>  |                      |                      |                      |
| AECL capital grant  | -                    | 542,904              | -                    |
| Investment income   | 1,102                | 107,354              | 61,519               |
| Penalties and interest on taxes   | 20,000               | 23,992               | 22,845               |
| Sale of assets  | -                    | 21,352               | 861                  |
| Donations   | 1,600                | 8,230                | 19,840               |
| Other   | <u>14,290</u>        | <u>19,189</u>        | <u>21,481</u>        |
|   | <u>36,992</u>        | <u>723,021</u>       | <u>126,546</u>       |
|   | <u>15,000,802</u>    | <u>12,394,168</u>    | <u>7,100,912</u>     |

## 10. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

Further to notes 1(a) and 9, the taxation, other revenues and requisitions for the school boards and County of Renfrew are comprised of the following:

|                                    | School<br>Boards<br>\$ | County<br>\$     | 2006<br>\$       | 2005<br>\$       |
|------------------------------------|------------------------|------------------|------------------|------------------|
| Taxation and user charges          | 841,562                | 1,037,350        | 1,878,912        | 1,827,564        |
| Share of payments in lieu of taxes | -                      | <u>493,363</u>   | <u>493,363</u>   | <u>488,816</u>   |
| Amounts requisitioned              | <u>841,562</u>         | <u>1,530,713</u> | <u>2,372,275</u> | <u>2,316,380</u> |

# CORPORATION OF THE TOWN OF DEEP RIVER

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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### 11. TRUST FUNDS

Trust funds administered by the municipality amounting to \$259,903 (2005 - \$204,231) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

### 12. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 48 members of its staff. The 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.

An amount of \$186,706 was contributed to OMERS for 2006 (2005 - \$167,022) for current service. The municipality has no obligations under past service provisions of the OMERS agreement. Contributions are included as an expenditure on the Consolidated Statement of Operations.

### 13. 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.

The Town is engaged in discussions with CUPE Local 740 regarding revisions to its pay equity plan. A retro-active adjustment may be required but it is not possible to quantify an amount of settlement at this time.

### 14. COMMITMENTS

- (a) The Town has entered into a contract for the collection and handling of residential and commercial waste. The contract is for a five-year period ending in 2007 at an annual cost of \$104,645 for the first year and escalating annually reaching \$127,358 in the final year.
- (b) The Town has entered into a contract for the collection of recyclables. The contract expires September 1, 2008 and has an annual cost of approximately \$64,000.
- (c) The Town is committed to construction contract costs of approximately \$4,700,000.

### 15. PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996

In 2006, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Corporation of the Town of Deep River.

# CORPORATION OF THE TOWN OF DEEP RIVER

## CONSOLIDATED SCHEDULE OF CURRENT FUND OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2006

|   | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|---|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                               |                      |                      |                      |
| Taxation                                      | 4,723,264            | 4,691,324            | 4,733,173            |
| User charges                                  | 1,986,028            | 2,034,839            | 1,845,492            |
| Government transfers                          | 333,656              | 434,036              | 290,909              |
| Other   | 36,992               | 84,174               | 55,099               |
|   | <u>7,079,940</u>     | <u>7,244,373</u>     | <u>6,924,673</u>     |
| <b>EXPENDITURES</b>                           |                      |                      |                      |
| General government                            | 902,875              | 852,460              | 677,152              |
| Protection to persons and property            | 1,852,142            | 2,144,140            | 1,848,512            |
| Transportation services                       | 797,186              | 802,490              | 778,536              |
| Environmental services                        | 1,628,171            | 1,682,681            | 1,474,340            |
| Health services                               | 21,492               | 22,097               | 59,112               |
| Recreation and cultural services              | 1,188,519            | 1,044,166            | 1,020,897            |
| Planning and development                      | 133,254              | 147,477              | 126,969              |
|   | <u>6,523,639</u>     | <u>6,695,511</u>     | <u>5,985,518</u>     |
| <b>NET REVENUES (EXPENDITURES)</b>            | <u>556,301</u>       | <u>548,862</u>       | <u>939,155</u>       |
| <b>FINANCING AND TRANSFERS</b>                |                      |                      |                      |
| Debt principal                                | (140,419)            | (256,664)            | (134,224)            |
| Employee benefits                             | -                    | 282,701              | 9,069                |
| Landfill closure and post closure costs       | -                    | 346                  | (147)                |
| Transfer to capital                           | (360,375)            | (127,934)            | (71,148)             |
| Transfer from (to) reserves and reserve funds | (476,820)            | (556,393)            | (558,334)            |
| <b>Net financing and transfers</b>            | <u>(977,614)</u>     | <u>(657,944)</u>     | <u>(754,784)</u>     |
| <b>CHANGE IN CURRENT FUND</b>                 | (421,313)            | (109,082)            | 184,371              |
| <b>OPENING CURRENT FUND BALANCE</b>           | <u>423,000</u>       | <u>423,000</u>       | <u>238,629</u>       |
| <b>ENDING CURRENT FUND BALANCE</b>            | <u>1,687</u>         | <u>313,918</u>       | <u>423,000</u>       |

# CORPORATION OF THE TOWN OF DEEP RIVER

## CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

|   | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|---|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                           |                      |                      |                      |
| Donations                                 | -                    | -                    | 15,000               |
| Government transfers                      | 7,920,862            | 4,510,948            | 104,792              |
| Other                                     | -                    | 542,904              | 4,000                |
|   | <u>7,920,862</u>     | <u>5,053,852</u>     | <u>123,792</u>       |
| <b>EXPENDITURES</b>                       |                      |                      |                      |
| General government                        | 77,965               | 12,428               | 5,916                |
| Protection to persons and property        | 249,739              | 81,552               | 48,904               |
| Transportation services                   | 501,891              | 406,113              | 264,463              |
| Environmental services                    | 10,716,384           | 7,298,999            | 1,228,641            |
| Recreation and cultural services          | 337,817              | 66,584               | 114,858              |
| Health                                    | 2,500                | -                    | -                    |
|   | <u>11,886,296</u>    | <u>7,865,676</u>     | <u>1,662,782</u>     |
| <b>NET REVENUES (EXPENDITURES)</b>        | <u>(3,965,434)</u>   | <u>(2,811,824)</u>   | <u>(1,538,990)</u>   |
| <b>FINANCING AND TRANSFERS</b>            |                      |                      |                      |
| New debt issued                           | 7,309,333            | 3,400,000            | -                    |
| Transfers from current fund               | 360,375              | 127,934              | 71,148               |
| Transfers from reserves and reserve funds | 938,384              | 913,148              | 335,827              |
|   | <u>8,608,092</u>     | <u>4,441,082</u>     | <u>406,975</u>       |
| <b>CHANGE IN CAPITAL FUND BALANCE</b>     | 4,642,658            | 1,629,258            | (1,132,015)          |
| <b>OPENING CAPITAL FUND BALANCE</b>       | <u>(4,805,563)</u>   | <u>(4,805,563)</u>   | <u>(3,673,548)</u>   |
| <b>CLOSING CAPITAL FUND BALANCE</b>       | <u>(162,905)</u>     | <u>(3,176,305)</u>   | <u>(4,805,563)</u>   |

# CORPORATION OF THE TOWN OF DEEP RIVER

## CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

|  | 2006<br>\$       | 2005<br>\$       |
|--|------------------|------------------|
| <b>REVENUES</b>  |                  |                  |
| Investment income  | 94,323           | 52,447           |
| Police auction   | <u>1,620</u>     | <u>-</u>         |
| <b>NET REVENUES</b>                                      | <u>95,943</u>    | <u>52,447</u>    |
| <b>NET TRANSFERS FROM (TO) OTHER FUNDS</b>               |                  |                  |
| Transfers from (to) current fund                         | 556,393          | 558,334          |
| Transfers from (to) capital fund                         | <u>(913,148)</u> | <u>(335,827)</u> |
|  | <u>(356,755)</u> | <u>222,507</u>   |
| <b>CHANGE IN BALANCES</b>                                | (260,812)        | 274,954          |
| <b>OPENING BALANCES</b>                                  | <u>3,831,703</u> | <u>3,556,749</u> |
| <b>ENDING BALANCES</b>                                   | <u>3,570,891</u> | <u>3,831,703</u> |
| <b>Analysed as follows:</b>                              |                  |                  |
| Reserves set aside for specific purposes by Council      |                  |                  |
| Acquisition of capital assets                            | 1,565            | 1,565            |
| Sick leave and payroll contingency                       | 25,084           | 15,857           |
| Waterworks   | 656,605          | 532,212          |
| Sewer  | 72,626           | 485,450          |
| Working funds  | 50,000           | 50,000           |
| Recreation facilities                                    | 1,333            | 1,333            |
| Police services legal                                    | 690              | 5,000            |
| Insurance claims   | 46,721           | 46,721           |
| WSIB   | 72,964           | 52,964           |
| Physician recruitment                                    | 18,822           | 20,681           |
| Living legacy  | <u>4,425</u>     | <u>4,425</u>     |
| Total reserves   | <u>950,835</u>   | <u>1,216,208</u> |
| Reserve funds set aside for specific purposes by Council |                  |                  |
| Capital replacement                                      | 2,363,110        | 2,382,378        |
| Hydro sale proceeds                                      | 213,601          | 157,387          |
| Humanitarian donations                                   | 2,688            | 1,024            |
| Airport operations                                       | 39,988           | 18,039           |
| Other  | <u>669</u>       | <u>56,667</u>    |
| Total reserve funds                                      | <u>2,620,056</u> | <u>2,615,495</u> |
| <b>Total reserves and reserve funds</b>                  | <u>3,570,891</u> | <u>3,831,703</u> |

# CORPORATION OF THE TOWN OF DEEP RIVER

## CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2006

|   | 2006             | 2005             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>CURRENT EXPENDITURES</b>                                     |                  |                  |
| Salaries, wages and employee benefits                           | 3,675,767        | 3,243,624        |
| Interest on long term liabilities                               | 153,864          | 71,919           |
| Transfers to external organizations                             | 19,420           | 30,524           |
| Materials, contracted services, rents and<br>financial expenses | <u>2,846,460</u> | <u>2,639,451</u> |
|   | <u>6,695,511</u> | <u>5,985,518</u> |
| <b>CAPITAL EXPENDITURES</b>                                     |                  |                  |
| Contracted services   | 7,491,692        | 1,435,487        |
| Vehicle and equipment purchases                                 | 271,809          | 137,892          |
| Interest  | <u>102,175</u>   | <u>89,403</u>    |
|   | <u>7,865,676</u> | <u>1,662,782</u> |

**DEEP RIVER PUBLIC  
LIBRARY BOARD**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006



## 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, 2006 and the statements of financial activities and changes in financial position 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, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Licensed Public Accountants

Pembroke, Ontario  
February 16, 2007

# DEEP RIVER PUBLIC LIBRARY BOARD

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2006

|  | 2006          | 2005          |
|--|---------------|---------------|
|  | \$            | \$            |
| <b>FINANCIAL ASSETS</b>                  |               |               |
| Grant receivable                         | 2,900         | -             |
| Due from own municipality                | 11,106        | 21,345        |
|  | <u>14,006</u> | <u>21,345</u> |
| <b>LIABILITIES</b>                       |               |               |
| Accounts payable and accrued liabilities | <u>4,878</u>  | <u>10,765</u> |
| <b>MUNICIPAL POSITION</b>                |               |               |
| Operating fund                           | <u>9,128</u>  | <u>10,580</u> |
|  | <u>14,006</u> | <u>21,345</u> |

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

2.

# DEEP RIVER PUBLIC LIBRARY BOARD

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2006

|  | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|--|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                                    |                      |                      |                      |
| Town of Deep River                                 | 256,370              | 256,370              | 262,637              |
| Province of Ontario                                | 9,581                | 20,081               | 9,581                |
| Trillium Foundation grant                          | -                    | -                    | 11,600               |
| Federal Youth Employment grant                     | -                    | 1,358                | 1,306                |
| Industry Canada                                    | -                    | 7,162                | 2,592                |
| Copier receipts                                    | 2,000                | 1,467                | 2,002                |
| Fines and fees                                     | 11,500               | 9,399                | 10,335               |
| Room and equipment rental                          | 3,150                | 3,040                | 3,230                |
| Audio visual income                                | 7,000                | 6,576                | 6,422                |
| Fundraising and miscellaneous                      | 400                  | 717                  | 724                  |
| Donations  | 500                  | 7,630                | 8,790                |
|  | <u>290,501</u>       | <u>313,800</u>       | <u>319,219</u>       |
| <b>EXPENDITURES</b>                                |                      |                      |                      |
| <b>Current</b>                                     |                      |                      |                      |
| Salaries and employee benefits                     | 179,002              | 173,757              | 170,666              |
| Books, periodicals and<br>non-print materials      | 49,363               | 53,388               | 48,270               |
| Utilities and telephone                            | 25,005               | 24,835               | 22,485               |
| Copying expenses                                   | 2,765                | 2,085                | 2,958                |
| Supplies   | 4,850                | 4,642                | 4,649                |
| Office and general                                 | 3,216                | 1,920                | 1,834                |
| Professional fees                                  | 3,298                | 1,400                | 1,400                |
| Repairs and maintenance                            | 26,784               | 30,729               | 27,746               |
| Insurance  | 6,798                | 6,800                | 4,828                |
|  | <u>301,081</u>       | <u>299,556</u>       | <u>284,836</u>       |
| <b>Capital</b>                                     | <u>-</u>             | <u>15,696</u>        | <u>28,567</u>        |
| <b>Total expenditures</b>                          | <u>301,081</u>       | <u>315,252</u>       | <u>313,403</u>       |
| <b>NET (EXPENDITURES) REVENUES</b>                 | (10,580)             | (1,452)              | 5,816                |
| <b>FUND BALANCES, at the beginning of the year</b> | <u>10,580</u>        | <u>10,580</u>        | <u>4,764</u>         |
| <b>FUND BALANCES, at the end of the year</b>       | <u>-</u>             | <u>9,128</u>         | <u>10,580</u>        |

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

3.

# DEEP RIVER PUBLIC LIBRARY BOARD

## STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2006

|                                       | 2006    | 2005     |
|---------------------------------------|---------|----------|
|                                       | \$      | \$       |
| <b>CASH FROM OPERATING ACTIVITIES</b> |         |          |
| Net (expenditures) revenues           | (1,452) | 5,816    |
| Changes in non-cash working capital   |         |          |
| Due from own municipality             | 10,238  | (10,880) |
| Grant receivable                      | (2,900) | -        |
| Accounts payable                      | (5,886) | 5,064    |
| Net cash from operating activities    | -       | -        |
| <b>CASH, beginning of year</b>        | -       | -        |
| <b>CASH, end of year</b>              | -       | -        |

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

4.

# DEEP RIVER PUBLIC LIBRARY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

---

### 1. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Fund Accounting

These financial statements reflect the assets, liabilities, revenues and expenditures of the current, reserve and capital funds of the Deep River Public Library Board.

#### (b) 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.

#### (c) Capital Assets

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Statement of Financial Activities in the year of acquisition.

#### (d) 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.

#### (e) Financial Instruments

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

### 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 2006 was \$9,188 (2005 - \$8,368) for current service and is included as an expenditure in Statement of Financial Activities.

# DEEP RIVER PUBLIC LIBRARY BOARD

## SCHEDULE OF CAPITAL FUND OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2006

|                                       | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|---------------------------------------|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                       |                      |                      |                      |
| Town of Deep River                    | -                    | -                    | 9,375                |
| Donations                             | -                    | -                    | 5,000                |
| Trillium grant                        | -                    | -                    | 11,600               |
| Province of Ontario                   | -                    | 8,534                | -                    |
| Industry Canada                       | -                    | 7,162                | 2,592                |
|                                       | -                    | <u>15,696</u>        | <u>28,567</u>        |
| <b>EXPENDITURES</b>                   |                      |                      |                      |
| Furniture, shelving and equipment     | -                    | -                    | 19,192               |
| Computer acquisitions                 | -                    | 15,696               | -                    |
| Windows                               | -                    | -                    | 9,375                |
|                                       | -                    | <u>15,696</u>        | <u>28,567</u>        |
| <b>NET REVENUES</b>                   | -                    | -                    | -                    |
| <b>CHANGE IN CAPITAL FUND BALANCE</b> | -                    | -                    | -                    |
| <b>OPENING CAPITAL FUND BALANCE</b>   | -                    | -                    | -                    |
| <b>CLOSING CAPITAL FUND BALANCE</b>   | -                    | -                    | -                    |

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

6.

**CORPORATION OF THE  
TOWN OF DEEP RIVER  
WATERWORKS**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006



## 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, 2006 and the statements of financial activities and changes in financial position 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, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Licensed Public Accountants

Pembroke, Ontario  
February 19, 2007

**CORPORATION OF THE  
TOWN OF DEEP RIVER WATERWORKS**

STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2006

|  | 2006<br>\$         | 2005<br>\$       |
|--|--------------------|------------------|
| <b>FINANCIAL ASSETS</b>                  |                    |                  |
| Accounts receivable                      | <u>17,662</u>      | <u>16,460</u>    |
| <b>LIABILITIES</b>                       |                    |                  |
| Accounts payable and accrued liabilities | 52,741             | 32,801           |
| Advances from own municipality           | <u>2,403,132</u>   | <u>590,360</u>   |
|  | <u>2,455,873</u>   | <u>623,161</u>   |
| <b>MUNICIPAL POSITION</b>                |                    |                  |
| Capital fund (unfinanced)                | (3,094,816)        | (1,138,913)      |
| Reserve (Note 2)                         | <u>656,605</u>     | <u>532,212</u>   |
|  | <u>(2,438,211)</u> | <u>(606,701)</u> |
|  | <u>17,662</u>      | <u>16,460</u>    |

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

2.

**CORPORATION OF THE  
TOWN OF DEEP RIVER WATERWORKS**

STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

|  | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|--|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                                    |                      |                      |                      |
| Sale of water                                      | 722,829              | 722,264              | 635,778              |
| Hydrant rental                                     | 42,512               | 42,512               | 42,512               |
| Other operating revenues                           | 14,992               | 16,281               | 14,943               |
| Filtration plant grants and contributions          | -                    | 4,878,125            | 4,000                |
|  | <u>780,333</u>       | <u>5,659,182</u>     | <u>697,233</u>       |
| <b>EXPENDITURES</b>                                |                      |                      |                      |
| <b>Current</b>                                     |                      |                      |                      |
| Administration                                     | 104,180              | 79,837               | 91,112               |
| Plant operations and water treatment               | 534,853              | 496,305              | 550,896              |
| Water transmission and distribution                | 66,300               | 40,234               | 24,354               |
|  | <u>705,333</u>       | <u>616,376</u>       | <u>666,362</u>       |
| <b>Capital</b>                                     |                      |                      |                      |
| Filtration plant                                   | 25,000               | 6,874,316            | 956,122              |
|  | <u>730,333</u>       | <u>7,490,692</u>     | <u>1,622,484</u>     |
| <b>Total expenditures</b>                          | <u>730,333</u>       | <u>7,490,692</u>     | <u>1,622,484</u>     |
| <b>NET (EXPENDITURES) REVENUES</b>                 | 50,000               | (1,831,510)          | (925,251)            |
| <b>FUND BALANCES, at the beginning of the year</b> | <u>(606,701)</u>     | <u>(606,701)</u>     | 318,550              |
| <b>FUND BALANCES, at the end of the year</b>       | <u>(556,701)</u>     | <u>(2,438,211)</u>   | <u>(606,701)</u>     |

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

3.

**CORPORATION OF THE  
TOWN OF DEEP RIVER WATERWORKS**

STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2006

|   | 2006             | 2005            |
|---|------------------|-----------------|
|   | \$               | \$              |
| <b>CASH FROM OPERATING ACTIVITIES</b>   |                  |                 |
| Net (expenditures)                      | (1,831,510)      | (925,251)       |
| Changes in non-cash working capital     |                  |                 |
| Accounts receivable                     | (1,202)          | 1,810           |
| Accounts payable                        | <u>19,940</u>    | <u>(24,911)</u> |
| Net cash (used in) operating activities | (1,812,772)      | (948,352)       |
| <b>CASH FROM FINANCING ACTIVITIES</b>   |                  |                 |
| Advances from municipality              | <u>1,812,772</u> | <u>948,352</u>  |
| <b>CASH POSITION, beginning of year</b> | -                | -               |
| <b>CASH POSITION, end of year</b>       | <u>-</u>         | <u>-</u>        |
|   | <u>-</u>         | <u>-</u>        |

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

4.

# CORPORATION OF THE TOWN OF DEEP RIVER WATERWORKS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

---

## 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 Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

### (a) Fund Accounting

These financial statements reflect the assets, liabilities, revenues and expenditures of the revenue, capital and reserve funds of the Corporation of the Town of Deep River Waterworks.

### (b) 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.

### (c) Capital Assets

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Statement of Financial Activities in the year of acquisition.

### (d) 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, 2006**

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## **4. FINANCIAL INSTRUMENTS**

The Town of Deep River Waterworks financial instruments consist of accounts receivable, advances from own municipality and accounts payable. The fair value of these financial instruments is approximately equal to their carrying value. It is management's opinion that the Town of Deep River Waterworks is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**CORPORATION OF THE  
TOWN OF DEEP RIVER WATERWORKS**

SCHEDULE OF CURRENT FUND OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2006

|                                       | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|---------------------------------------|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                       |                      |                      |                      |
| Sale of water                         | 722,829              | 722,264              | 635,778              |
| Hydrant rental                        | 42,512               | 42,512               | 42,512               |
| Investment income                     | -                    | -                    | 10                   |
| Other                                 | 14,992               | 16,281               | 14,933               |
|                                       | <u>780,333</u>       | <u>781,057</u>       | <u>693,233</u>       |
| <b>EXPENDITURES</b>                   |                      |                      |                      |
| <b>Current</b>                        |                      |                      |                      |
| Administration                        | 104,180              | 79,837               | 91,112               |
| Plant operations and water treatment  | 534,853              | 496,305              | 550,896              |
| Water transmission and distribution   | 66,300               | 40,234               | 24,354               |
|                                       | <u>705,333</u>       | <u>616,376</u>       | <u>666,362</u>       |
| <b>NET REVENUES</b>                   | <u>75,000</u>        | <u>164,681</u>       | <u>26,871</u>        |
| <b>Financing and transfers</b>        |                      |                      |                      |
| Transfer to capital fund              | (25,000)             | (40,288)             | -                    |
| Transfer to reserve                   | (50,000)             | (124,393)            | (26,871)             |
|                                       | <u>(75,000)</u>      | <u>(164,681)</u>     | <u>(26,871)</u>      |
| <b>CHANGE IN CURRENT FUND BALANCE</b> | <u>-</u>             | <u>-</u>             | <u>-</u>             |
| <b>OPENING CURRENT FUND BALANCE</b>   | <u>-</u>             | <u>-</u>             | <u>-</u>             |
| <b>CLOSING CURRENT FUND BALANCE</b>   | <u>-</u>             | <u>-</u>             | <u>-</u>             |

**CORPORATION OF THE  
TOWN OF DEEP RIVER WATERWORKS**

SCHEDULE OF CAPITAL FUND OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2006

|  | BUDGET<br>2006<br>\$ | ACTUAL<br>2006<br>\$ | ACTUAL<br>2005<br>\$ |
|--|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                          |                      |                      |                      |
| Filtration plant grants and contribution | -                    | 4,878,125            | 4,000                |
| <b>EXPENDITURES</b>                      |                      |                      |                      |
| Filtration plant                         | 25,000               | 6,874,316            | 956,122              |
| <b>NET (EXPENDITURES)</b>                | (25,000)             | (1,996,191)          | (952,122)            |
| Transfer from operating fund             | 25,000               | 40,288               | -                    |
| <b>CHANGE IN CAPITAL FUND BALANCE</b>    | -                    | (1,955,903)          | (952,122)            |
| <b>OPENING CAPITAL FUND BALANCE</b>      | -                    | (1,138,913)          | (186,791)            |
| <b>CLOSING CAPITAL FUND BALANCE</b>      | -                    | (3,094,816)          | (1,138,913)          |

**CORPORATION OF THE TOWN  
OF DEEP RIVER  
TRUST FUNDS**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006



## 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, 2006 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, 2006 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Licensed Public Accountants

Pembroke, Ontario  
February 21, 2007

# CORPORATION OF THE TOWN OF DEEP RIVER TRUST FUNDS

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2006

|                                | Cemetery<br>Care<br>\$ | Emergency<br>Response<br>Unit<br>\$ | Total<br>2006<br>\$ | Total<br>2005<br>\$ |
|--------------------------------|------------------------|-------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                  |                        |                                     |                     |                     |
| Cash and temporary investments | 189,595                | 70,223                              | 259,818             | 204,146             |
| Accounts receivable            | -                      | -                                   | -                   | 85                  |
|                                | <u>189,595</u>         | <u>70,223</u>                       | <u>259,818</u>      | <u>204,231</u>      |
| <b>BALANCE - Capital</b>       | <u>189,595</u>         | <u>70,223</u>                       | <u>259,818</u>      | <u>204,231</u>      |

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

# CORPORATION OF THE TOWN OF DEEP RIVER TRUST FUNDS

STATEMENT OF CONTINUITY  
FOR THE YEAR ENDED DECEMBER 31, 2006

|   | Cemetery<br>Care<br>\$ | Emergency<br>Response<br>Unit<br>\$ | Total<br>2006<br>\$   | Total<br>2005<br>\$   |
|---|------------------------|-------------------------------------|-----------------------|-----------------------|
| <b>Balance at the beginning<br/>of the year</b> | <u>174,884</u>         | <u>29,347</u>                       | <u>204,231</u>        | <u>200,678</u>        |
| <b>Capital Receipts</b>                         |                        |                                     |                       |                       |
| JEPP grant                                      | -                      | 40,000                              | 40,000                | -                     |
| Sale of plots                                   | 8,165                  | -                                   | 8,165                 | 7,930                 |
| Emergency calls                                 | -                      | 1,400                               | 1,400                 | 2,490                 |
| Interest earned                                 | <u>6,546</u>           | <u>1,241</u>                        | <u>7,787</u>          | <u>2,486</u>          |
|   | <u>14,711</u>          | <u>42,641</u>                       | <u>57,352</u>         | <u>12,906</u>         |
| <b>Expenditures</b>                             |                        |                                     |                       |                       |
| Emergency response                              | -                      | 1,765                               | 1,765                 | 9,296                 |
| Bank charges                                    | -                      | -                                   | -                     | 57                    |
|   | <u>-</u>               | <u>1,765</u>                        | <u>1,765</u>          | <u>9,353</u>          |
| <b>Balance at the end<br/>of the year</b>       | <u><u>189,595</u></u>  | <u><u>70,223</u></u>                | <u><u>259,818</u></u> | <u><u>204,231</u></u> |

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

3.

# CORPORATION OF THE TOWN OF DEEP RIVER TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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## 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 Canadian generally accepted accounting policies for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

### (a) Capital Assets

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Statement of Continuity in the year of acquisition.

### (b) 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.

### (c) 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. FINANCIAL INSTRUMENTS

The Trust Fund's financial instruments consist of cash and temporary 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.