

**CORPORATION OF THE  
TOWN OF DEEP RIVER**

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**Consolidated Financial Statements**  
For the Year Ended December 31, 2014

## MANAGEMENT REPORT

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

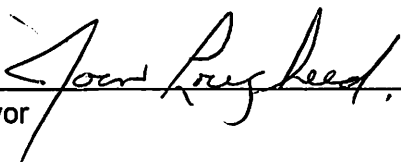
The accompanying consolidated financial statements of the **Corporation of the Town of Deep River** are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

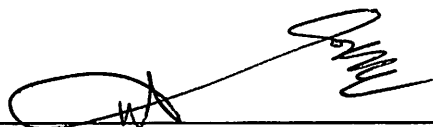
A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Town management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Finance and Administration Committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant reporting or internal control matters prior to the Council's approval of the consolidated financial statements.

The consolidated financial statements have been audited by Dean ~ Sinclair, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Treasurer

September 17, 2015

# **CORPORATION OF THE TOWN OF DEEP RIVER**

## **Consolidated Financial Statements**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the **CORPORATION OF THE TOWN OF DEEP RIVER** which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **CORPORATION OF THE TOWN OF DEEP RIVER** as at December 31, 2014 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
September 17, 2015

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Financial Position**  
As At December 31, 2014

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash and investments (Note 2)	\$ 870,992	\$ 3,193,575
Taxes receivable	357,406	264,918
Trade and other receivables	214,909	802,165
Loan receivable (Note 3)	36,858	48,760
Inventories for resale	5,604	4,153
	<b>\$ 1,485,769</b>	<b>\$ 4,313,571</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 616,173	\$ 799,907
Deferred revenue (Schedule 3)	339,751	421,509
Long term liabilities (Note 4)	7,176,571	7,403,847
Employee benefits and post employment liabilities (Note 5)	1,593,827	1,568,029
Landfill closure and post-closure liabilities (Note 6)	155,615	181,590
	<b>9,881,937</b>	<b>\$10,374,882</b>
<b>Net Financial Assets</b>	<b>(8,396,168)</b>	<b>(6,061,311)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets - net (Schedule 4)	28,646,240	27,999,765
Inventory of supplies	4,305	4,936
Prepaid expenses	130,269	1,614
	<b>28,780,814</b>	<b>28,006,315</b>
<b>ACCUMULATED SURPLUS (Schedule 5)</b>	<b>\$20,384,646</b>	<b>\$21,945,004</b>

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

2.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Operations**  
For the Year Ended December 31, 2014

	2014	2014	2013
	Budget	Actual	Actual
	(Note 14)		
<b>REVENUES (Note 7)</b>			
Taxation and payments in lieu	\$ 5,528,090	\$ 5,531,261	\$ 5,327,342
User charges	2,682,884	2,635,399	2,622,365
Government transfers	702,059	354,043	943,238
Deferred revenue earned - Schedule 3	558,341	210,236	96,168
Other	67,264	506,720	354,217
	9,538,638	9,237,659	9,343,330
<b>EXPENDITURES</b>			
General government	842,951	1,042,747	849,726
Protection to persons and property	2,988,693	3,277,865	3,447,730
Transportation services	1,057,843	1,428,807	1,324,918
Environmental services	2,483,276	3,281,150	3,072,446
Health services	18,090	11,386	19,378
Recreation and cultural services	1,345,412	1,707,290	1,646,243
Planning and development	28,280	48,772	29,059
	8,764,545	10,798,017	10,389,500
<b>ANNUAL SURPLUS (DEFICIT)</b>	774,093	(1,560,358)	(1,046,170)
<b>ACCUMULATED SURPLUS, beginning of year</b>	21,945,004	21,945,004	22,991,174
<b>ACCUMULATED SURPLUS, end of year</b>	\$22,719,097	\$20,384,646	\$21,945,004

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

3.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Change in Net Financial Assets**  
For the Year Ended December 31, 2014

	<b>2014</b>	<b>2013</b>
	<b>Actual</b>	<b>Actual</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$(1,560,358)</b>	<b>\$(1,046,170)</b>
Amortization of tangible capital assets	1,546,507	1,456,512
Acquisition of tangible capital assets	(2,192,982)	(961,045)
Loss on sale of tangible capital assets	-	29,814
Proceeds on sale of tangible capital assets	-	3,790
Acquisition of supplies inventories	631	356
Acquisition (consumption) of prepaid expenses	(128,655)	111,208
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>(2,334,857)</b>	<b>(405,535)</b>
<b>NET FINANCIAL ASSETS, beginning of year</b>	<b>(6,061,311)</b>	<b>(5,655,776)</b>
<b>NET FINANCIAL ASSETS, end of year</b>	<b>\$(8,396,168)</b>	<b>\$(6,061,311)</b>

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

4.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Cash Flows**  
For the Year Ended December 31, 2014

	2014	2013
<b>CASH FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$(1,560,358)	\$(1,046,170)
Adjustments for items not affecting cash		
Amortization of tangible capital assets	1,546,507	1,456,512
Loss on sale of assets	-	29,814
Changes in non-cash working capital		
Taxes receivable	(92,488)	(6,582)
Trade and other receivables	587,256	(152,658)
Loan receivable	11,902	60,258
Inventory of supplies	(820)	(1,642)
Prepaid expenses	(128,655)	111,208
Accounts payable and accrued liabilities	(183,734)	(444,510)
Employee benefits and post-employment liabilities	25,798	(687)
Landfill closure and post-closure liabilities	(25,975)	2,810
Deferred revenue	(81,758)	36,793
	97,675	45,146
<b>CASH (USED IN) FROM FINANCING ACTIVITIES</b>		
Payments on long-term liabilities	(227,276)	(220,213)
<b>CASH (USED IN) INVESTING ACTIVITIES</b>		
Proceeds on sale of tangible capital assets	-	3,790
Purchase of tangible capital assets	(2,192,982)	(961,045)
	(2,192,982)	(957,255)
<b>INCREASE (DECREASE) IN CASH POSITION</b>	(2,322,583)	(1,132,322)
<b>CASH POSITION, beginning of year</b>	3,193,575	4,325,897
<b>CASH POSITION, end of year</b>	\$ 870,992	\$ 3,193,575
<b>COMPRISED OF:</b>		
Cash	\$ 293,059	\$ 855,841
Investments	577,933	2,337,734
	\$ 870,992	\$ 3,193,575

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, 2014

**SCHEDULE 1**

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year
<b>Reserves</b>										
Acquisition of capital assets	\$ 1,565	-	-	-	-	-	-	-	-	1,565
Sick leave and payroll contingency	214,589	-	15,000	-	15,000	-	-	-	-	229,589
Legal Contingency	88,526	-	-	-	-	-	-	-	-	88,526
Waterworks	591,237	-	40,550	-	40,550	-	-	-	-	631,787
Sewer	578,909	-	66,953	-	66,953	-	65,994	-	65,994	579,868
Working funds	50,000	-	-	-	-	-	-	-	-	50,000
Recreation facilities	1,333	-	-	-	-	-	-	-	-	1,333
Insurance claims	46,720	-	-	-	-	-	-	-	-	46,720
WSIB	72,964	-	-	-	-	-	-	-	-	72,964
Physician recruitment	11,610	-	-	-	-	-	-	-	-	11,610
Living legacy	4,425	-	-	-	-	-	-	-	-	4,425
Asset replacement	240,665	-	35,209	-	35,209	21,000	22,155	-	43,155	232,719
	1,902,543	-	157,712	-	157,712	21,000	88,149	-	109,149	1,951,106
<b>Reserve funds (Schedule 2)</b>	<b>2,642,583</b>	<b>36,608</b>	<b>1,953</b>	<b>-</b>	<b>38,561</b>	<b>204,457</b>	<b>1,109,767</b>	<b>-</b>	<b>1,314,224</b>	<b>1,366,920</b>
<b>Total reserves and reserve funds</b>	<b>\$4,545,126</b>	<b>36,608</b>	<b>159,665</b>	<b>-</b>	<b>196,273</b>	<b>225,457</b>	<b>1,197,916</b>	<b>-</b>	<b>1423,373</b>	<b>3,318,026</b>

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, 2014

**SCHEDULE 2**

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest on Investments	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year
<b>Reserve Funds</b>										
Capital asset replacement	\$2,462,673	28,623	-	-	28,623	197,795	1,109,767	-	1,307,562	1,183,734
Hydro sale proceeds	133,650	7,952	-	-	7,952	-	-	-	-	141,602
Humanitarian donations	3,249	33	-	-	33	-	-	-	-	3,282
Airport operations	43,011	-	1,953	-	1,953	6,662	-	-	6,662	38,302
	<b>\$2,642,583</b>	<b>36,608</b>	<b>1,953</b>	<b>-</b>	<b>38,561</b>	<b>204,457</b>	<b>1,109,767</b>	<b>-</b>	<b>1,314,224</b>	<b>1,366,920</b>

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, 2014

**SCHEDULE 3**

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest on Investments	From Operating	Government Transfers	Total	To Operating	To Capital	Other	Total	End of Year
<b>Deferred Revenue</b>										
<b>Obligatory Reserve Funds</b>										
Gas tax rebates	\$ 421,509	3,613	-	124,865	128,478	-	210,236	-	210,236	339,751
	\$ 421,509	3,613	-	124,865	128,478	-	210,236	-	210,236	339,751

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, 2014

**Schedule 4**

	BY ASSET CLASS											Totals	
	General						Infrastructure						
	Land	Buildings	Vehicles	Equipment	Computer	Other	Roads	Plants & Facilities	Underground & Other	Other Structures	Assets Under Construction	2014	2013
Cost													
Balance, Beginning of year	1,640,434	7,261,632	2,056,191	537,607	16,863	802,645	4,315,508	20,349,756	7,754,474	1,961,552	-	46,696,662	45,905,769
Add:													
Additions during year	-	288,586	904,952	343,715	-	51,715	-	-	545,982	-	58,032	2,192,982	981,045
Write up of cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:													
Disposals during year	-	-	-	-	-	-	-	-	-	-	-	-	(190,152)
Balance, End of year	1,640,434	7,550,218	2,961,143	881,322	16,863	854,360	4,315,508	20,349,756	8,300,456	1,961,552	58,032	48,889,644	46,696,662
Accumulated Amortization													
Balance, Beginning of year	-	3,527,841	1,350,998	393,021	16,863	618,416	2,762,360	6,332,304	2,908,588	786,506	-	18,696,897	17,376,933
Add:													
Amortization during the year	-	160,503	186,433	57,101	-	56,200	74,619	818,033	121,723	71,895	-	1,546,507	1,456,512
Less:													
Reduction on disposals	-	-	-	-	-	-	-	-	-	-	-	-	(136,548)
Balance, End of year	-	3,688,344	1,537,431	450,122	16,863	674,616	2,836,979	7,150,337	3,030,311	858,401	-	20,243,404	18,696,897
Net book value of Tangible Capital Assets	1,640,434	3,861,874	1,423,712	431,200	-	179,744	1,478,529	13,199,419	5,270,145	1,103,151	58,032	28,646,240	27,999,765
BY FUNCTIONAL CLASSIFICATION													
	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Sewer	Waste Management	Recreation	Planning & Econ. Dev.	Assets Under Construction	2014	2013
Cost													
Balance, Beginning of year	2,231,037	256,121	735,601	5,980,639	1,243,176	17,787,235	10,316,999	126,120	8,012,771	6,963	-	46,696,662	45,905,769
Add:													
Additions during year	307,762	66,739	452,572	518,692	428	545,982	-	-	242,775	-	58,032	2,192,982	981,045
Write up of cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:													
Disposals during year	-	-	-	-	-	-	-	-	-	-	-	-	(190,152)
Balance, End of year	2,538,799	322,860	1,188,173	6,499,331	1,243,604	18,333,217	10,316,999	126,120	8,255,546	6,963	58,032	48,889,644	46,696,662
Accumulated Amortization													
Balance, Beginning of year	1,094,859	191,321	409,877	3,779,415	610,460	5,272,260	3,966,994	33,164	3,331,584	6,963	-	18,696,897	17,376,933
Add:													
Amortization during the year	58,912	36,004	72,770	188,191	32,370	626,901	312,855	2,527	215,977	-	-	1,546,507	1,456,512
Less:													
Reduction on disposals	-	-	-	-	-	-	-	-	-	-	-	-	(136,548)
Balance, End of year	1,153,771	227,325	482,647	3,967,606	642,830	5,899,161	4,279,849	35,691	3,547,561	6,963	-	20,243,404	18,696,897
Net book value of Tangible Capital Assets	1,385,028	95,535	705,526	2,531,725	600,774	12,434,056	6,037,150	90,429	4,707,985	-	58,032	28,646,240	27,999,765

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Schedule of Accumulated Surplus**  
For the Year Ended December 31, 2014

**SCHEDULE 5**

	<b>2014</b>	<b>2013</b>
<b>RESERVE FUNDS - Schedule 2</b>		
Capital asset replacement	\$ 1,183,734	\$ 2,462,673
Hydro sale proceeds	141,602	133,650
Humanitarian donations	3,282	3,249
Airport operations	38,302	43,011
<b>Total</b>	<b>1,366,920</b>	<b>2,642,583</b>

**RESERVES - Schedule 1**

Acquisition of capital assets	1,565	1,565
Sick leave and payroll contingency	229,589	214,589
Legal Contingency	88,526	88,526
Waterworks	631,787	591,237
Sewer	579,868	578,909
Working funds	50,000	50,000
Recreation facilities	1,333	1,333
Insurance claims	46,720	46,720
WSIB	72,964	72,964
Physician recruitment	11,610	11,610
Living legacy	4,425	4,425
Asset replacement	232,719	240,665
<b>Total</b>	<b>1,951,106</b>	<b>1,902,543</b>
<b>Total - Reserves and reserve Funds</b>	<b>3,318,026</b>	<b>4,545,126</b>

**SURPLUSES**

Invested in tangible capital assets	19,272,842	19,311,949
General revenue fund	(470,950)	(197,795)
Landfill operations board	14,170	35,343
Unfunded		
• Employment benefits and post-employment liabilities	(1,593,827)	(1,568,029)
• Landfill closure and post-closure liabilities	(155,615)	(181,590)
<b>Total surpluses</b>	<b>17,066,620</b>	<b>17,399,878</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$20,384,646</b>	<b>\$21,945,004</b>

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

**Corporation of the Town of Deep River**  
**Consolidated Schedule of Segmented Disclosure**  
**For the year ended December 31, 2014**

**Schedule 6**

	General Government		Protection		Transportation		Environment		Health		Recreation		Planning		Totals	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenues</b>																
Taxation	314,194	124,664	2,845,369	2,856,963	1,019,008	1,070,534	409,717	360,474	13,004	102	904,608	902,291	25,361	12,314	5,531,261	5,327,342
User charges	5,499	15,265	99,218	87,973	24,381	25,249	2,076,399	2,087,558	12,744	13,659	412,284	391,271	4,874	1,390	2,635,399	2,622,365
Government transfers	258,189	794,700	40,976	79,750	22,389	22,245	13,508	33,423	-	-	18,981	11,120	-	2,000	354,043	943,238
Other Income	132,287	93,444	9,050	1,185	8,857	7,690	305,349	210,427	-	-	51,177	41,471	-	-	506,720	354,217
Deferred revenue earned	-	-	-	-	-	-	210,236	96,168	-	-	-	-	-	-	210,236	96,168
	710,169	1,028,073	2,994,613	3,025,871	1,074,635	1,125,718	3,015,209	2,788,050	25,748	13,761	1,387,050	1,346,153	30,235	15,704	9,237,659	9,343,330
<b>Expenses</b>																
Salaries, wages and benefits	549,481	543,115	2,714,099	2,819,060	723,900	608,042	133,264	101,680	8,605	10,620	913,294	887,509	-	1,170	5,042,643	4,971,196
Interest on long term debt	4,826	5,140	-	-	-	-	305,962	312,748	-	-	-	-	-	-	310,788	317,888
Materials and supplies	527,008	405,391	241,494	270,378	469,914	516,729	760,797	608,642	2,781	8,758	546,017	486,438	21,921	18,197	2,569,932	2,314,533
Contracted Services	5,236	33,237	70,340	69,551	14,432	14,364	1,171,786	1,145,747	-	-	8,273	42,689	26,851	8,300	1,296,918	1,313,888
Rents and financial expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
External transfers	-	-	7,500	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfunctional adjustments	(102,716)	(185,716)	135,658	218,658	-	-	(32,942)	(32,942)	-	-	23,729	15,483	-	-	31,229	15,483
Amortization	58,912	48,559	108,774	70,083	220,561	185,783	942,283	936,571	-	-	215,977	214,124	-	1,392	1,546,507	1,456,512
	1,042,747	849,726	3,277,865	3,447,730	1,428,807	1,324,918	3,281,150	3,072,446	11,386	19,378	1,707,290	1,646,243	48,772	29,059	10,798,017	10,389,500
<b>Net Revenue (Expense)</b>	<b>(332,578)</b>	<b>178,347</b>	<b>(283,252)</b>	<b>(421,859)</b>	<b>(354,172)</b>	<b>(199,200)</b>	<b>(265,941)</b>	<b>(284,396)</b>	<b>14,362</b>	<b>(5,617)</b>	<b>(320,240)</b>	<b>(300,090)</b>	<b>(18,537)</b>	<b>(13,355)</b>	<b>(1,560,358)</b>	<b>(1,046,170)</b>

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2014

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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 local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

**REPORTING ENTITY**

- (a) The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, reserves, reserve funds and cash flows of the Town 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

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:

	<b>Proportionate Share</b>
• North Renfrew Landfill Operations Board	52.00 %
• Pembroke and Area Airport Commission	8.561%

- (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.

**BASIS OF ACCOUNTING**

- (a) **Accrual Basis of Accounting**

The financial statements have been prepared using 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) **Cash**

Cash is defined as cash on hand, cash on deposit and short term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

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

**(c) 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.

**(d) Inventories for Resale**

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

**(e) 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:

<b>Assets</b>	<b>Useful Life-Years</b>
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)**

- (e) 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.

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.

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

The Town expenses its contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, when contributions are due.

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.

- (g) **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, 2014

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

**(h) Investments**

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

**(i) Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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. Management makes accounting estimates when determining the estimated useful life of the Corporation's tangible assets, its allowances for doubtful accounts, the carrying value of its inventory, the accrued liabilities for employee benefits and solid waste landfill closure and post-closure care. Actual results could differ from those estimates.

**(j) Segment Disclosures**

The municipality adopted the Public Sector Accounting Board standard requiring financial information to be provided on a segmented basis (PSAB 2700). Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment.

**2. CASH AND INVESTMENTS**

	2014	2013
Cash	\$ 293,059	\$ 855,841
Investment in Public Sector Group of Funds		
• Bond Fund	577,933	2,337,734
	\$ 870,992	\$ 3,193,575

The book value of the investment in Public Sector Group of Funds is \$591,759 (2013 - \$2,394,279).

Cash and investments in the amount of \$1,706,671 (2013 - \$3,064,092) have been restricted to support obligatory reserve funds, reserves and deferred revenue. As at December 31, 2014, the Town's general fund had outstanding borrowings of \$950,209 from the reserve funds.

**3. LOAN RECEIVABLE**

Loan receivable from Deep River Golf Club (1972) Incorporated, bearing interest at 4% per annum, receivable in annual instalments of \$13,394 until August 2019, secured by a real property mortgage and chattel mortgage on Golf Club property and equipment.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2014

**4. LONG TERM LIABILITIES**

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

	2014	2013
Prime minus 0.5% non-revolving term loan, repayable in blended monthly instalments of \$18,000	\$ 2,571,265	\$ 2,720,945
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	4,049,169	4,087,509
4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693	556,137	595,393
	<u>\$ 7,176,571</u>	<u>\$ 7,403,847</u>

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

2015	\$ 235,146
2016	242,939
2017	251,023
2018	259,408
2019	268,109
Thereafter	5,919,946
	<u>\$ 7,176,571</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 \$310,788 (2013 - \$318,544).

Of the total charges shown above, \$4,826 (2013 - \$5,140) was paid from general revenues of the Town, \$229,990 (2013 - \$233,306) was recovered from the water supply operation and \$75,972 (2013 - \$80,098) 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, 2014

**5. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES**

	2014	2013
Accrued vacation pay benefits	\$ 90,006	\$ 104,790
Sick leave (Note 5 (a))	769,650	742,747
Post-employment benefits (Note 5 (b))	734,171	720,492
	<u>\$ 1,593,827</u>	<u>\$ 1,568,029</u>

**(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 \$25,945 (2013 - \$116,875) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$229,589 (2013 - \$214,589) 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 2014 is based on an actuarial valuation performed as at December 31, 2013 and forecasted for 2014.

Information about the plan is as follows:

**Accrued benefit liability**

	2014	2013
Accrued benefit liability as at beginning of year	\$ 720,492	\$ 693,310
Current service cost	27,762	23,000
Interest	21,171	39,215
Amortization of actuarial losses	(12,254)	(12,838)
Contributions/benefits paid during the year	(23,000)	(22,195)
Accrued benefit liability as at end of year	<u>\$ 734,171</u>	<u>\$ 720,492</u>

**Reconciliation of accrued benefit obligation**

	2014	2013
Accrued benefit obligation as at beginning of year	\$ 585,693	\$ 871,032
Benefits accrued during year	27,763	23,000
Benefits paid during year	(23,000)	(22,195)
Interest on accrued benefit obligation during year	21,171	39,215
Experience gain during the year	-	(325,359)
Accrued benefit obligation as at end of year	<u>\$ 611,627</u>	<u>\$ 585,693</u>

Discount rate 3.6%  
Assumed dental cost trend rate 4.0 %

The assumed health care cost trend rate was 10%, decreasing by 1% annually to 5%.

**6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES**

The Town operates a landfill site that now receives only construction and demolition waste. Currently the landfill site is estimated to be 69% filled and has a remaining volume of approximately 99,000 m<sup>3</sup>. The estimated remaining life of the site at the current level of usage is 20 - 25 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 4.0% . Currently a liability of \$130,000 has been accrued. The present value of estimated total expenditures is approximately \$171,000. The liability remaining to be recognized is \$41,000.

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 41% filled and has a remaining volume of 112,692 m<sup>3</sup>. At the current rate of usage, the landfill site is expected to close in 20 years or by December 31, 2034. 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 Consolidated Statement of Financial Position. The liability was estimated using a discount factor of 3.85% and is accrued based on site usage. Currently a liability of \$49,261 (Town share - \$25,615) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$120,149 (Town share - \$62,477). The liability remaining to be recognized is \$70,888 (Town share - \$36,862).

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2014

**7. REVENUES**

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Taxation</b>			
Residential and farm taxation	\$ 4,777,105	\$ 4,785,342	\$ 4,526,293
Commercial, industrial and business taxation	940,187	940,187	897,554
Taxation from other governments	2,728,082	2,728,082	2,723,917
	8,445,374	8,453,611	8,147,764
Deduct: amounts received or receivable for County and school boards	(2,917,284)	(2,922,350)	(2,820,422)
	5,528,090	5,531,261	5,327,342
<b>User Charges</b>	2,682,884	2,635,399	2,622,365
<b>Government transfers</b>			
Government of Canada	-	1,650	1,775
Province of Ontario	700,059	342,613	931,861
Other municipalities	2,000	9,780	9,602
	702,059	354,043	943,238
<b>Other</b>			
Investment income	4,221	47,749	44,630
Penalties and interest on taxes	40,000	46,226	41,732
Donations	-	33,765	27,699
Loss on sale of tangible capital assets	-	-	(29,814)
Other	23,043	378,980	269,970
	67,264	506,720	354,217
<b>Deferred revenue earned</b>	558,341	210,236	96,168
	\$ 9,538,638	\$ 9,237,659	\$ 9,343,330

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2014

**8. EXPENDITURES BY OBJECT**

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

	2014	2013
Salaries, wages and employee benefits	\$ 5,042,643	\$ 4,971,196
Interest on long term liabilities	310,788	317,888
Transfers to external organizations	31,229	15,483
Materials, contracted services, rents and financial expenses	3,866,850	3,628,421
Amortization	1,546,507	1,456,512
	<b>\$10,798,017</b>	<b>\$10,389,500</b>

**9. PENSION AGREEMENT**

The Corporation of the Town of Deep River, on behalf of its eligible employees, is a participant in the Ontario Municipal Employees Retirement System (OMERS). OMERS is a defined benefit pension plan, fully funded by equal contributions from participating employers and employees, and by the investment earnings of the OMERS Fund. OMERS pensions are calculated using a defined benefit formula, taking into account length of service and average annual wage that is designed to integrate with the pension payable from the Canada Pension Plan.

Because OMERS is a multi-employer pension plan, The Corporation of the Town of Deep River does not recognize any share of the pension plan deficit of \$5.3 billion (2013 - \$8.3 billion) based on the total fair market value of the plans's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed to OMERS for 2014 was \$360,660 (2013 - \$331,894) for current service and is included as an expenditure on the Consolidated Statement of Operations. At December 31, 2014 there is no liability for past service under this agreement.

**10. FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash and investments, taxes receivable, water and sewer receivables, accounts receivable, accounts payable and accrued liabilities 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 or currency risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes receivable, water and sewer receivables and accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. It is management's opinion that the large number and diversity of taxpayers and users minimizes the credit risk.

**11. CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The Town has entered into agreements for the collection of residential and commercial waste and for the collection, handling and processing of recyclables. The agreement for waste collection extends to September 30, 2018 at an annual cost of \$193,007 plus HST. The agreement for recyclables extends to September 30, 2015 at an annual cost of \$128,400 plus HST and tipping fees.

The Town has an agreement with Ontario Clean Water Agency (OCWA) to operate and maintain water and wastewater treatment facilities and distribution services. The agreement is for a two year term ending March 31, 2016 at an annual cost of \$662,703 for the first year and \$672,644 for the second year.

The Town has entered into an agreement for operation of the Miller's Road landfill site for a two-year period ending March 31, 2015 at an annual cost of \$53,760 plus HST for year one and \$62,160 plus HST for year two.

**12. TRUST FUNDS**

Trust funds administered by the Town totalling \$333,489 (2013 - \$314,095) 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 nor have their operations been included in 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.

**14. BUDGET FIGURES**

The operating budget approved by Town Council for 2014 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 in some cases include tangible capital asset amounts in the annual budget as they do not require immediate funding. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. The budget figures are unaudited.

**15. SEGMENTED DISCLOSURES**

The Town of Deep River provides a range of services to its ratepayers. For each segment as reported in Schedule 6, revenues and expenses represent amounts that are directly attributable to the segment. Amounts not directly attributable to a segment are reported in general government. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.