

**CORPORATION OF THE  
TOWN OF DEEP RIVER**

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**Consolidated Financial Statements**  
For the Year Ended December 31, 2013

# THE CORPORATION OF THE TOWN OF DEEP RIVER

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October 9, 2014

## MANAGEMENT REPORT

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

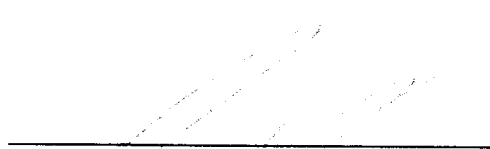
The accompanying consolidated financial statements of the **Corporation of the Town of Deep River** are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting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

  
\_\_\_\_\_  
David Thompson,  
Mayor Town of Deep River

  
\_\_\_\_\_  
Christopher Carroll, CPA, CA  
Treasurer

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

## **Consolidated Financial Statements**

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**DEAN~SINCLAIR**

CHARTERED PROFESSIONAL ACCOUNTANTS

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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, 2013 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, 2013 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  
October 9, 2014



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Financial Position**  
As At December 31, 2013

	2013	2012
<b>FINANCIAL ASSETS</b>		
Cash and investments (Note 2)	\$ 3,193,575	\$ 4,325,897
Taxes receivable	264,918	258,336
Trade and other receivables	802,165	700,388
Loan receivable (Note 3)	48,760	58,137
Inventories for resale	4,153	2,155
	<b>\$ 4,313,571</b>	<b>\$ 5,344,913</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 799,907	\$ 1,244,417
Deferred revenue (Schedule 3)	421,509	384,716
Long term liabilities (Note 4)	7,403,847	7,624,060
Employee benefits and post employment liabilities (Note 5)	1,568,029	1,568,716
Landfill closure and post-closure liabilities (Note 6)	181,590	178,780
	<b>\$10,374,882</b>	<b>\$11,000,689</b>
<b>Net Financial Assets</b>	<b>(6,061,311)</b>	<b>(5,655,776)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets - net (Schedule 4)	27,999,765	28,528,836
Inventory of supplies	4,936	5,292
Prepaid expenses	1,614	112,822
	<b>28,006,315</b>	<b>28,646,950</b>
<b>ACCUMULATED SURPLUS (Schedule 5)</b>	<b>\$21,945,004</b>	<b>\$22,991,174</b>

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Operations**  
For the Year Ended December 31, 2013

	2013	2013	2012
	Budget	Actual	Actual
	(Note 14)		
<b>REVENUES (Note 7)</b>			
Taxation and payments in lieu	\$ 5,312,591	\$ 5,327,342	\$ 5,197,805
User charges	2,654,428	2,622,365	2,623,768
Government transfers	903,779	943,238	1,390,021
Deferred revenue earned - Schedule 3	90,000	96,168	-
Other	41,408	354,217	173,308
	9,002,206	9,343,330	9,384,902
<b>EXPENDITURES</b>			
General government	955,579	849,726	929,725
Protection to persons and property	3,013,930	3,447,730	3,208,940
Transportation services	1,100,812	1,324,918	1,164,229
Environmental services	2,333,361	3,072,446	3,051,856
Health services	5,012	19,378	12,734
Recreation and cultural services	1,347,828	1,646,243	1,492,541
Planning and development	15,780	29,059	88,859
	8,772,302	10,389,500	9,948,884
<b>ANNUAL SURPLUS (DEFICIT)</b>	229,904	(1,046,170)	(563,982)
<b>ACCUMULATED SURPLUS, beginning of year</b>	22,991,174	22,991,174	23,555,156
<b>ACCUMULATED SURPLUS, end of year</b>	\$23,221,078	\$21,945,004	\$22,991,174

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Change in Net Financial Assets**  
For the Year Ended December 31, 2013

	2013	2012
	Actual	Actual
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ (1,046,170)	\$ (563,982)
Amortization of tangible capital assets	1,456,512	1,442,696
Acquisition of tangible capital assets	(961,045)	(1,616,249)
Loss on sale of tangible capital assets	29,814	-
Proceeds on sale of tangible capital assets	3,790	-
Acquisition of supplies inventories	356	1,469
Acquisition (consumption) of prepaid expenses	111,208	(19,118)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(405,535)	(755,184)
<b>NET FINANCIAL ASSETS, beginning of year</b>	(5,655,776)	(4,900,592)
<b>NET FINANCIAL ASSETS, end of year</b>	<b>\$ (6,061,311)</b>	<b>\$ (5,655,776)</b>

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Cash Flows**  
For the Year Ended December 31, 2013

	2013	2012
<b>CASH FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$(1,046,170)	\$ (563,982)
Adjustments for items not affecting cash		
Amortization of tangible capital assets	1,456,512	1,442,696
Loss on sale of assets	29,814	-
Changes in non-cash working capital		
Taxes receivable	(6,582)	(80,822)
Trade and other receivables	(152,658)	(375,811)
Loan receivable	60,258	8,522
Inventory of supplies	(1,642)	2,288
Prepaid expenses	111,208	(19,118)
Accounts payable and accrued liabilities	(444,510)	320,109
Employee benefits and post-employment liabilities	(687)	51,034
Landfill closure and post-closure liabilities	2,810	22,529
Deferred revenue	36,793	131,223
	45,146	938,668
<b>CASH (USED IN) FROM FINANCING ACTIVITIES</b>		
Payments on long-term liabilities	(220,213)	(154,286)
<b>CASH (USED IN) INVESTING ACTIVITIES</b>		
Proceeds on sale of tangible capital assets	3,790	-
Purchase of tangible capital assets	(961,045)	(1,616,249)
	(957,255)	(1,616,249)
<b>INCREASE (DECREASE) IN CASH POSITION</b>	(1,132,322)	(841,867)
<b>CASH POSITION, beginning of year</b>	4,325,897	5,167,764
<b>CASH POSITION, end of year</b>	\$ 3,193,575	\$ 4,325,897
<b>COMPRISED OF:</b>		
Cash	\$ 855,841	\$ 1,019,085
Investments	2,337,734	3,306,812
	\$ 3,193,575	\$ 4,325,897

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, 2013

**SCHEDULE 1**

	BALANCE		REVENUES			TRANSFERS			BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total	To Operations	To Capital	Other	Total
<b>Reserves</b>									<b>End of Year</b>
Acquisition of capital assets	\$ 1,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,565
Sick leave and payroll contingency	208,589	-	6,000	-	6,000	-	-	-	214,589
Legal Contingency	88,526	-	-	-	-	-	-	-	88,526
Waterworks	499,290	-	91,947	-	91,947	-	-	-	591,237
Sewer	433,021	-	145,888	-	145,888	-	-	-	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	17,910	-	-	-	-	6,300	-	-	11,610
Living legacy	4,425	-	-	-	-	-	-	-	4,425
Asset replacement	202,506	-	38,159	-	38,159	-	-	-	240,665
	1,626,849	-	281,994	-	281,994	6,300	-	-	1,902,543
<b>Reserve funds (Schedule 2)</b>	2,824,025	30,735	3,632	-	34,367	528	215,281	-	2,642,583
<b>Total reserves and reserve funds</b>	\$4,450,874	\$ 30,735	\$ 285,626	\$ -	\$ 316,361	\$ 6,828	\$ 215,281	\$ -	\$4,545,126

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, 2013

**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
Reserve Funds										
Capital asset replacement	\$2,650,319	\$ 27,635	\$ -	\$ -	\$ 27,635	\$ -	\$ 215,281	\$ -	\$ 215,281	\$2,462,673
Hydro sale proceeds	130,579	3,071	-	-	3,071	-	-	-	-	133,650
Humanitarian donations	3,720	29	-	-	29	500	-	-	500	3,249
Airport operations	39,407	-	3,632	-	3,632	28	-	-	28	43,011
	\$2,824,025	\$ 30,735	\$ 3,632	\$ -	\$ 34,367	\$ 528	\$ 215,281	\$ -	\$ 215,809	\$2,642,583

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, 2013

**SCHEDULE 3**

BALANCE		REVENUES			TRANSFERS			BALANCE	
Beginning of Year	Interest on Investments	From Operating	From Government Transfers	Total	To Operating	To Capital	Other	Total	End of Year
Deferred Revenue									
Obligatory Reserve Funds									
Gas tax rebates	\$ 384,716	\$ 3,635	\$ -	\$ 129,326	\$ 132,961	\$ -	\$ 96,168	\$ -	\$ 421,509
	\$ 384,716	\$ 3,635	\$ -	\$ 129,326	\$ 132,961	\$ -	\$ 96,168	\$ -	\$ 421,509

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, 2013

Schedule 4

	BY ASSET CLASS											Totals	
	General					Infrastructure							
	Land	Buildings	Vehicles	Equipment	Computer	Other	Roads	Plants & Facilities	Underground & Other	Other Structures	Assets Under Construction	2012	2013
Cost													
Balance, Beginning of year	1,640,434	7,208,065	2,030,567	661,248	16,863	753,147	4,315,508	20,349,756	7,486,915	1,423,266	20,000	45,905,769	44,608,179
Add:	-	53,567	61,790	10,345	-	49,498	-	-	267,559	538,286	-	981,045	1,663,524
Write up of cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:	-	-	(36,166)	(133,986)	-	-	-	-	-	-	(20,000)	(190,152)	(365,934)
Disposals during year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, End 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
Accumulated Amortization													
Balance, Beginning of year	-	3,372,986	1,251,153	467,258	11,250	565,005	2,687,741	5,514,271	2,797,786	709,483	-	17,376,933	16,252,896
Add:	-	154,855	126,969	35,187	5,613	53,411	74,619	818,033	110,802	77,023	-	1,456,512	1,442,696
Amortization during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:	-	-	(27,124)	(109,424)	-	-	-	-	-	-	-	(136,548)	(318,659)
Reduction on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, End 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
Net book value of Tangible Capital Assets	1,640,434	3,733,791	705,193	144,586	-	184,229	1,553,148	14,017,452	4,845,886	1,175,046	-	27,999,765	28,528,836
BY FUNCTIONAL CLASSIFICATION													
Cost													
Balance, Beginning of year	2,231,037	256,397	709,701	5,980,639	1,228,750	17,601,418	10,235,257	260,106	7,375,501	6,963	20,000	45,905,769	44,608,179
Add:	-	35,890	25,900	-	14,426	185,817	81,742	-	637,270	-	-	981,045	1,663,524
Write up of cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:	-	(36,166)	-	-	-	-	-	(133,986)	-	-	(20,000)	(190,152)	(365,934)
Disposals during year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, End 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
Accumulated Amortization													
Balance, Beginning of year	1,046,300	193,654	364,585	3,625,304	578,788	4,654,644	3,657,409	133,218	3,117,460	5,571	-	17,376,933	16,252,896
Add:	48,559	24,791	45,292	154,111	31,672	617,616	309,585	9,370	214,124	1,392	-	1,456,512	1,442,696
Amortization during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:	-	(27,124)	-	-	-	-	-	(109,424)	-	-	-	(136,548)	(318,659)
Reduction on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, End 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
Net book value of Tangible Capital Assets	1,136,178	64,800	325,724	2,201,224	632,716	12,514,975	6,350,005	92,956	4,681,187	-	-	27,999,765	28,528,836

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, 2013

**SCHEDULE 5**

	2013	2012
<b>RESERVE FUNDS - Schedule 2</b>		
Capital asset replacement	\$ 2,462,673	\$ 2,650,319
Hydro sale proceeds	133,650	130,579
Humanitarian donations	3,249	3,720
Airport operations	43,011	39,407
<b>Total</b>	<b>2,642,583</b>	<b>2,824,025</b>
<b>RESERVES - Schedule 1</b>		
Acquisition of capital assets	1,565	1,565
Sick leave and payroll contingency	214,589	208,589
Legal Contingency	88,526	88,526
Waterworks	591,237	499,290
Sewer	578,909	433,021
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	17,910
Living legacy	4,425	4,425
Asset replacement	240,665	202,506
<b>Total</b>	<b>1,902,543</b>	<b>1,626,849</b>
<b>Total - Reserves and reserve Funds</b>	<b>4,545,126</b>	<b>4,450,874</b>
<b>SURPLUSES</b>		
Invested in tangible capital assets	19,311,949	20,171,383
General revenue fund	(197,795)	83,239
Landfill operations board	35,343	33,174
Unfunded		
• Employment benefits and post-employment liabilities	(1,568,029)	(1,568,716)
• Landfill closure and post-closure liabilities	(181,590)	(178,780)
<b>Total surpluses</b>	<b>17,399,878</b>	<b>18,540,300</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$21,945,004</b>	<b>\$22,991,174</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, 2013**

**Schedule 6**

	General Government		Protection		Transportation		Environment		Health		Recreation		Planning		Totals	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Revenues</b>																
Taxation	124,664	113,649	2,856,963	2,677,781	1,070,534	959,976	360,474	420,304	102	3,481	902,291	960,655	12,314	61,959	5,327,342	5,197,805
User charges	15,265	29,307	87,973	108,787	25,249	34,657	2,087,558	2,062,185	13,659	10,081	391,271	374,546	1,390	4,205	2,622,365	2,623,768
Government transfers	794,700	811,300	79,750	124,082	22,245	1,518	33,423	428,748	-	-	11,120	20,520	2,000	3,853	943,238	1,390,021
Other Income	93,444	106,568	1,185	3,761	7,690	22,355	210,427	6,515	-	-	41,471	31,056	-	3,053	354,217	173,308
Deferred revenue earned	-	-	-	-	-	-	96,168	-	-	-	-	-	-	-	96,168	-
	1,028,073	1,060,824	3,025,871	2,914,411	1,125,718	1,018,506	2,788,050	2,917,752	13,761	13,562	1,346,153	1,386,777	15,704	73,070	9,343,330	9,384,902
<b>Expenses</b>																
Salaries, wages and benefits	543,115	585,642	2,819,060	2,594,811	608,042	600,282	101,680	120,498	10,620	9,446	887,509	767,133	1,170	45,314	4,971,196	4,723,126
Interest on long term debt	5,140	5,441	-	-	-	-	312,748	349,136	-	-	-	-	-	-	317,888	354,577
Materials and supplies	405,391	450,949	270,378	258,411	516,729	260,278	608,642	634,782	8,758	3,288	486,438	503,047	18,197	14,704	2,314,533	2,125,459
Contracted Services	33,237	25,050	69,551	62,617	14,364	110,736	1,145,747	1,045,438	-	-	42,689	11,237	8,300	27,448	1,313,888	1,282,526
Rents and financial expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
External transfers	-	-	-	-	-	-	-	-	-	-	15,483	20,500	-	-	15,483	20,500
Interfunctional adjustments	(185,716)	(185,916)	218,658	218,858	-	-	(32,942)	(32,942)	-	-	-	-	-	-	-	-
Amortization	48,559	48,559	70,083	74,243	183,783	192,933	936,571	934,944	-	-	214,124	190,624	1,392	1,393	1,456,512	1,442,696
	849,726	929,725	3,447,730	3,208,940	1,324,918	1,164,229	3,072,446	3,051,856	19,378	12,734	1,646,243	1,492,541	29,059	88,859	10,389,500	9,948,884
<b>Net Revenue (Expense)</b>	178,347	131,099	(421,859)	(294,529)	(199,200)	(145,723)	(284,396)	(134,104)	(5,617)	828	(300,090)	(105,764)	(13,355)	(15,789)	(1,046,170)	(563,982)

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, 2013

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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	8.569%

- (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.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2013

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**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.



**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2013

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

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

- (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, 2013

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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**

	<b>2013</b>	<b>2012</b>
Cash	\$ 855,841	\$ 1,019,085
Investment in Public Sector Group of Funds		
• Bond Fund	2,337,734	3,306,812
	<b>\$ 3,193,575</b>	<b>\$ 4,325,897</b>

The book value of the investment in Public Sector Group of Funds is \$2,394,279 (2012 - \$3,323,195).

Cash and investments in the amount of \$3,064,092 (2012 - \$3,208,740) have been restricted to support obligatory reserve funds, reserves and deferred revenue.

**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, 2013

**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:

	2013	2012
Prime minus 0.5% non-revolving term loan, repayable in blended monthly instalments of \$18,000	\$ 2,720,945	\$ 2,867,126
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	4,087,509	4,123,852
4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693	595,393	633,082
	<u>\$ 7,403,847</u>	<u>\$ 7,624,060</u>

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

2013	\$ 227,631
2014	235,146
2015	242,939
2016	251,023
2017	259,408
Thereafter	6,187,700
	<u>\$ 7,403,847</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 \$318,544 (2012 - \$354,577).

Of the total charges shown above, \$5,140 (2012 - \$5,441) was paid from general revenues of the Town, \$233,306 (2012 - \$234,589) was recovered from the water supply operation and \$80,098 (2012 - \$114,547) 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, 2013

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

	<b>2013</b>	<b>2012</b>
Accrued vacation pay benefits	\$ 104,790	\$ 104,520
Sick leave (Note 5 (a))	742,747	770,886
Post-employment benefits (Note 5 (b))	720,492	693,310
	<b>\$ 1,568,029</b>	<b>\$ 1,568,716</b>

**(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 \$116,875 (2012 - \$36,173) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$214,589 (2012 - \$208,589) 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 2013 is based on an actuarial valuation prepared as of December 31, 2013 which was completed on April 9, 2014.

Information about the plan is as follows:

**Accrued benefit liability**

	<b>2013</b>	<b>2012</b>
Accrued benefit liability as at beginning of year	\$ 693,310	\$ 625,703
Current service cost	23,000	30,229
Interest	39,215	31,288
Amortization of actuarial losses	(12,838)	21,090
Contributions/benefits paid during the year	(22,195)	(15,000)
Accrued benefit liability as at end of year	<b>\$ 720,492</b>	<b>\$ 693,310</b>

**Reconciliation of accrued benefit obligation**

	<b>2013</b>	<b>2012</b>
Accrued benefit obligation as at beginning of year	\$ 871,032	\$ 815,514
Benefits accrued during year	23,000	34,229
Benefits paid during year	(22,195)	(15,000)
Interest on accrued benefit obligation during year	39,215	36,289
Experience gain during the year	(325,359)	-
Accrued benefit obligation as at end of year	<b>\$ 585,693</b>	<b>\$ 871,032</b>

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. 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 \$160,000 has been accrued. The present value of estimated total expenditures is approximately \$171,000. The liability remaining to be recognized is \$11,000.

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 38.2% filled and has a remaining volume of 118,242 m<sup>3</sup>. At the current rate of usage, the landfill site is expected to close in 21 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 4% and is accrued based on site usage. Currently a liability of \$41,519 (Town share - \$21,590) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$108,761 (Town share - \$56,556). The liability remaining to be recognized is \$67,242 (Town share - \$34,966).

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2013

**7. REVENUES**

	2013	2013	2012
	Budget	Actual	Actual
<b>Taxation</b>			
Residential and farm taxation	\$ 4,501,862	\$ 4,526,293	\$ 4,317,420
Commercial, industrial and business taxation	897,603	897,554	891,994
Taxation from other governments	2,723,918	2,723,917	2,720,048
	8,123,383	8,147,764	7,929,462
Deduct: amounts received or receivable for County and school boards	(2,810,792)	(2,820,422)	(2,731,657)
	5,312,591	5,327,342	5,197,805
<b>User Charges</b>	2,654,428	2,622,365	2,623,768
<b>Government transfers</b>			
Government of Canada	-	1,775	19,076
Province of Ontario	903,779	931,861	1,354,003
Other municipalities	-	9,602	16,942
	903,779	943,238	1,390,021
<b>Other</b>			
Investment income	8,523	44,630	70,210
Penalties and interest on taxes	18,000	41,732	33,018
Donations	1,020	27,699	22,935
Loss on sale of tangible capital assets	-	(29,814)	-
Other	13,865	269,970	47,145
	41,408	354,217	173,308
<b>Deferred revenue earned</b>	90,000	96,168	-
	\$ 9,002,206	\$ 9,343,330	\$ 9,384,902

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2013

**8. EXPENDITURES BY OBJECT**

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

	2013	2012
Salaries, wages and employee benefits	\$ 4,971,196	\$ 4,723,126
Interest on long term liabilities	317,888	354,577
Transfers to external organizations	15,483	20,500
Materials, contracted services, rents and financial expenses	3,628,421	3,407,985
Amortization	1,456,512	1,442,696
	<b>\$10,389,500</b>	<b>\$ 9,948,884</b>

**9. PENSION CONTRIBUTIONS**

The Town contributed \$331,894 (2012 - \$294,314) to OMERS on behalf of employees for current service. Contributions by employees were a similar amount. The Town's contributions are included on the Statement of Operations classified under appropriate functional expenditure headings.

**10. FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash and investments, taxes receivable, accounts receivable, loans 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, currency or credit risks arising from these financial instruments.

**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. During the year, the agreement for waste collection was extended to September 30, 2018 at an annual cost of \$193,007 plus HST. The agreement for recyclables was extended 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. During the year the agreement was extended for an additional 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 construction and demolition waste disposal 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.

The Town has committed to equipment purchase of \$119,273 plus HST.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2013

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**12. TRUST FUNDS**

Trust funds administered by the Town totalling \$314,095 (2012 - \$299,483) 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 2013 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.



**DEEP RIVER PUBLIC LIBRARY BOARD**

**Financial Statements**

For the Year Ended December 31, 2013



**DEAN~SINCLAIR**

CHARTERED PROFESSIONAL ACCOUNTANTS

211 HINCKS STREET  
PEMBROKE, ONTARIO  
K8A 4N7

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## INDEPENDENT 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 accompanying financial statements of **DEEP RIVER PUBLIC LIBRARY BOARD**, which comprise the statement of financial position as at December 31, 2013 and the statement of operations, statement of changes in accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **DEEP RIVER PUBLIC LIBRARY BOARD** as at December 31, 2013 and the results of its operations and the changes in its net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
September 18, 2014



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Financial Position**  
As At December 31, 2013

	2013	2012
<b>Financial assets</b>		
Cash	\$ 5,666	\$ 3,558
Due from own municipality	38,291	25,973
	43,957	29,531
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	16,382	16,625
Deferred contributions (Note 2)	4,835	3,558
	21,217	20,183
<b>Net financial assets</b>	\$ 22,740	\$ 9,348
<b>Non-financial assets</b>		
Tangible capital assets - net (Schedule 1)	\$ 157,424	\$ 161,027
<b>Accumulated surplus</b>		
Invested in tangible capital assets	157,424	161,027
Operating fund	22,740	9,348
	\$ 180,164	\$ 170,375

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

2.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Changes in Accumulated Surplus**  
For The Year Ended December 31, 2013

	2013			2012
	Invested in Tangible Capital Assets	Operating Fund	Total	Total
Balance, beginning of year	\$ 161,027	\$ 9,348	\$ 170,375	\$ 163,938
Annual surplus (deficit)	(53,101)	62,890	9,789	6,437
Invested in tangible capital assets	49,498	(49,498)	-	-
Balance, end of year	\$ 157,424	\$ 22,740	\$ 180,164	\$ 170,375

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

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Operations**  
For the Year Ended December 31, 2013

	2013	2013	2012
	Budget	Actual	Actual
<b>Revenues</b>			
Town of Deep River	\$ 351,706	\$ 351,706	\$ 339,164
Province of Ontario	9,581	9,581	9,581
Federal Youth Employment grant	-	1,539	1,539
Fines and fees	8,000	6,598	7,971
Room and equipment rental	3,500	3,739	3,657
Other user charges	1,500	5,110	1,054
Audio visual income	3,000	2,585	6,844
Fundraising and miscellaneous	-	2,962	3,777
Donations	-	7,124	6,785
	377,287	390,944	380,372
<b>Expenses</b>			
Amortization	-	53,101	53,657
Salaries and employee benefits	236,305	237,324	231,329
Books, periodicals and non-print materials	49,972	-	-
Utilities and telephone	31,800	30,016	28,321
Copying expenses	2,765	2,308	2,256
Supplies	5,500	6,162	5,634
Office and general	3,050	2,559	2,367
Professional fees	1,526	1,526	1,526
Repairs and maintenance	36,142	38,096	38,063
Insurance	8,772	8,596	9,347
Computer equipment and software	1,455	1,467	1,435
	377,287	381,155	373,935
<b>Annual surplus</b>	\$ -	\$ 9,789	\$ 6,437

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

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Changes in Net Financial Assets**  
For the Year Ended December 31, 2013

	2013	2012
<b>Annual surplus</b>	\$ 9,789	\$ 6,437
Amortization of tangible capital assets	53,101	53,657
Acquisition of tangible assets	(49,498)	(50,504)
<b>Increase in net financial assets</b>	13,392	9,590
<b>Net financial assets, beginning of year</b>	9,348	(242)
<b>Net financial assets, end of year</b>	\$ 22,740	\$ 9,348

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

5.

**DEEP RIVER PUBLIC LIBRARY BOARD****Statement of Cash Flows**

For the Year Ended December 31, 2013

	2013	2012
<b>Cash from operating activities</b>		
Annual surplus	\$ 9,789	\$ 6,437
Adjustment for item not affecting cash		
Amortization	53,101	53,657
Changes in non-cash working capital		
Due from own municipality	(12,318)	(14,632)
Accounts payable	(243)	5,042
Deferred contributions	1,277	3,558
	51,606	54,062
<b>Capital</b>		
Tangible capital asset additions	(49,498)	(50,504)
	(49,498)	(50,054)
<b>Increase in cash</b>	2,108	3,558
<b>Cash, beginning of year</b>	3,558	-
<b>Cash, end of year</b>	\$ 5,666	\$ 3,558

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

6.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Notes to the Financial Statements**  
For the Year Ended December 31, 2013

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The Deep River Public Library Board is a local board of the Town of Deep River. The organization provides library service to the Town of Deep River and surrounding area.

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Accrual Basis of Accounting**

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

**Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses provides the change in net financial assets for the year.

**Cash**

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

**Tangible Capital Assets**

Tangible capital assets consist of the library's collection and equipment which are recorded at cost. The collection has been pooled and is amortized on a straight line basis over its estimated useful life of seven years. The equipment is amortized on a straight-line basis over its estimated useful life of 10 years.

**Revenue Recognition**

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

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

**Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. Significant items subject to estimates include the estimated useful lives of tangible capital assets. Actual results could vary from those estimates.



**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Notes to the Financial Statements**  
For the Year Ended December 31, 2013

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2. **DEFERRED CONTRIBUTIONS**

Deferred contributions consist of amounts received for specific projects for which expenditures have not yet been incurred.

	2013	2012
<b>Balance, beginning of year</b>	\$ 3,558	\$ -
Add: amount received related to the following year	1,277	3,558
Less: amount recognized as revenue in the year	-	-
<b>Balance, end of year</b>	\$ 4,835	\$ 3,558

3. **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 2013 was \$16,721 (2012 - \$13,764) for current service and is included as an expenditure in Statement of Operations.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2013

**SCHEDULE 1**

	<b>2013</b>		<b>2012</b>	
	<b>Library Collection</b>	<b>Equipment</b>	<b>Total</b>	<b>Total</b>
<b>Cost</b>				
Balance, beginning of year	\$ 607,781	\$ 10,809	\$ 618,590	\$ 568,086
Additions during the year	49,498	-	49,498	50,504
Balance, end of year	657,279	10,809	668,088	618,590
<b>Accumulated Amortization</b>				
Balance, beginning of year	454,320	3,243	457,563	403,906
Amortization during the year	52,020	1,081	53,101	53,657
Balance, end of year	506,340	4,324	510,664	457,563
Net book value of tangible capital assets	\$ 150,939	\$ 6,485	\$ 157,424	\$ 161,027

**CORPORATION OF THE  
TOWN OF DEEP RIVER WATERWORKS  
Financial Statements  
For the Year Ended December 31, 2013**



**DEAN~SINCLAIR**

CHARTERED PROFESSIONAL ACCOUNTANTS

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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 financial statements of **CORPORATION OF THE TOWN OF DEEP RIVER WATERWORKS**, which comprise the statement of financial position as at December 31, 2013 and the statements of operations, changes 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **CORPORATION OF THE TOWN OF DEEP RIVER WATERWORKS** as at December 31, 2013 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  
October 9, 2014



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Financial Position**  
As At December 31, 2013

	2013	2012
<b>Financial assets</b>		
Advances to (from) own municipality	\$ (49,790)	\$ 110,674
Accounts and grants receivable	598,691	426,491
	548,901	537,165
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	172,424	248,396
Long term liabilities (Note 4)	4,325,666	4,377,085
	4,498,090	4,625,481
<b>Net financial assets</b>	<b>\$(3,949,189)</b>	<b>\$(4,088,316)</b>
<b>Non-financial assets</b>		
Tangible capital assets - net (Schedule 1)	\$12,516,610	\$12,946,774
<b>Accumulated surplus</b>		
Invested in tangible capital assets	7,976,184	8,359,169
Reserve (Note 2)	591,237	499,289
	\$ 8,567,421	\$ 8,858,458

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

2.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Operations**  
For the Year Ended December 31, 2013

	2013	2013	2012
	Budget	Actual	Actual
	(Note 5)		
<b>Revenues</b>			
Sale of water	\$ 1,120,140	\$ 1,124,821	\$ 1,122,131
Hydrant rental	44,658	44,658	44,658
Other operating revenues	2,365	234,984	6,515
Province of Ontario	25,000	-	429,000
<b>Total revenues</b>	<b>1,192,163</b>	<b>1,404,463</b>	<b>1,602,304</b>
<b>Expenses</b>			
Administration	57,001	34,792	44,590
Amortization	-	615,981	612,265
Plant operations and water treatment	696,837	696,887	625,262
Water transmission and distribution	98,234	115,190	97,330
Interest on long term liabilities	237,307	232,650	234,589
<b>Total expenses</b>	<b>1,089,379</b>	<b>1,695,500</b>	<b>1,614,036</b>
<b>Annual surplus (deficit)</b>	<b>102,784</b>	<b>(291,037)</b>	<b>(11,732)</b>
<b>Accumulated surplus, at the beginning of the year</b>	<b>8,919,113</b>	<b>8,858,458</b>	<b>8,870,190</b>
<b>Accumulated surplus, at the end of the year</b>	<b>\$ 9,021,897</b>	<b>\$ 8,567,421</b>	<b>\$ 8,858,458</b>

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

3.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Changes in Net Financial Assets**  
**As At December 31, 2013**

	<b>2013</b>	<b>2012</b>
<b>Annual surplus (deficit)</b>	\$ (291,037)	\$ (11,732)
Amortization of tangible capital assets	615,981	612,265
Acquisition of tangible capital assets	(185,817)	(614,520)
<b>Increase (decrease) in net financial assets</b>	139,127	(13,987)
<b>Net financial assets, beginning of year</b>	(4,088,316)	(4,074,329)
<b>Net financial assets, end of year</b>	<b>\$(3,949,189)</b>	<b>\$(4,088,316)</b>

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2013

	2013	2012
<b>Cash from (used in) operating activities</b>		
Annual surplus (deficit)	\$ (291,037)	\$ (11,732)
Amortization	615,981	612,265
Changes in non-cash working capital		
Accounts receivable	(172,200)	(403,720)
Accounts payable	(75,972)	35,432
	76,772	232,245
<b>Cash (used in) investing activities</b>		
Acquisition of tangible capital assets	(185,817)	(614,520)
<b>Cash from (used in) financing activities</b>		
Advances from own municipality	160,464	431,199
Repayment of long term liabilities	(51,419)	(48,924)
	109,045	382,275
<b>Increase in cash</b>	-	-
<b>Cash position, beginning of year</b>	-	-
<b>Cash position, end of year</b>	\$ -	\$ -

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

5.



**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Notes to the Financial Statements**  
For the Year Ended December 31, 2013

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

**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.

**Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses provides the Change in Net Financial Assets for the year.

**Revenue Recognition**

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

**Tangible Capital Assets**

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

<b>Assets</b>	<b>Useful Life-Years</b>
Watermains	50
Water treatment plant	20-80

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

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

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

**Use of Estimates**

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards 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.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2013**

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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.

4. **LONG TERM LIABILITIES**

	2013	2012
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	\$ 4,087,509	\$ 4,123,852
Waterworks share of debentures issued by the Town of Deep River, maturing in 2025, payable in semi-annual instalments of \$12,677 including interest at 4.12%.	238,157	253,233
	\$ 4,325,666	\$ 4,377,085
Projected principal payments on the long term liabilities are as follows:		
2014	\$ 54,043	
2015	56,802	
2016	59,705	
2017	62,758	
2018	65,969	
Thereafter	4,026,389	
	\$ 4,325,666	

5. **BUDGET FIGURES**

Budget figures established for capital investment in tangible capital assets are based on a project-oriented basis, the costs of which may be incurred over one or more years. Although they may not be directly comparable with current year actual amounts, they have been reflected on the Statement of Operations. The budget figures are unaudited.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2013

**SCHEDULE 1**

				2013	2012
	Land	Watermains	Water Treatment Plant	Total	Total
<b>Cost</b>					
Balance, beginning of year	\$ 3	\$ 3,242,614	\$14,358,801	\$17,601,418	\$16,986,898
Additions during the year	-	185,817	-	185,817	614,520
Disposals during the year	-	-	-	-	-
Balance, end of year	3	3,428,431	14,358,801	17,787,235	17,601,418
<b>Accumulated Amortization</b>					
Balance, beginning of year	-	1,335,640	3,319,004	4,654,644	4,042,379
Amortization during the year	-	49,041	566,940	615,981	612,265
Disposals during the year	-	-	-	-	-
Balance, end of year	-	1,384,681	3,885,944	5,270,625	4,654,644
Net book value of tangible capital assets	\$ 3	\$ 2,043,750	\$10,472,857	\$12,516,610	\$12,946,774

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**TRUST FUNDS**  
**Financial Statements**  
For the Year Ended December 31, 2013



**DEAN~SINCLAIR**

CHARTERED PROFESSIONAL ACCOUNTANTS

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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 financial statements of **CORPORATION OF THE TOWN OF DEEP RIVER TRUST FUNDS**, which comprise the statement of financial position as at December 31, 2013 and the statement of financial activities and fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **CORPORATION OF THE TOWN OF DEEP RIVER TRUST FUNDS** as at December 31, 2013 and the results of the financial activities of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
October 9, 2014

**CORPORATION OF THE TOWN OF DEEP RIVER****Trust Funds**

## Statement of Financial Position

As At December 31, 2013

	2013			2012
	Cemetery Care	Emergency Response Unit	Total	Total
<b>Assets</b>				
Cash	\$ 20,806	\$ 38,396	\$ 59,202	\$ 47,456
Investments (Note 2)	254,893	-	254,893	252,027
	\$ 275,699	\$ 38,396	\$ 314,095	\$ 299,483
<b>Fund Balances</b>	\$ 275,699	\$ 38,396	\$ 314,095	\$ 299,483

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

2.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Trust Funds**  
Statement of Financial Activities and Fund Balances  
For the Year Ended December 31, 2013

	2013		2012	
	Cemetery Care	Emergency Response Unit	Total	Total
<b>Capital Receipts</b>				
Grants	\$ -	\$ 3,300	\$ 3,300	\$ 3,300
Sale of plots	4,240	-	4,240	2,890
Emergency calls	-	14,145	14,145	17,425
Investment income	3,023	26	3,049	4,011
	7,263	17,471	24,734	27,626
<b>Expenditures</b>				
Emergency response	-	10,122	10,122	2,426
<b>Excess of receipts (expenditures)</b>	7,263	7,349	14,612	25,200
<b>Fund Balances at the beginning of the year</b>	268,436	31,047	299,483	274,283
<b>Fund Balances at the end of the year</b>	\$ 275,699	\$ 38,396	\$ 314,095	\$ 299,483

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, 2013

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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 generally accepted accounting policies for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

#### **Accrual Method of Accounting**

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

#### **Revenue Recognition**

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

Interest income is recorded as it is earned.

#### **Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards 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.

#### **Investments**

Investments consist of bond funds recorded at market value.

### **2. INVESTMENTS**

	<b>2013</b>	<b>2012</b>
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 254,893	\$ 252,027

The book value of the investments is \$263,228 (2012 - \$255,435).

### **3. FINANCIAL INSTRUMENTS**

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