

**CORPORATION OF THE
TOWN OF DEEP RIVER**

Consolidated Financial Statements
For the Year Ended December 31, 2012

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, 2012 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, 2012 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 Accountants
Licensed Public Accountants

Pembroke, Ontario
November 20, 2013

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Financial Position
As At December 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash and investments (Note 2)	\$ 4,325,897	\$ 5,167,764
Taxes receivable	258,336	177,514
Trade and other receivables	700,388	322,456
Loan receivable (Note 3)	58,137	68,780
Inventories for resale	2,155	2,974
	\$ 5,344,913	\$ 5,739,488
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,244,417	\$ 924,308
Deferred revenue (Schedule 3)	384,716	253,493
Long term liabilities (Note 4)	7,624,060	7,788,346
Employee benefits and post employment liabilities (Note 5)	1,568,716	1,517,682
Landfill closure and post-closure liabilities (Note 6)	178,780	156,251
	\$11,000,689	10,640,080
Net Financial Assets	(5,655,776)	(4,900,592)
Non-Financial Assets		
Tangible capital assets - net (Schedule 4)	28,528,836	28,355,283
Inventory of supplies	5,292	6,761
Prepaid expenses	112,822	93,704
	28,646,950	28,455,748
ACCUMULATED SURPLUS (Schedule 5)	\$22,991,174	\$23,555,156

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, 2012

	2012	2012	2011
	Budget	Actual	Actual
	(Note 14)		
REVENUES (Note 7)			
Taxation	\$ 5,139,524	\$ 5,197,805	\$ 5,391,375
User charges	2,675,610	2,623,768	2,683,711
Government transfers	969,975	1,390,021	1,280,550
Other	85,731	173,308	297,942
	8,870,840	9,384,902	9,653,578
EXPENDITURES			
General government	1,033,661	929,725	826,734
Protection to persons and property	2,900,737	3,208,940	3,335,998
Transportation services	978,644	1,164,229	1,190,882
Environmental services	2,490,837	3,051,856	3,213,789
Health services	14,865	12,734	22,454
Recreation and cultural services	1,360,458	1,492,541	1,466,162
Planning and development	66,764	88,859	136,475
	8,845,966	9,948,884	10,192,494
ANNUAL SURPLUS (DEFICIT)	24,874	(563,982)	(538,916)
ACCUMULATED SURPLUS, beginning of year	23,555,156	23,555,156	24,094,072
ACCUMULATED SURPLUS, end of year	\$23,580,030	\$22,991,174	\$23,555,156

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, 2012

	2012	2011
	Actual	Actual
ANNUAL SURPLUS (DEFICIT)	\$ (563,982)	\$ (538,916)
Amortization of tangible capital assets	1,442,696	1,401,881
Acquisition of tangible capital assets	(1,616,249)	(589,495)
Write up of tangible capital assets	-	(4,516)
Acquisition (use) of supplies inventories	1,469	(748)
Acquisition (consumption) of prepaid expenses	(19,118)	(92,214)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(755,184)	175,992
NET FINANCIAL ASSETS, beginning of year	(4,900,592)	(5,076,584)
NET FINANCIAL ASSETS, end of year	\$(5,655,776)	\$(4,900,592)

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, 2012

	2012	2011
CASH FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (563,982)	\$ (538,916)
Adjustments for items not affecting cash		
Amortization of tangible capital assets	1,442,696	1,401,881
Write up of assets	-	(4,516)
Changes in non-cash working capital		
Taxes receivable	(80,822)	50,667
Trade and other receivables	(375,811)	238,831
Loan receivable	8,522	10,233
Inventory of supplies	2,288	(477)
Prepaid expenses	(19,118)	(92,214)
Accounts payable and accrued liabilities	320,109	(110,458)
Employee benefits and post-employment liabilities	51,034	69,868
Landfill closure and post-closure liabilities	22,529	3,232
Deferred revenue	131,223	131,212
	938,668	1,159,343
CASH (USED IN) FROM FINANCING ACTIVITIES		
Payments on long-term liabilities	(164,286)	(267,496)
CASH (USED IN) INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,616,249)	(589,495)
INCREASE (DECREASE) IN CASH POSITION	(841,867)	302,352
CASH POSITION, beginning of year	5,167,764	4,865,412
CASH POSITION, end of year	\$ 4,325,897	\$ 5,167,764
COMPRISED OF:		
Cash	\$ 1,019,085	\$ 1,898,058
Investments	3,306,812	3,269,706
	\$ 4,325,897	\$ 5,167,764

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, 2012

SCHEDULE 1

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year
Reserves										
Acquisition of capital assets	\$ 1,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,565
Sick leave and payroll contingency	173,589	-	35,000	-	35,000	-	-	-	-	208,589
Legal Contingency	-	-	88,526	-	88,526	-	-	-	-	88,526
Waterworks	351,680	-	147,610	-	147,610	-	-	-	-	499,290
Sewer	303,618	-	129,403	-	129,403	-	-	-	-	433,021
Working funds	255,639	-	-	-	-	205,639	-	-	205,639	50,000
Recreation facilities	1,333	-	-	-	-	-	-	-	-	1,333
Insurance claims	46,720	-	-	-	-	-	-	-	-	46,720
WSIB	72,964	-	-	-	-	-	-	-	-	72,964
Physician recruitment	17,910	-	-	-	-	-	-	-	-	17,910
Living legacy	4,425	-	-	-	-	-	-	-	-	4,425
Asset replacement	477,172	-	11,326	-	11,326	-	285,992	-	285,992	202,506
	1,706,615	-	411,865	-	411,865	205,639	285,992	-	491,631	1,626,849
Reserve funds (Schedule 2)	2,963,292	52,361	480	-	52,841	29,194	162,914	-	192,108	2,824,025
Total reserves and reserve funds	\$4,669,907	\$ 52,361	\$ 412,345	\$ -	\$ 464,706	\$ 234,833	\$ 448,906	\$ -	\$ 683,739	\$4,450,874

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, 2012

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	\$2,784,713	\$ 46,121	\$ -	\$ -	\$ 46,121	\$ 17,601	\$ 162,914	\$ -	\$ 180,515	\$2,650,319
Hydro sale proceeds	126,447	4,132	-	-	4,132	-	-	-	-	130,579
Humanitarian donations	3,208	32	480	-	512	-	-	-	-	3,720
Airport operations	48,924	2,076	-	-	2,076	11,593	-	-	11,593	39,407
	\$2,963,292	\$ 52,361	\$ 480	\$ -	\$ 52,841	\$ 29,194	\$ 162,914	\$ -	\$ 192,108	\$2,824,025

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, 2012

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
Deferred Revenue										
Obligatory Reserve Funds										
Gas tax rebates	\$ 253,493	\$ 1,897	\$ -	\$ 129,326	\$ 131,223	\$ -	\$ -	\$ -	\$ -	\$ 384,716
	\$ 253,493	\$ 1,897	\$ -	\$ 129,326	\$ 131,223	\$ -	\$ -	\$ -	\$ -	\$ 384,716

Corporation of the Town of Deep River
Consolidated Schedule of Tangible Capital Assets
For the year ended December 31, 2012

Schedule 4

	BY ASSET CLASS											Totals	
	General						Infrastructure					2012	2011
	Land	Buildings	Vehicles	Equipment	Computer	Other	Roads	Plants & Facilities	Underground & Other	Other Structures	Assets Under Construction		
Cost													
Balance, Beginning of year	1,640,434	6,684,612	2,010,455	624,034	63,741	702,643	4,315,508	20,349,756	6,872,394	1,297,327	47,275	44,608,179	44,040,569
Add:													
Additions during year	-	683,005	20,112	37,214	11,226	50,504	-	-	614,521	226,942	20,000	1,663,524	589,495
Write up of cost	-	-	-	-	-	-	-	-	-	-	-	-	4,516
Less:													
Disposals during year	-	(159,552)	-	-	(58,104)	-	-	-	-	(101,003)	(47,275)	(365,934)	(26,401)
Balance, End 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
Accumulated Amortization													
Balance, Beginning of year	-	3,375,638	1,119,955	427,484	63,741	511,037	2,613,122	4,696,238	2,692,334	753,347	-	16,252,896	14,877,416
Add:													
Amortization during the year	-	156,900	131,198	39,774	5,613	53,968	74,619	818,033	105,452	57,139	-	1,442,696	1,401,881
Less:													
Reduction on disposals	-	(159,552)	-	-	(58,104)	-	-	-	-	(101,003)	-	(318,659)	(26,401)
Balance, End 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
Net book value of Tangible Capital Assets	1,640,434	3,835,079	779,414	193,990	5,613	188,142	1,627,767	14,835,485	4,689,129	713,783	20,000	28,528,836	28,355,283
	BY FUNCTIONAL CLASSIFICATION											2012	2011
	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Sewer	Waste Management	Recreation	Planning & Econ. Dev.	Assets Under Construction		
Cost													
Balance, Beginning of year	2,242,526	240,204	737,428	5,960,527	1,183,936	16,986,898	10,235,257	260,106	6,707,059	6,963	47,275	44,608,179	44,040,569
Add:													
Additions during year	11,226	16,193	7,662	20,112	44,814	614,520	-	-	928,997	-	20,000	1,663,524	589,495
Write up of cost	-	-	-	-	-	-	-	-	-	-	-	-	4,516
Less:													
Disposals during year	(58,104)	-	-	-	-	-	-	-	(260,555)	-	(47,275)	(365,934)	(26,401)
Balance, End of year	2,195,648	256,397	745,090	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
Accumulated Amortization													
Balance, Beginning of year	1,020,456	159,522	359,863	3,469,176	541,983	4,042,379	3,346,188	121,760	3,187,391	4,178	-	16,252,896	14,877,416
Add:													
Amortization during the year	48,559	34,132	40,111	156,128	36,805	612,265	311,221	11,458	190,624	1,393	-	1,442,696	1,401,881
Less:													
Reduction on disposals	(58,104)	-	-	-	-	-	-	-	(260,555)	-	-	(318,659)	(26,401)
Balance, End of year	1,010,911	193,654	399,974	3,625,304	578,788	4,654,644	3,657,409	133,218	3,117,460	5,571	-	17,376,933	16,252,896
Net book value of Tangible Capital Assets	1,184,737	62,743	345,116	2,355,335	649,962	12,946,774	6,577,848	126,888	4,258,041	1,392	20,000	28,528,836	28,355,283

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, 2012

SCHEDULE 5

	2012	2011
RESERVE FUNDS - Schedule 2		
Capital asset replacement	\$ 2,650,319	\$ 2,784,713
Hydro sale proceeds	130,579	126,447
Humanitarian donations	3,720	3,208
Airport operations	39,407	48,924
Total	2,824,025	2,963,292
RESERVES - Schedule 1		
Acquisition of capital assets	1,565	1,565
Sick leave and payroll contingency	208,589	173,589
Legal Contingency	88,526	-
Waterworks	499,290	351,680
Sewer	433,021	303,618
Working funds	50,000	255,639
Recreation facilities	1,333	1,333
Insurance claims	46,720	46,720
WSIB	72,964	72,964
Physician recruitment	17,910	17,910
Living legacy	4,425	4,425
Asset replacement	202,506	477,172
Total	1,626,849	1,706,615
Total - Reserves and reserve Funds	4,450,874	4,669,907
SURPLUSES		
Invested in tangible capital assets	20,171,383	20,520,291
General revenue fund	83,239	(242)
Landfill operations board	33,174	39,133
Unfunded		
• Employment benefits and post-employment liabilities	(1,568,716)	(1,517,682)
• Landfill closure and post-closure liabilities	(178,780)	(156,251)
Total surpluses	18,540,300	18,885,249
ACCUMULATED SURPLUS	\$22,991,174	\$23,555,156

Corporation of the Town of Deep River
Consolidated Schedule of Segmented Revenue and Expenses
For the year ended December 31, 2012

Schedule 6

	General Government		Protection		Transportation		Environment		Health		Recreation		Planning		Totals	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues																
Taxation	113,649	413,659	2,677,781	2,582,841	959,976	950,483	420,304	371,555	3,481	4,355	960,655	954,358	61,959	114,124	5,197,805	5,391,375
User charges	29,307	36,144	108,787	184,007	34,657	88,520	2,062,185	2,000,671	10,081	11,756	374,546	360,963	4,205	1,650	2,623,768	2,683,711
Government transfers	811,300	1,048,800	124,082	109,413	1,518	-	428,748	87,425	-	-	20,520	16,678	3,853	18,234	1,390,021	1,280,550
Other Income	106,568	221,079	3,761	27,201	22,355	10,342	6,515	9,497	-	-	31,056	26,479	3,053	3,344	173,308	297,942
Deferred revenue earned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,060,824	1,719,682	2,914,411	2,903,462	1,018,506	1,049,345	2,917,752	2,469,148	13,562	16,111	1,386,777	1,358,478	73,070	137,352	9,384,902	9,653,578
Expenses																
Salaries, wages and benefits	585,642	505,586	2,594,811	2,645,658	600,282	523,496	120,498	128,028	9,446	10,803	767,133	728,936	45,314	85,635	4,723,126	4,628,142
Interest on long term debt	5,441	8,029	-	-	-	2,695	349,136	414,785	-	-	-	-	-	-	354,577	425,509
Materials and supplies	450,949	416,740	258,411	387,870	260,278	382,843	634,782	631,023	3,288	11,651	503,047	559,176	14,704	49,447	2,125,459	2,438,750
Contracted Services	25,050	17,065	62,617	-	110,736	98,462	1,045,438	1,150,243	-	-	11,237	-	27,448	-	1,282,526	1,265,770
Rents and financial expenses	-	1,585	-	-	-	-	-	-	-	-	-	-	-	-	-	1,585
External transfers	-	10,657	-	-	-	-	-	-	-	-	20,500	20,200	-	-	20,500	30,857
Interfunctional adjustments	(185,916)	(181,716)	218,858	214,658	-	-	(32,942)	(32,942)	-	-	-	-	-	-	-	-
Amortization	48,559	48,788	74,243	87,812	192,933	183,386	934,944	922,652	-	-	190,624	157,850	1,393	1,393	1,442,696	1,401,881
	929,725	826,734	3,208,940	3,335,998	1,164,229	1,190,882	3,051,856	3,213,789	12,734	22,454	1,492,541	1,466,162	88,859	136,475	9,948,884	10,192,494
Net Revenue (Expense)	131,099	892,948	(294,529)	(432,536)	(145,723)	(141,537)	(134,104)	(744,641)	828	(6,343)	(105,764)	(107,684)	(15,789)	877	(563,982)	(538,916)

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

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 Canadian Institute of Chartered Accountants.

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:

	Proportionate Share
• North Renfrew Landfill Operations Board	52.00 %
• Pembroke and Area Airport Commission	8.558%

- (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 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, 2012

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) 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:

Assets	Useful Life-Years
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)

- (d) 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.

- (e) **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.

- (f) **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, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Investments

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

(h) 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.

(i) 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

	2012	2011
Cash	\$ 1,019,085	\$ 1,898,058
Investment in Public Sector Group of Funds		
• Bond Fund	3,306,812	3,269,706
	\$ 4,325,897	\$ 5,167,764

The book value of the investment in Public Sector Group of Funds is \$3,323,195 (2011 - \$3,233,166).

Cash and investments in the amount of \$3,208,740 (2011 - \$3,216,785) 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, 2012

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:

	2012	2011
Prime minus 0.5% non-revolving term loan, repayable in blended monthly instalments of \$18,000	\$ 2,867,126	\$ 2,960,779
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	4,123,852	4,158,303
4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693	633,082	669,264
	<u>\$ 7,624,060</u>	<u>\$ 7,788,346</u>

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

2012	\$ 220,385
2013	227,631
2014	235,146
2015	242,939
2016	251,023
Thereafter	6,446,936
	<u>\$ 7,624,060</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 \$354,577 (2011 - \$425,509).

Of the total charges shown above, \$5,441 (2011 - \$13,009) was paid from general revenues of the Town, \$234,589 (2011 - \$238,174) was recovered from the water supply operation and \$114,547 (2011 - \$174,326) 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, 2012

5. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES

	2012	2011
Accrued vacation pay benefits	\$ 104,520	\$ 136,848
Sick leave (Note 5 (a))	770,886	755,131
Post-employment benefits (Note 5 (b))	693,310	625,703
	\$ 1,568,716	\$ 1,517,682

(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 \$36,173 (2011 - \$52,023) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$208,589 (2011 - \$173,589) 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 2012 is based on an actuarial valuation prepared as of December 31, 2010 which was completed on June 7, 2011.

Information about the plan is as follows:

Accrued benefit liability

	2012	2011
Accrued benefit liability as at beginning of year	\$ 625,703	\$ 551,702
Current service cost	30,229	32,756
Interest	31,288	34,726
Amortization of actuarial losses	21,090	21,090
Contributions/benefits paid during the year	(15,000)	(14,571)
Accrued benefit liability as at end of year	\$ 693,310	\$ 625,703

Reconciliation of accrued benefit obligation

	2012	2011
Accrued benefit obligation as at beginning of year	\$ 815,514	\$ 762,604
Benefits accrued during year	34,229	32,755
Benefits paid during year	(15,000)	(14,571)
Interest on accrued benefit obligation during year	36,289	34,726
Accrued benefit obligation as at end of year	\$ 871,032	\$ 815,514

Discount rate	4.5%
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 one to two 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 4.5% . Currently a liability of \$160,000 has been accrued. The present value of estimated total expenditures is approximately \$195,000. The liability remaining to be recognized is \$35,000.

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 35.5% filled and has a remaining volume of 123,421 m³. At the current rate of usage, the landfill site is expected to close in 22 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 \$36,115 (Town share - \$18,780) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$101,830 (Town share - \$52,952). The liability remaining to be recognized is \$65,715 (Town share - \$34,172).

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

7. REVENUES

	2012	2012	2011
	Budget	Actual	Actual
Taxation			
Residential and farm taxation	\$ 4,273,051	\$ 4,317,420	\$ 4,417,780
Commercial, industrial and business taxation	887,651	891,994	842,483
Taxation from other governments	2,707,457	2,720,048	2,902,270
	7,868,159	7,929,462	8,162,533
Deduct: amounts received or receivable for County and school boards	(2,728,635)	(2,731,657)	(2,771,158)
	5,139,524	5,197,805	5,391,375
User Charges	2,675,610	2,623,768	2,683,711
Government transfers			
Government of Canada	6,778	19,076	6,813
Province of Ontario	963,197	1,354,003	1,255,503
Other municipalities	-	16,942	18,234
	969,975	1,390,021	1,280,550
Other			
Investment income	26,415	70,210	149,724
Penalties and interest on taxes	-	33,018	36,056
Donations	1,120	22,935	22,908
Write up of tangible capital assets	-	-	4,516
Other	58,196	47,145	84,738
	85,731	173,308	297,942
Deferred revenue earned	-	-	-
	\$ 8,870,840	\$ 9,384,902	\$ 9,653,578

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

8. EXPENDITURES BY OBJECT

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

	2012	2011
Salaries, wages and employee benefits	\$ 4,723,126	\$ 4,628,142
Interest on long term liabilities	354,577	425,509
Transfers to external organizations	20,500	30,857
Materials, contracted services, rents and financial expenses	3,407,985	3,706,105
Amortization	1,442,696	1,401,881
	\$ 9,948,884	\$10,192,494

9. PENSION CONTRIBUTIONS

The Town contributed \$294,314 (2011 - \$282,904) 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

The Town has entered into agreements for the collection of residential and commercial waste and for the collection, handling and processing of recyclables at an annual cost of approximately \$255,000. The agreements expired in September 2013. 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 to March 31, 2014 at an annual cost of \$651,580.

12. TRUST FUNDS

Trust funds administered by the Town totalling \$299,483 (2011 - \$274,283) 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 2012 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, 2012

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, 2012 and the statement of operations, statement of changes in accumulated surplus (deficit), 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, 2012 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 Accountants
Licensed Public Accountants

Pembroke, Ontario
September 12, 2013

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Financial Position
As At December 31, 2012

	2012	2011
Financial assets		
Cash	\$ 3,558	\$ -
Due from own municipality	25,973	11,341
	29,531	11,341
Liabilities		
Accounts payable and accrued liabilities	16,625	11,583
Deferred contributions (Note 2)	3,558	-
	20,183	11,583
Net financial assets	\$ 9,348	\$ (242)
Non-financial assets		
Tangible capital assets - net (Schedule 1)	\$ 161,027	\$ 164,180
Accumulated surplus (deficit)		
Invested in tangible capital assets	161,027	164,180
Operating fund	9,348	(242)
	\$ 170,375	\$ 163,938

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

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Changes in Accumulated Surplus (Deficit)
For The Year Ended December 31, 2012

	2012			2011
	Invested in Tangible Capital Assets	Operating Fund	Total	Total
Balance, beginning of year	\$ 164,180	\$ (242)	\$ 163,938	\$ 180,531
Annual surplus (deficit)	(53,657)	60,094	6,437	(16,593)
Invested in tangible capital assets	50,504	(50,504)	-	-
Balance, end of year	\$ 161,027	\$ 9,348	\$ 170,375	\$ 163,938

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, 2012

	2012	2012	2011
	Budget	Actual	Actual
Revenues			
Town of Deep River	\$ 339,164	\$ 339,164	\$ 309,239
Province of Ontario	9,581	9,581	11,581
Federal Youth Employment grant	-	1,539	1,539
Industry Canada	-	-	3,558
Copier receipts	1,500	1,054	1,024
Fines and fees	8,000	7,971	7,881
Room and equipment rental	3,000	3,657	3,082
Audio visual income	5,000	6,844	4,794
Fundraising and miscellaneous	100	3,777	-
Donations	100	6,785	10,300
	366,445	380,372	352,998
Expenses			
Amortization	-	53,657	53,337
Salaries and employee benefits	229,318	231,329	220,615
Books, periodicals and non-print materials	49,972	-	-
Utilities and telephone	30,300	28,321	28,476
Copying expenses	2,765	2,256	2,339
Supplies	5,500	5,634	5,249
Office and general	2,795	2,367	2,562
Professional fees	1,526	1,526	1,526
Repairs and maintenance	34,042	38,063	42,919
Insurance	8,772	9,347	8,772
Computer equipment and software	1,455	1,435	3,796
	366,445	373,935	369,591
Annual surplus (deficit)	\$ -	\$ 6,437	\$ (16,593)

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, 2012

	2012	2011
Annual surplus (deficit)	\$ 6,437	\$ (16,593)
Amortization of tangible capital assets	53,657	53,337
Acquisition of tangible assets	(50,504)	(50,627)
Increase (decrease) in net financial assets	9,590	(13,883)
Net financial assets, beginning of year	(242)	13,641
Net financial assets, end of year	\$ 9,348	\$ (242)

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

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Cash Flows
For the Year Ended December 31, 2012

	2012	2011
Cash from operating activities		
Annual surplus (deficit)	\$ 6,437	\$ (16,593)
Amortization	53,657	53,337
Changes in non-cash working capital		
Due from own municipality	(14,632)	12,729
Accounts payable	5,042	1,154
Deferred contributions	3,558	-
	54,062	50,627
Capital		
Tangible capital asset additions	(50,504)	(50,627)
	(50,054)	(50,627)
Increase in cash	3,558	-
Cash, beginning of year	-	-
Cash, end of year	\$ 3,558	\$ -

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

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 Canadian Institute of Chartered Accountants.

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

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, 2012

2. DEFERRED CONTRIBUTIONS

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

	2012	2011
Balance, beginning of year	\$ -	\$ -
Add: amount received related to the following year	3,558	-
Less: amount recognized as revenue in the year	-	-
Balance, end of year	\$ 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 2012 was \$13,764 (2011 - \$12,710) 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, 2012

SCHEDULE 1

			2012	2011
	Library Collection	Equipment	Total	Total
Cost				
Balance, beginning of year	\$ 557,277	\$ 10,809	\$ 568,086	\$ 517,459
Additions during the year	50,504	-	50,504	50,627
Balance, end of year	607,781	10,809	618,590	568,086
Accumulated Amortization				
Balance, beginning of year	401,744	2,162	403,906	350,569
Amortization during the year	52,576	1,081	53,657	53,337
Balance, end of year	454,320	3,243	457,563	403,906
Net book value of tangible capital assets	\$ 153,461	\$ 7,566	\$ 161,027	164,180

CORPORATION OF THE
TOWN OF DEEP RIVER WATERWORKS
Financial Statements
For the Year Ended December 31, 2012

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, 2012 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, 2012 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 Accountants
Licensed Public Accountants

Pembroke, Ontario
November 20, 2013

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Financial Position
As At December 31, 2012

	2012	2011
Financial assets		
Advances to own municipality	\$ 110,674	\$ 541,873
Accounts receivable	426,491	22,771
	537,165	564,644
Liabilities		
Accounts payable and accrued liabilities	248,396	212,964
Long term liabilities (Note 4)	4,377,085	4,426,009
	4,625,481	4,638,973
Net financial assets	\$(4,088,316)	\$(4,074,329)
Non-financial assets		
Tangible capital assets - net (Schedule 1)	\$12,946,774	\$12,944,519
Accumulated surplus		
Invested in tangible capital assets	8,359,169	8,518,510
Reserve (Note 2)	499,289	351,680
	\$ 8,858,458	\$ 8,870,190

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

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Operations
For the Year Ended December 31, 2012

	2012	2012	2011
	Budget	Actual	Actual
	(Note 5)		
Revenues			
Sale of water	\$ 1,123,108	\$ 1,122,131	\$ 1,091,694
Hydrant rental	44,658	44,658	44,658
Other operating revenues	8,526	6,515	9,497
Province of Ontario	25,000	429,000	25,000
Total revenues	1,201,292	1,602,304	1,170,849
Expenses			
Administration	67,718	44,590	56,645
Amortization	-	612,265	599,974
Plant operations and water treatment	707,900	625,262	671,271
Water transmission and distribution	140,950	97,330	97,627
Interest on long term liabilities	235,801	234,589	238,174
Total expenses	1,152,369	1,614,036	1,663,691
Annual surplus (deficit)	48,923	(11,732)	(492,842)
Accumulated surplus, at the beginning of the year	8,870,190	8,870,190	9,363,032
Accumulated surplus, at the end of the year	\$ 8,919,113	\$ 8,858,458	\$ 8,870,190

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

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Changes in Net Financial Assets
As At December 31, 2012

	2012	2011
Annual surplus (deficit)	\$ (11,732)	\$ (492,842)
Amortization of tangible capital assets	612,265	599,974
Acquisition of tangible capital assets	(614,520)	-
Increase (decrease) in net financial assets	(13,987)	107,132
Net financial assets, beginning of year	(4,074,329)	(4,181,461)
Net financial assets, end of year	\$(4,088,316)	\$(4,074,329)

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, 2012

	2012	2011
Cash from (used in) operating activities		
Annual surplus (deficit)	\$ (11,732)	\$ (492,842)
Amortization	612,265	599,974
Changes in non-cash working capital		
Accounts receivable	(403,720)	14,034
Accounts payable	35,432	2,024
	232,245	123,190
Cash (used in) investing activities		
Acquisition of tangible capital assets	(614,520)	-
	(614,520)	-
Cash from (used in) financing activities		
Advances from own municipality	431,199	(76,639)
Repayment of long term liabilities	(48,924)	(46,551)
	382,275	(123,190)
Increase in cash	-	-
Cash position, beginning of year	-	-
Cash position, end of year	\$ -	\$ -

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

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Notes to the Financial Statements
For the Year Ended December 31, 2012

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 Canadian Institute of Chartered Accountants.

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:

Assets	Useful Life-Years
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, 2012

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

	2012	2011
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	\$ 4,123,852	\$ 4,158,303
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%.	253,233	267,706
	\$ 4,377,085	\$ 4,426,009

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

2013	\$ 51,418
2014	54,043
2015	56,802
2016	59,705
2017	62,758
Thereafter	4,092,359
	\$ 4,377,085

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, 2012

SCHEDULE 1

				2012	2011
	Land	Watermains	Water Treatment Plant	Total	Total
Cost					
Balance, beginning of year	\$ 3	\$ 2,628,094	\$14,358,801	\$16,986,898	\$16,986,898
Additions during the year	-	614,520	-	614,520	-
Disposals during the year	-	-	-	-	-
Balance, end of year	3	3,242,614	14,358,801	17,601,418	16,986,898
Accumulated Amortization					
Balance, beginning of year	-	1,290,315	2,752,064	4,042,379	3,442,405
Amortization during the year	-	45,325	566,940	612,265	599,974
Disposals during the year	-	-	-	-	-
Balance, end of year	-	1,335,640	3,319,004	4,654,644	4,042,379
Net book value of tangible capital assets	\$ 3	\$1,906,974	\$11,039,797	\$12,946,774	\$12,944,519

CORPORATION OF THE TOWN OF DEEP RIVER

TRUST FUNDS

Financial Statements

For the Year Ended December 31, 2012

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, 2012 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, 2012 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 Accountants
Licensed Public Accountants

Pembroke, Ontario
November 20, 2013

CORPORATION OF THE TOWN OF DEEP RIVER
Trust Funds
Statement of Financial Position
As At December 31, 2012

	2012			2011
	Cemetery Care	Emergency Response Unit	Total	Total
Assets				
Cash	\$ 16,409	\$ 31,047	\$ 47,456	\$ 26,113
Investments (Note 2)	252,027	-	252,027	248,170
	\$ 268,436	\$ 31,047	\$ 299,483	\$ 274,283
Fund Balances	\$ 268,436	\$ 31,047	\$ 299,483	\$ 274,283

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

CORPORATION OF THE TOWN OF DEEP RIVER
Trust Funds
Statement of Financial Activities and Fund Balances
For the Year Ended December 31, 2012

			2012	2011
	Cemetery Care	Emergency Response Unit	Total	Total
Capital Receipts				
Grants	\$ -	\$ 3,300	\$ 3,300	\$ 5,800
Sale of plots	2,890	-	2,890	2,970
Emergency calls	-	17,425	17,425	8,385
Investment income	3,986	25	4,011	10,129
	6,876	20,750	27,626	27,284
Expenditures				
Emergency response	-	2,426	2,426	3,956
Excess of receipts (expenditures)	6,876	18,324	25,200	23,328
Fund Balances at the beginning of the year	261,560	12,723	274,283	250,955
Fund Balances at the end of the year	\$ 268,436	\$ 31,047	\$ 299,483	\$ 274,283

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

CORPORATION OF THE TOWN OF DEEP RIVER

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

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

Accrual Method of Accounting

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

Revenue Recognition

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

Interest income is recorded as it is earned.

Use of Estimates

The preparation of financial statements in conformity with Canadian 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.

2. INVESTMENTS

	2012	2011
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 252,027	\$ 248,170

The book value of the investments is \$255,435 (2011 - \$247,517).

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.