

**CORPORATION OF THE
TOWN OF DEEP RIVER**

Consolidated Financial Statements
For the Year Ended December 31, 2011

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, 2011 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 generally accepted accounting principles, 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, 2011 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 generally accepted accounting principles.



CHARTERED ACCOUNTANTS
Licensed Public Accountants

Pembroke, Ontario
October 25, 2012

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Financial Position
As At December 31, 2011

	2011	2010
FINANCIAL ASSETS		
Cash and investments (Note 2)	\$ 5,167,764	\$ 4,865,412
Taxes receivable	177,514	228,181
Trade and other receivables	322,456	561,287
Loan receivable (Note 3)	68,780	79,013
Inventories for resale	2,974	3,245
	\$ 5,739,488	\$ 5,737,138
LIABILITIES		
Accounts payable and accrued liabilities	\$ 924,308	\$ 1,034,766
Deferred revenue (Schedule 3)	253,493	122,281
Long term liabilities (Note 4)	7,788,346	8,055,842
Employee benefits and post employment liabilities (Note 5)	1,517,682	1,447,814
Landfill closure and post-closure liabilities (Note 6)	156,251	153,019
	10,640,080	10,813,722
Net Financial Assets	(4,900,592)	(5,076,584)
Non-Financial Assets		
Tangible capital assets - net (Schedule 4)	28,355,283	29,163,153
Inventory of supplies	6,761	6,013
Prepaid expenses	93,704	1,490
	28,455,748	29,170,656
ACCUMULATED SURPLUS (Schedule 5)	\$23,555,156	\$24,094,072

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, 2011

	2011	2011	2010
	Budget	Actual	Actual
	(Note 14)		
REVENUES (Note 7)			
Taxation	\$ 5,431,693	\$ 5,391,375	\$ 5,349,874
User charges	2,793,163	2,683,711	2,798,185
Government transfers	1,259,869	1,280,550	3,594,082
Other	81,251	297,942	274,339
Deferred revenue earned - Schedule 3	-	-	274,109
	9,565,976	9,653,578	12,290,589
EXPENDITURES			
General government	965,208	826,734	843,624
Protection to persons and property	2,795,621	3,335,998	2,689,638
Transportation services	1,006,114	1,190,882	1,164,188
Environmental services	2,426,347	3,213,789	3,123,227
Health services	15,574	22,454	19,455
Recreation and cultural services	1,400,481	1,466,162	1,367,465
Planning and development	142,152	136,475	148,070
	8,751,497	10,192,494	9,355,667
ANNUAL SURPLUS (DEFICIT)	814,479	(538,916)	2,934,922
ACCUMULATED SURPLUS, beginning of year	24,094,072	24,094,072	21,159,150
ACCUMULATED SURPLUS, end of year	\$24,908,551	\$23,555,156	\$24,094,072

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, 2011

	2011	2011	2010
	Budget	Actual	Actual
	(Note 14)		
ANNUAL SURPLUS	\$ 814,479	\$ (538,916)	\$ 2,934,922
Amortization of tangible capital assets	-	1,401,881	1,385,645
Acquisition of tangible capital assets	-	(589,495)	(4,735,054)
Write up of tangible capital assets	-	(4,516)	-
Loss on disposal of assets	-	-	8,548
Acquisition (use) of supplies inventories	-	(748)	716
Acquisition (consumption) of prepaid expenses	-	(92,214)	(38)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	814,479	175,992	(405,261)
NET FINANCIAL ASSETS, beginning of year	(5,076,584)	(5,076,584)	(4,671,323)
NET FINANCIAL ASSETS, end of year	\$(4,262,105)	\$(4,900,592)	\$(5,076,584)

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, 2011

	2011	2010
CASH FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (538,916)	\$ 2,934,922
Adjustments for items not affecting cash		
Amortization of tangible capital assets	1,401,881	1,385,645
Loss on disposal of assets	-	8,548
Write up of assets	(4,516)	-
Changes in non-cash working capital		
Taxes receivable	50,667	(106,679)
Trade and other receivables	238,831	(345,798)
Loan receivable	10,233	9,803
Inventory of supplies	(477)	445
Prepaid expenses	(92,214)	(38)
Accounts payable and accrued liabilities	(110,458)	40,191
Employee benefits and post-employment liabilities	69,868	37,272
Landfill closure and post-closure liabilities	3,232	(1,542)
Deferred revenue	131,212	(142,729)
	1,159,343	3,820,040
CASH (USED IN) FROM FINANCING ACTIVITIES		
Proceeds from issue of debentures	-	704,000
Payments on long-term liabilities	(267,496)	(266,458)
	(267,496)	437,542
CASH (USED IN) INVESTING ACTIVITIES		
Purchase of tangible capital assets	(589,495)	(4,735,054)
	(589,495)	(4,735,054)
INCREASE (DECREASE) IN CASH POSITION	302,352	(477,472)
CASH POSITION, beginning of year	4,865,412	5,342,884
CASH POSITION, end of year	\$ 5,167,764	\$ 4,865,412
COMPRISED OF:		
Cash	\$ 1,898,058	\$ 1,727,995
Investments	3,269,706	3,137,417
	\$ 5,167,764	\$ 4,865,412

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, 2011

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	106,788	-	118,824	-	118,824	52,023	-	-	52,023	173,589
Waterworks	291,099	-	60,581	-	60,581	-	-	-	-	351,680
Sewer	290,625	-	12,993	-	12,993	-	-	-	-	303,618
Working funds	339,516	-	205,640	-	205,640	289,517	-	-	289,517	255,639
Recreation facilities	1,333	-	-	-	-	-	-	-	-	1,333
Police services legal	-	-	-	-	-	-	-	-	-	-
Insurance claims	46,720	-	-	-	-	-	-	-	-	46,720
WSIB	72,964	-	-	-	-	-	-	-	-	72,964
Physician recruitment	24,210	-	-	-	-	6,300	-	-	6,300	17,910
Living legacy	4,425	-	-	-	-	-	-	-	-	4,425
Asset replacement	484,242	-	-	-	-	5,000	2,070	-	7,070	477,172
	1,663,487	-	398,038	-	398,038	352,840	2,070	-	354,910	1,706,615
Reserve funds (Schedule 2)	2,985,672	130,178	553,015	-	683,193	4,773	700,800	-	705,573	2,963,292
Total reserves and reserve funds	\$4,649,159	130,178	951,053	-	1,081,231	357,613	702,870	-	1,060,483	4,669,907

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, 2011

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	\$2,813,056	119,442	553,015	-	672,457	-	700,800	-	700,800	2,784,713
Hydro sale proceeds	115,746	10,701	-	-	10,701	-	-	-	-	126,447
Humanitarian donations	3,176	32	-	-	32	-	-	-	-	3,208
Airport operations	52,967	-	-	-	-	4,043	-	-	4,043	48,924
Other	727	3	-	-	3	730	-	-	730	-
	\$2,985,672	130,178	553,015	-	683,193	4,773	700,800	-	705,573	2,963,292

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, 2011

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	\$ 122,281	1,886	-	129,326	131,212	-	-	-	-	253,493
	\$ 122,281	1,886	-	129,326	131,212	-	-	-	-	253,493

Corporation of the Town of Deep River
Consolidated Schedule of Tangible Capital Assets
For the year ended December 31, 2011

Schedule 4

	BY ASSET CLASS											Totals	
	General						Infrastructure					2011	2010
	Land	Buildings	Vehicles	Equipment	Computer	Other	Roads	Plants & Facilities	Underground & Other	Other Structures	Assets Under Construction		
Cost													
Balance, Beginning of year	1,635,918	6,533,840	1,824,390	624,034	63,741	652,016	4,315,508	20,349,756	6,872,394	1,168,972	0	44,040,569	39,707,329
Add:													
Additions during year		177,173	186,065			50,627				128,355	47,275	589,495	4,735,054
Write up of cost	4,516											4,516	
Less:													
Disposals during year		(26,401)										(26,401)	(401,814)
Balance, End 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
Accumulated Amortization													
Balance, Beginning of year		3,267,056	976,778	384,433	63,741	453,433	2,538,504	3,878,204	2,599,172	716,095		14,877,416	13,885,037
Add:													
Amortization during the year		134,983	143,177	43,051		57,604	74,618	818,034	93,162	37,252		1,401,881	1,385,645
Less:													
Reduction on disposals		(26,401)										(26,401)	(393,266)
Balance, End of year	0	3,375,638	1,119,955	427,484	63,741	511,037	2,613,122	4,696,238	2,692,334	753,347	0	16,252,896	14,877,416
Net book value of Tangible Capital Assets	1,640,434	3,308,974	890,500	196,550	0	191,606	1,702,386	15,653,518	4,180,060	543,980	47,275	28,355,283	29,163,153
	BY FUNCTIONAL CLASSIFICATION											Totals	
	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Sewer	Waste Management	Recreation	Planning & Econ. Dev.	Assets Under Construction	2011	2010
Cost													
Balance, Beginning of year	2,242,526	209,222	737,428	5,697,724	1,183,936	16,986,898	10,235,257	260,106	6,480,509	6,963		44,040,569	39,707,329
Add:													
Additions during year		30,982		284,688					226,550		47,275	589,495	4,735,054
Write up of cost				4,516								4,516	
Less:													
Disposals during year				(26,401)								(26,401)	(401,814)
Balance, End 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
Accumulated Amortization													
Balance, Beginning of year	971,668	118,133	313,440	3,334,826	519,348	3,442,405	3,034,968	110,302	3,029,541	2,785		14,877,416	13,885,037
Add:													
Amortization during the year	48,788	41,389	46,423	160,751	22,635	599,974	311,220	11,458	157,850	1,393		1,401,881	1,385,645
Less:													
Reduction on disposals				(26,401)								(26,401)	(393,266)
Balance, End 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	0	16,252,896	14,877,416
Net book value of Tangible Capital Assets	1,222,070	80,682	377,565	2,491,351	641,953	12,944,519	6,889,069	138,346	3,519,668	2,785	47,275	28,355,283	29,163,153

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, 2011

SCHEDULE 5

	2011	2010
RESERVE FUNDS - Schedule 2		
Capital asset replacement	\$ 2,784,713	\$ 2,813,056
Hydro sale proceeds	126,447	115,746
Humanitarian donations	3,208	3,176
Airport operations	48,924	52,967
Other	-	727
Total	2,963,292	2,985,672
RESERVES - Schedule 1		
Acquisition of capital assets	1,565	1,565
Sick leave and payroll contingency	173,589	106,788
Waterworks	351,680	291,099
Sewer	303,618	290,625
Working funds	255,639	339,516
Recreation facilities	1,333	1,333
Insurance claims	46,720	46,720
WSIB	72,964	72,964
Physician recruitment	17,910	24,210
Living legacy	4,425	4,425
Asset replacement	477,172	484,242
Total	1,706,615	1,663,487
Total - Reserves and reserve Funds	4,669,907	4,649,159
SURPLUSES		
Invested in tangible capital assets	20,520,291	21,008,719
General revenue fund	(242)	13,641
Landfill operations board	39,133	23,386
Airport commission	-	-
Unfunded		
• Employment benefits and post-employment liabilities	(1,517,682)	(1,447,814)
• Landfill closure and post-closure liabilities	(156,251)	(153,019)
Total surpluses	18,885,249	19,444,913
ACCUMULATED SURPLUS	\$23,555,156	\$24,094,072

Corporation of the Town of Deep River
Consolidated Schedule of Segmented Revenue and Expenses
For the year ended December 31, 2011

Schedule 6

	General Government		Protection		Transportation		Environment		Health		Recreation		Planning		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues																
Taxation	413,659	763,041	2,582,841	2,197,090	950,483	882,866	371,555	408,347	4,355	6,232	954,358	986,821	114,124	105,477	5,391,375	5,349,874
User charges	36,144	26,769	184,007	300,323	88,520	82,146	2,000,671	2,027,017	11,756	11,562	360,963	349,368	1,650	1,000	2,683,711	2,798,185
Government transfers	1,048,800	735,000	109,413	113,450	-	2,020,204	87,425	587,715	-	-	16,678	117,713	18,234	20,000	1,280,550	3,594,082
Other Income	221,079	133,205	27,201	2,305	10,342	(701)	9,497	15,630	-	-	26,479	121,406	3,344	2,494	297,942	274,339
Deferred revenue earned	-	-	-	-	-	274,109	-	-	-	-	-	-	-	-	-	274,109
	1,719,682	1,658,015	2,903,462	2,613,168	1,049,345	3,258,624	2,469,148	3,038,709	16,111	17,794	1,358,478	1,575,308	137,352	128,971	9,653,578	12,290,589
Expenses																
Salaries, wages and benefits	505,586	402,994	2,645,658	2,240,220	523,496	564,971	128,028	132,532	10,803	6,437	728,936	718,719	85,635	84,038	4,628,142	4,149,911
Interest on long term debt	8,029	7,124	-	-	2,695	5,217	414,785	401,000	-	-	-	-	-	-	425,509	413,341
Materials and supplies	416,740	491,092	387,870	212,709	382,843	302,194	631,023	617,883	11,651	13,018	559,176	482,657	49,447	62,642	2,438,750	2,182,195
Contracted Services	17,065	15,808	-	-	98,462	116,529	1,150,243	1,073,156	-	-	-	-	-	-	1,265,770	1,205,493
Rents and financial expenses	1,585	583	-	-	-	-	-	-	-	-	-	-	-	-	1,585	583
External transfers	10,657	-	-	-	-	-	-	-	-	-	20,200	18,500	-	-	30,857	18,500
Interfunctional adjustments	(181,716)	(121,716)	214,658	153,783	-	-	(32,942)	(32,067)	-	-	-	-	-	-	-	-
Amortization	48,788	47,739	87,812	82,926	183,386	175,277	922,652	930,723	-	-	157,850	147,589	1,393	1,390	1,401,881	1,385,644
	826,734	843,624	3,335,998	2,689,638	1,190,882	1,164,188	3,213,789	3,123,227	22,454	19,455	1,466,162	1,367,465	136,475	148,070	10,192,494	9,355,667
Net Revenue (Expense)	892,948	814,391	(432,536)	(76,470)	(141,537)	2,094,436	(744,641)	(84,518)	(6,343)	(1,661)	(107,684)	207,843	877	(19,099)	(538,916)	2,934,922

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2011

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

1. SUMMARY OF ACCOUNTING POLICIES

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

REPORTING ENTITY

- (a) The consolidated financial statements reflect the assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets 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	8.703%

- (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.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Revenue Recognition

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

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

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

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

(c) Non-Financial Assets

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

Tangible Capital Assets

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

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)

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

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

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

Contributions of Tangible Capital Assets

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

Leases

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

Inventories

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

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

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

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

- (e) **Deferred Revenue**

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

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Investments

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

(g) Use of Estimates

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

(h) Financial Instruments

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

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

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

2. CASH AND INVESTMENTS

	2011	2010
Cash	\$ 1,898,058	\$ 1,727,995
Investment in Public Sector Group of Funds		
• Bond Fund	3,269,706	3,137,417
	\$5,167,764	\$ 4,865,412

The book value of the investment in Public Sector Group of Funds is \$3,233,166 (2010 - \$3,087,402).

Cash and investments in the amount of \$3,216,785 (2009 - \$3,107,953) 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 semi-annual instalments of \$6,697 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, 2011

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:

	2011	2010
5.45% fixed rate loan, maturing June 2012, repayable in blended monthly instalments of \$17,904	\$ 2,960,779	\$ 3,012,758
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	4,158,303	4,190,959
4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693	669,264	704,000
6.8% loan from Province of Ontario	-	39,625
6.41% fixed rate term loan	-	54,757
6.72% fixed rate term loan	-	53,743
	<u>\$ 7,788,346</u>	<u>\$ 8,055,842</u>

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

2012	\$ 127,329
2013	133,859
2014	140,729
2015	147,957
2016	155,561
Thereafter	<u>7,082,911</u>
	<u>\$ 7,788,346</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 \$425,509 (2010 - \$413,341).

Of the total charges shown above, \$13,009 (2010 - \$19,867) was paid from general revenues of the Town, \$238,174 (2010 - \$227,855) was recovered from the water supply operation and \$174,326 (2010 - \$165,619) 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, 2011

5. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES

	2011	2010
Accrued vacation pay benefits	\$ 136,848	\$ 149,470
Sick leave (Note 5 (a))	755,131	746,642
Post-employment benefits (Note 5 (b))	625,703	551,702
	\$ 1,517,682	\$ 1,447,814

(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 \$52,023 (2010 - \$51,988) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$173,589 (2010 - \$106,788) 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 2011 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

	2011	2010
Accrued benefit liability as at beginning of year	\$ 551,702	\$ 514,850
Current service cost	32,756	23,359
Interest	34,726	27,281
Amortization of actuarial losses	21,090	-
Contributions/benefits paid during the year	(14,571)	(13,788)
Accrued benefit liability as at end of year	\$ 625,703	\$ 551,702

Reconciliation of accrued benefit obligation

	2011	2010
Accrued benefit obligation as at beginning of year	\$ 762,604	\$ 514,850
Benefits accrued during year	32,755	23,359
Benefits paid during year	(14,571)	(13,788)
Interest on accrued benefit obligation during year	34,726	27,281
Experience loss	-	210,902
Accrued benefit obligation as at end of year	\$ 815,514	\$ 762,604

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 two to three 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 \$140,000 has been accrued. The present value of estimated total expenditures is approximately \$195,000. The liability remaining to be recognized is \$45,000.

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 32% filled and has a remaining volume of 130,206 m³. At the current rate of usage, the landfill site is expected to close in 23 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 \$31,252 (Town share - \$16,251) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$97,912 (Town share - \$50,914). The liability remaining to be recognized is \$66,660 (Town share - \$34,663).

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2011

7. REVENUES

	2011	2011	2010
	Budget	Actual	Actual
Taxation			
Residential and farm taxation	\$ 4,226,163	4,417,780	\$ 4,456,925
Commercial, industrial and business taxation	821,540	842,483	798,704
Taxation from other governments	2,961,773	2,902,270	2,855,156
	8,009,476	8,162,533	8,110,785
Deduct: amounts received or receivable for County and school boards	(2,577,783)	(2,771,158)	(2,760,911)
	5,431,693	5,391,375	5,349,874
User Charges	2,793,163	2,683,711	2,798,185
Government transfers			
Government of Canada	6,778	6,813	1,341,812
Province of Ontario	1,234,857	1,255,503	2,232,270
Other municipalities	18,234	18,234	20,000
	1,259,869	1,280,550	3,594,082
Other			
Investment income	8,641	149,724	100,224
Penalties and interest on taxes	18,000	36,056	25,541
Donations	1,000	22,908	117,334
Loss on sale of assets	-	-	(8,548)
Write up of tangible capital assets	-	4,516	-
Other	53,610	84,738	39,788
	81,251	297,942	274,339
Deferred revenue earned	-	-	274,109
	\$ 9,565,976	\$ 9,653,578	\$12,290,589

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2011

8. EXPENDITURES BY OBJECT

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

	2011	2010
Salaries, wages and employee benefits	\$ 4,628,142	\$ 4,149,911
Interest on long term liabilities	425,509	413,341
Transfers to external organizations	30,857	18,500
Materials, contracted services, rents and financial expenses	3,706,105	3,388,271
Amortization	1,401,881	1,385,644
	\$10,192,494	\$ 9,355,667

9. PENSION CONTRIBUTIONS

The Town contributed \$282,904 (2010 - \$226,623) 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 contracts for the collection of residential and commercial waste and for the collection handling and processing of recyclables at an annual cost of approximately \$248,505. The contracts expire in September 2013.

12. TRUST FUNDS

Trust funds administered by the Town totalling \$274,283 (2010 - \$250,955) are presented in separate trust fund financial statements. As such, balances held in trust by the Town for the benefit of others have not been included in the Consolidated Statement of Financial Position not have their operations been included in the Consolidated Statement of Operations.

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.

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Reserves and Reserve Funds
For the Year Ended December 31, 2011

14. BUDGET FIGURES

The operating budget approved by Town Council for 2011 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, 2011

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, 2011 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 generally accepted accounting principles, 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, 2011 and the results of its operations and the changes in its net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Pembroke, Ontario
May 17, 2012

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Financial Position
As At December 31, 2011

	2011	2010
Financial assets		
Due from own municipality	\$ 11,341	\$ 24,070
Liabilities		
Accounts payable and accrued liabilities	11,583	10,429
Net financial assets	\$ (242)	\$ 13,641
Non-financial assets		
Tangible capital assets - net (Note 1 and Schedule 1)	\$ 164,180	\$ 166,890
Accumulated surplus (deficit)		
Invested in tangible capital assets	164,180	166,890
Operating fund	(242)	13,641
	\$ 163,938	\$ 180,531

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, 2011

			2011	2010
	Invested in Tangible Capital Assets	Operating Fund	Total	Total
Balance, beginning of year	\$ 166,890	\$ 13,641	\$ 180,531	\$ 167,051
Annual (deficit) surplus	(53,337)	36,744	(16,593)	13,480
Invested in tangible capital assets	50,627	(50,627)	-	-
Balance, end of year	\$ 164,180	\$ (242)	\$ 163,938	\$ 180,531

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, 2011

	2011	2011	2010
	Budget	Actual	Actual
Revenues			
Town of Deep River	\$ 309,239	\$ 309,239	\$ 316,486
Province of Ontario	9,581	11,581	20,376
Federal Youth Employment grant	-	1,539	1,539
Industry Canada	-	3,558	3,663
Copier receipts	1,500	1,024	1,446
Fines and fees	9,500	7,881	8,170
Room and equipment rental	3,000	3,082	2,130
Audio visual income	6,000	4,794	5,188
Fundraising and miscellaneous	100	-	2,569
Donations	100	10,300	10,762
Total revenues	339,020	352,998	372,329
Expenses			
Amortization	\$ -	\$ 53,337	\$ 53,138
Salaries and employee benefits	218,354	220,615	212,840
Books, periodicals and non-print materials	50,069	-	-
Utilities and telephone	28,500	28,476	27,375
Copying expenses	2,765	2,339	2,209
Supplies	5,500	5,249	5,206
Office and general	2,795	2,562	2,620
Professional fees	1,526	1,526	1,526
Repairs and maintenance	34,380	42,919	40,412
Insurance	8,772	8,772	8,449
Computer equipment and software	-	3,796	5,074
	352,661	369,591	358,849
Annual (deficit) surplus	\$ (13,641)	\$ (16,593)	\$ 13,480

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, 2011

	2011	2010
Annual (deficit) surplus	\$ (16,593)	\$ 13,480
Amortization of tangible capital assets	53,337	53,138
Acquisition of tangible assets	(50,627)	(61,078)
(Decrease) increase in net financial assets	(13,883)	5,540
Net financial assets, beginning of year	13,641	8,101
Net financial assets, end of year	\$ (242)	\$ 13,641

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, 2011

	2011	2010
Cash from operating activities		
Annual (deficit) surplus	\$ (16,593)	\$ 13,480
Amortization	53,337	53,138
Changes in non-cash working capital		
Due from own municipality	12,729	(8,676)
Accounts payable	1,154	3,136
	50,627	61,078
Capital		
Tangible capital asset additions	(50,627)	(61,078)
	(50,627)	(61,078)
Increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

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

DEEP RIVER PUBLIC LIBRARY BOARD

Notes to the Financial Statements

For the Year Ended December 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

Accrual Basis of Accounting

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

Non-Financial Assets

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

Tangible Capital Assets

Tangible capital assets consist of the library's collection 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from those estimates.

2. 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 2011 was \$12,710 (2010 - \$9,618) 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, 2011

SCHEDULE 1

			2011	2010
	Library Collection	Equipment	Total	Total
Cost				
Balance, beginning of year	\$ 506,650	\$ 10,809	\$ 517,459	\$ 456,381
Additions during the year	50,627	-	50,627	61,078
Balance, end of year	557,277	10,809	568,086	517,459
Accumulated Amortization				
Balance, beginning of year	349,488	1,081	350,569	297,431
Amortization during the year	52,256	1,081	53,337	53,138
Balance, end of year	401,744	2,162	403,906	350,569
Net book value of tangible capital assets	\$ 155,533	\$ 8,647	164,180	\$ 166,890

CORPORATION OF THE
TOWN OF DEEP RIVER WATERWORKS
Financial Statements
For the Year Ended December 31, 2011

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, 2011 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 generally accepted accounting principles, 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, 2011 and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Pembroke, Ontario
October 17, 2012

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Financial Position
As At December 31, 2011

	2011	2010
		(Note 6)
Financial assets		
Advances to own municipality	\$ 541,873	\$ 465,234
Accounts receivable	22,771	36,805
	564,644	502,039
Liabilities		
Accounts payable and accrued liabilities	212,964	210,940
Long term liabilities (Note 4)	4,426,009	4,472,560
	4,638,973	4,683,500
Net financial assets	\$(4,074,329)	\$(4,181,461)
Non-financial assets		
Tangible capital assets - net (Note 1 and Schedule 1)	\$12,944,519	\$13,544,493
Accumulated surplus		
Invested in tangible capital assets	8,518,510	9,071,933
Reserve (Note 2)	351,680	291,099
	\$ 8,870,190	\$ 9,363,032

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, 2011

	2011	2011	2010
	Budget	Actual	Actual
	(Note 5)		(Note 6)
Revenues			
Sale of water	\$ 1,110,082	\$ 1,091,694	\$ 1,071,452
Hydrant rental	44,658	44,658	43,783
Other operating revenues	7,257	9,497	13,562
Province of Ontario	25,000	25,000	25,000
Capital grants	-	-	281,115
Total revenues	1,186,997	1,170,849	1,434,912
Expenses			
Administration	102,218	56,645	78,323
Amortization	-	599,974	608,046
Plant operations and water treatment	667,103	671,271	652,082
Water transmission and distribution	132,950	97,627	59,827
Interest on long term liabilities	238,174	238,174	227,855
Total expenses	1,140,445	1,663,691	1,626,133
Annual surplus (deficit)	46,552	(492,842)	(191,221)
Accumulated surplus, at the beginning of the year	9,363,032	9,363,032	9,554,253
Accumulated surplus, at the end of the year	\$ 9,409,584	\$ 8,870,190	\$ 9,363,032

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, 2011

	2011	2010
		(Note 6)
Annual surplus (deficit)	\$ (492,842)	\$ (191,221)
Amortization of tangible capital assets	599,974	608,046
Acquisition of tangible capital assets	-	(752,573)
Increase (decrease) increase in net financial assets	107,132	(335,748)
Net financial assets, beginning of year	(4,181,461)	(3,845,713)
Net financial assets, end of year	\$(4,074,329)	\$(4,181,461)

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, 2011

	2011	2010
		(Note 6)
Cash from (used in) operating activities		
Annual surplus (deficit)	\$ (492,842)	\$ (191,221)
Amortization	599,974	608,046
Changes in non-cash working capital		
Accounts receivable	14,034	(20,426)
Accounts payable	2,024	(5,267)
	123,190	391,132
Cash (used in) investing activities		
Acquisition of tangible capital assets	-	(752,573)
	-	(752,573)
Cash from (used in) financing activities		
Advances from own municipality	(76,639)	110,797
Repayment of long term liabilities	(46,551)	(30,956)
Proceeds from long term liability	-	281,600
	(123,190)	361,441
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, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Notes to the Financial Statements
For the Year Ended December 31, 2011

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**

	2011	2010
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	\$ 4,158,303	\$ 4,190,960
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%.	267,706	281,600
	\$ 4,426,009	\$ 4,472,560

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

2012	\$ 48,924
2013	51,418
2014	54,043
2015	56,802
2016	59,705
Thereafter	4,155,117
	\$ 4,426,009

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.

6. **COMPARATIVE FIGURES**

The 2010 comparative figures have been adjusted to include the Waterworks portion of the Town of Deep River debentures issued in 2010.

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011

SCHEDULE 1

				2011	2010
	Land	Watermains	Water Treatment Plant	Total	Total
Cost					
Balance, beginning of year	\$ 3	\$ 2,628,094	\$14,358,801	\$16,986,898	\$16,268,297
Additions during the year	-	-	-	-	752,572
Disposals during the year	-	-	-	-	(33,971)
Balance, end of year	3	2,628,094	14,358,801	16,986,898	16,986,898
Accumulated Amortization					
Balance, beginning of year	-	1,257,281	2,185,124	3,442,405	2,868,331
Amortization during the year	-	33,034	566,940	599,974	608,046
Disposals during the year	-	-	-	-	(33,972)
Balance, end of year	-	1,290,315	2,572,064	4,042,379	3,442,405
Net book value of tangible capital assets	\$ 3	\$1,337,779	\$11,606,737	\$12,944,519	\$13,544,493

CORPORATION OF THE TOWN OF DEEP RIVER

TRUST FUNDS

Financial Statements

For the Year Ended December 31, 2011

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, 2011 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 generally accepted accounting principles, 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, 2011 and the results of the financial activities of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Pembroke, Ontario
October 17, 2012

CORPORATION OF THE TOWN OF DEEP RIVER**Trust Funds****Statement of Financial Position****As At December 31, 2011**

	2011			2010
	Cemetery Care	Emergency Response Unit	Total	Total
Assets				
Cash	\$ 13,390	\$ 12,723	\$ 26,113	\$ 12,773
Investments (Note 2)	248,170	-	248,170	238,182
	\$ 261,560	\$ 12,723	\$ 274,283	\$ 250,955
Fund Balances	\$ 261,560	\$ 12,723	\$ 274,283	\$ 250,955

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, 2011

			2011	2010
	Cemetery Care	Emergency Response Unit	Total	Total
Capital Receipts				
Grants	\$ -	\$ 5,800	\$ 5,800	\$ -
Sale of plots	2,970	-	2,970	3,955
Emergency calls	-	8,385	8,385	3,850
Investment income	10,105	24	10,129	6,695
	13,075	14,209	27,284	14,500
Expenditures				
Emergency response	-	3,956	3,956	8,282
Excess of receipts (expenditures)	13,075	10,253	23,328	6,218
Fund Balances at the beginning of the year	248,485	2,470	250,955	244,737
Fund Balances at the end of the year	\$ 261,560	\$ 12,723	\$ 274,283	\$ 250,955

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, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

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

Accrual Method of Accounting

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

Revenue Recognition

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

Interest income is recorded as it is earned.

Use of Estimates

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

Financial Instruments

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

2. INVESTMENTS

	2011	2010
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 248,170	\$ 238,182

The book value of the investments is \$247,517 (2010 - \$239,094).

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.