

**CORPORATION OF THE  
TOWN OF DEEP RIVER**

---

**Consolidated Financial Statements**  
For the Year Ended December 31, 2010

# **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, 2010 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, 2010 and the results of its operations, change in 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  
September 28, 2011

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Financial Position**  
As At December 31, 2010

	2010	2009
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,727,995	\$ 2,329,829
Investments (Note 2)	3,137,417	3,013,055
Taxes receivable	228,181	121,502
Trade and other receivables	561,287	215,489
Loan receivable (Note 3)	79,013	88,816
Inventories for resale	3,245	2,974
	<b>\$ 5,737,138</b>	<b>\$ 5,771,665</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,034,766	\$ 994,575
Deferred revenue (Schedule 3)	122,281	265,010
Long term liabilities (Note 4)	8,055,842	7,618,300
Employee benefits and post employment liabilities (Note 5)	1,447,814	1,410,542
Landfill closure and post-closure liabilities (Note 6)	153,019	154,561
	<b>10,813,722</b>	<b>10,442,988</b>
<b>Net Financial Assets</b>	<b>(5,076,584)</b>	<b>(4,671,323)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets - net (Schedule 4)	29,163,153	25,822,292
Inventory of supplies	6,013	6,729
Prepaid expenses	1,490	1,452
	<b>29,170,656</b>	<b>25,830,473</b>
<b>ACCUMULATED SURPLUS (Schedule 5)</b>	<b>\$24,094,072</b>	<b>\$21,159,150</b>

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Operations**  
For the Year Ended December 31, 2010

	2010	2010	2009
	Budget	Actual	Actual
<b>REVENUES (Note 7)</b>			
Taxation	\$ 5,397,458	\$ 5,349,874	\$ 4,927,052
User charges	2,789,101	2,798,185	2,599,185
Government transfers	919,304	3,594,082	2,223,466
Other	32,466	274,339	201,813
Deferred revenue earned - Schedule 3	-	274,109	40,315
	9,138,329	12,290,589	9,991,831
<b>EXPENDITURES</b>			
General government	920,760	843,624	960,558
Protection to persons and property	2,459,648	2,689,638	2,655,444
Transportation services	922,536	1,164,188	1,000,999
Environmental services	2,484,658	3,123,227	2,964,130
Health services	19,573	19,455	16,485
Recreation and cultural services	1,393,949	1,367,465	1,390,045
Planning and development	139,472	148,070	145,412
	8,340,596	9,355,667	9,133,073
<b>ANNUAL SURPLUS</b>	797,733	2,934,922	858,758
<b>ACCUMULATED SURPLUS, beginning of year</b>	21,159,150	21,159,150	20,300,392
<b>ACCUMULATED SURPLUS, end of year</b>	\$21,956,883	\$24,094,072	\$21,159,150

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, 2010

	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>ANNUAL SURPLUS</b>	\$ 797,733	\$ 2,934,922	\$ 858,758
Amortization of tangible capital assets	-	1,385,645	1,224,891
Acquisition of tangible capital assets	-	(4,735,054)	(1,474,101)
Loss on disposal of assets	-	8,548	-
Acquisition (use) of supplies inventories	-	716	(2,961)
Acquisition (consumption) of prepaid expenses	-	(38)	(21)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>797,733</b>	<b>(405,261)</b>	<b>606,566</b>
<b>NET FINANCIAL ASSETS, beginning of year</b>	<b>(4,671,323)</b>	<b>(4,671,323)</b>	<b>(5,277,889)</b>
<b>NET FINANCIAL ASSETS, end of year</b>	<b>\$(3,873,590)</b>	<b>\$(5,076,584)</b>	<b>\$(4,671,323)</b>

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Cash Flows**  
For the Year Ended December 31, 2010

	2010	2009
<b>CASH FROM OPERATING ACTIVITIES</b>		
Annual surplus	\$ 2,934,922	\$ 858,758
Adjustments for items not affecting cash		
Amortization of tangible capital assets	1,385,645	1,224,891
Loss on disposal of assets	8,548	-
Changes in non-cash working capital		
Taxes receivable	(106,679)	(50,629)
Trade and other receivables	(345,798)	(60,526)
Loan receivable	9,803	9,545
Inventory of supplies	445	(3,495)
Prepaid expenses	(38)	(21)
Accounts payable and accrued liabilities	40,191	218,584
Employee benefits and post-employment liabilities	37,272	41,677
Landfill closure and post-closure liabilities	(1,542)	3,258
Deferred revenue	(142,729)	94,900
Temporary loans	-	(2,661,780)
	3,820,040	(324,838)
<b>CASH FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of debentures	704,000	4,221,916
Payments on long-term liabilities	(266,458)	(221,074)
	437,542	4,000,842
<b>CASH FROM INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(4,735,054)	(1,474,101)
	(4,735,054)	(1,474,101)
<b>(DECREASE) INCREASE IN CASH POSITION</b>	(477,472)	2,201,903
<b>CASH POSITION, beginning of year</b>	5,342,884	3,140,981
<b>CASH POSITION, end of year</b>	\$ 4,865,412	\$ 5,342,884
<b>COMPRISED OF:</b>		
Cash	\$ 1,727,995	\$ 2,329,829
Investments	3,137,417	3,013,055
	\$ 4,865,412	\$ 5,342,884

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, 2010

**SCHEDULE 1**

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year
<b>Reserves</b>										
Acquisition of capital assets	\$ 1,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,565
Sick leave and payroll contingency	108,776	-	50,000	-	50,000	51,988	-	-	51,988	106,788
Waterworks	376,203	-	104,754	-	104,754	-	189,858	-	189,858	291,099
Sewer	491,666	-	44,799	-	44,799	-	245,840	-	245,840	290,625
Working funds	68,906	-	289,516	-	289,516	18,906	-	-	18,906	339,516
Recreation facilities	1,333	-	-	-	-	-	-	-	-	1,333
Insurance claims	46,720	-	-	-	-	-	-	-	-	46,720
WSIB	72,964	-	-	-	-	-	-	-	-	72,964
Physician recruitment	33,660	-	-	-	-	9,450	-	-	9,450	24,210
Living legacy	4,425	-	-	-	-	-	-	-	-	4,425
Asset replacement	526,585	-	-	-	-	-	42,343	-	42,343	484,242
	1,732,803	-	489,069	-	489,069	80,344	478,041	-	558,385	1,663,487
<b>Reserve funds (Schedule 2)</b>	<b>2,815,978</b>	<b>90,517</b>	<b>508,365</b>	<b>-</b>	<b>598,882</b>	<b>-</b>	<b>429,188</b>	<b>-</b>	<b>429,188</b>	<b>2,985,672</b>
<b>Total reserves and reserve funds</b>	<b>\$ 4,548,781</b>	<b>\$ 90,517</b>	<b>\$ 997,434</b>	<b>\$ -</b>	<b>\$ 1,087,951</b>	<b>\$ 80,344</b>	<b>\$ 907,229</b>	<b>\$ -</b>	<b>\$ 987,573</b>	<b>\$4,649,159</b>

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



**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Continuity of Reserve Funds**  
For the Year Ended December 31, 2010

**SCHEDULE 2**

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest on Investments	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year
<b>Reserve Funds</b>										
Capital asset replacement	\$2,652,852	\$ 83,054	\$ 506,338	\$ -	\$ 589,392	\$ -	\$ 429,188	\$ -	\$ 429,188	\$2,813,056
Hydro sale proceeds	108,305	7,441	-	-	7,441	-	-	-	-	115,746
Humanitarian donations	1,915	18	1,243	-	1,261	-	-	-	-	3,176
Airport operations	52,183	-	784	-	784	-	-	-	-	52,967
Other	723	4	-	-	4	-	-	-	-	727
	\$2,815,978	\$ 90,517	\$ 508,365	\$ -	\$ 598,882	\$ -	\$ 429,188	\$ -	\$ 429,188	\$2,985,672

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, 2010

**SCHEDULE 3**

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest on Investments	From Operating	Government Transfers	Total	To Operating	To Capital	Other	Total	End of Year
<b>Deferred Revenue</b>										
<b>Obligatory Reserve Funds</b>										
Gas tax rebates	\$ 265,010	\$ 2,054	\$ -	\$ 129,326	\$ 131,380	\$ -	\$ 274,109	\$ -	\$ 274,109	\$ 122,281
	\$ 265,010	\$ 2,054	\$ -	\$ 129,326	\$ 131,380	\$ -	\$ 274,109	\$ -	\$ 274,109	\$ 122,281

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

**Corporation of the Town of Deep River**  
**Consolidated Schedule of Tangible Capital Assets**  
For the year ended December 31, 2010

Schedule 4	General						Infrastructure					Totals	
	Land	Buildings	Vehicles	Equipment	Computer	Other	Roads	Plants & Facilities	Underground & Other	Other Structures	Assets Under Construction	2010	2009
<b>Cost</b>													
Balance, Beginning of year	1,407,052	6,470,297	1,687,146	572,453	63,741	601,747	3,185,432	19,408,801	4,457,718	1,050,861	802,081	39,707,329	38,254,537
Add:													
Additions during year	228,866	63,543	137,244	51,581		50,269	1,291,033	940,955	2,606,106	167,538	(802,081)	4,735,054	1,474,101
Less:													
Disposals during year							(160,957)		(191,430)	(49,427)		(401,814)	(21,309)
Balance, End 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		44,040,569	39,707,329
<b>Accumulated Amortization</b>													
Balance, Beginning of year		3,141,611	847,255	342,178	60,923	393,540	2,616,295	3,052,099	2,697,440	733,696		13,885,037	12,681,455
Add:													
Amortization during the year		125,445	129,523	42,255	2,818	59,893	74,618	826,105	93,162	31,826		1,385,645	1,224,891
Less:													
Reduction on disposals							(152,409)		(191,430)	(49,427)		(393,266)	(21,309)
Balance, End 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
<b>Net book value of Tangible Capital Assets</b>	1,635,918	3,266,784	847,612	239,601		198,583	1,777,004	16,471,552	4,273,222	452,877		29,163,153	25,822,292
	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Sewer	Waste Management	Recreation	Planning & Econ. Dev.		2,010	2,009
<b>Cost</b>													
Balance, Beginning of year	2,226,341	173,056	712,990	4,466,571	1,148,225	16,268,297	8,400,307	198,463	6,106,116	6,963		39,707,329	38,254,537
Add:													
Additions during year	16,185	36,166	24,438	1,392,111	85,138	752,572	1,992,408	61,643	374,393			4,735,054	1,474,101
Less:													
Disposals during year				(160,958)	(49,427)	(33,971)	(157,458)					(401,814)	(21,309)
Balance, End 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
<b>Accumulated Amortization</b>													
Balance, Beginning of year	923,929	83,022	265,625	3,343,158	537,575	2,868,331	2,881,207	98,844	2,881,951	1,395		13,885,037	12,681,455
Add:													
Amortization during the year	47,739	35,111	47,815	144,077	31,200	608,046	311,219	11,458	147,590	1,390		1,385,645	1,224,891
Less:													
Reduction on disposals				(152,409)	(49,427)	(33,972)	(157,458)					(393,266)	(21,309)
Balance, End 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
<b>Net book value of Tangible Capital Assets</b>	1,270,858	91,089	423,988	2,362,898	664,588	13,544,493	7,200,289	149,804	3,450,968	4,178		29,163,153	25,822,292

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, 2010

**SCHEDULE 5**

	<b>2010</b>	<b>2009</b>
<b>RESERVE FUNDS - Schedule 2</b>		
Capital asset replacement	\$ 2,813,056	\$ 2,652,852
Hydro sale proceeds	115,746	108,305
Humanitarian donations	3,176	1,915
Airport operations	52,967	52,183
Other	727	723
<b>Total</b>	<b>2,985,672</b>	<b>2,815,978</b>
<b>RESERVES - Schedule 1</b>		
Acquisition of capital assets	1,565	1,565
Sick leave and payroll contingency	106,788	108,776
Waterworks	291,099	376,203
Sewer	290,625	491,666
Working funds	339,516	68,906
Recreation facilities	1,333	1,333
Insurance claims	46,720	46,720
WSIB	72,964	72,964
Physician recruitment	24,210	33,660
Living legacy	4,425	4,425
Asset replacement	484,242	526,585
<b>Total</b>	<b>1,663,487</b>	<b>1,732,803</b>
<b>Total - Reserves and reserve Funds</b>	<b>4,649,159</b>	<b>4,548,781</b>
<b>SURPLUSES</b>		
Invested in tangible capital assets	21,008,719	18,145,585
General revenue fund	13,641	8,101
Landfill operations board	23,386	21,786
Airport commission	-	-
Unfunded		
• Employment benefits and post-employment liabilities	(1,447,814)	(1,410,542)
• Landfill closure and post-closure liabilities	(153,019)	(154,561)
<b>Total surpluses</b>	<b>19,444,913</b>	<b>16,610,369</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$24,094,072</b>	<b>\$21,159,150</b>

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2010

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

**1. SUMMARY OF ACCOUNTING POLICIES**

The consolidated financial statements of the Corporation of the Town of Deep River are the representation of management prepared in accordance with 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:

	<b>Proportionate Share</b>
• North Renfrew Landfill Operations Board	52.00 %
• Pembroke and Area Airport Commission	8.519%

- (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.

**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:

<b>Assets</b>	<b>Useful Life-Years</b>
Buildings	10-50
Vehicles	4-20
Equipment	10-20
Computer equipment	2
Other	5-7
Roads	20-40
Plants and facilities	20-80
Underground and other networks	50-75
Other structures	15-25

Landfill sites are amortized using the units of production method based upon capacity used during the year.

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

- (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, 2010**

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**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. INVESTMENTS**

	<b>2010</b>	<b>2009</b>
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 3,137,417	\$ 3,013,055

The book value of the investments is \$3,087,402 (2009 - \$2,997,892).

**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, 2010

**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:

	2010	2009
6.8% loan from Province of Ontario, maturing December 31, 2011, repayable in blended annual instalments of \$42,319	\$ 39,625	\$ 76,726
6.41% fixed rate term loan, maturing December 2011, repayable in blended semi-annual instalments of \$40,229	54,757	128,090
6.72% fixed rate term loan, maturing December 2011, repayable in blended semi-annual instalments of \$41,684	53,743	129,585
5.45% fixed rate loan, maturing June 2012, repayable in blended monthly instalments of \$17,904	3,012,758	3,061,983
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	4,190,959	4,221,916
4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693	704,000	-
	<u>\$ 8,055,842</u>	<u>\$ 7,618,300</u>

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

2011	\$ 267,477
2012	125,496
2013	131,960
2014	138,763
2015	145,921
Thereafter	<u>7,246,225</u>
	<u>\$ 8,055,842</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 \$413,341 (2009 - \$292,838).

Of the total charges shown above, \$19,867 (2009 - \$31,688) was paid from general revenues of the Town, \$227,855 (2009 - 92,923) was recovered from the water supply operation and \$165,619 (2009 - \$168,227) 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, 2010

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

	<b>2010</b>	<b>2009</b>
Accrued vacation pay benefits	\$ 149,470	\$ 196,092
Sick leave (Note 5 (a))	746,642	699,600
Post-employment benefits (Note 5 (b))	551,702	514,850
	<b>\$ 1,447,814</b>	<b>\$ 1,410,542</b>

**(a) SICK LEAVE BENEFITS**

Under the sick leave benefit plans, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment. An amount of \$51,988 (2009 - \$50,089) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$106,788 (2009 - \$108,776) 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 2010 was determined by an actuarial valuation prepared as of December 31, 2010.

Information about the plan is as follows:

**Accrued benefit liability**

	<b>2010</b>	<b>2009</b>
Accrued benefit liability as at beginning of year	\$ 514,850	\$ 471,621
Expense for the year	50,640	48,029
Contributions/benefits paid during the year	(13,788)	(4,800)
Accrued benefit liability as at end of year	<b>\$ 551,702</b>	<b>\$ 514,850</b>

**Reconciliation of accrued benefit obligation**

	<b>2010</b>	<b>2009</b>
Accrued benefit obligation as at beginning of year	\$ 514,850	\$ 471,621
Benefits accrued during year	23,359	22,194
Benefits paid during year	(13,788)	(4,800)
Interest on accrued benefit obligation during year	27,281	25,835
Experience loss	210,902	-
Accrued benefit obligation as at end of year	<b>\$ 762,604</b>	<b>\$ 514,850</b>

The experience loss of \$210,902 as at the end of the year will be amortized starting in the next year over the EARS as at the end of the year (ie. 10 years). As such an amortization charge of \$21,090 will be applied in the next year.

Discount rate	4.5% (5.25% for the previous period)
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 three to five 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 \$170,000. The liability remaining to be recognized is \$30,000.

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 28.7% filled and has a remaining volume of 136,406 m<sup>3</sup>. At the current rate of usage, the landfill site is expected to close in 25 years or by December 31, 2035. 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 \$25,036 (Town share - \$13,019) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$87,303 (Town share - \$45,398). The liability remaining to be recognized is \$62,267 (Town share - \$32,379).

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2010

**7. REVENUES**

	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Taxation</b>			
Residential and farm taxation	\$ 4,176,260	\$ 4,456,925	\$ 3,912,124
Commercial, industrial and business taxation	768,688	798,704	772,450
Taxation from other governments	2,971,473	2,855,156	2,724,371
	7,916,421	8,110,785	7,408,945
Deduct: amounts received or receivable for County and school boards	(2,518,963)	(2,760,911)	(2,481,893)
	5,397,458	5,349,874	4,927,052
<b>User Charges</b>	2,789,101	2,798,185	2,599,185
<b>Government transfers</b>			
Government of Canada	6,778	1,341,812	1,299,364
Province of Ontario	892,526	2,232,270	899,102
Other municipalities	20,000	20,000	25,000
	919,304	3,594,082	2,223,466
<b>Other</b>			
Investment income	4,866	100,224	103,707
Penalties and interest on taxes	15,000	25,541	15,674
Donations	-	117,334	52,734
Loss on sale of assets	-	(8,548)	-
Other	12,600	39,788	29,698
	32,466	274,339	201,813
<b>Deferred revenue earned</b>	-	274,109	40,315
	\$ 9,138,329	\$12,290,589	\$ 9,991,831

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2010

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**8. EXPENDITURES BY OBJECT**

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

	2010	2009
Salaries, wages and employee benefits	\$ 4,149,911	\$ 4,171,242
Interest on long term liabilities	413,341	292,838
Transfers to external organizations	18,500	16,618
Materials, contracted services, rents and financial expenses	3,388,271	3,427,484
Amortization	1,385,644	1,224,891
	<b>\$ 9,355,667</b>	<b>\$ 9,133,073</b>

**9. PENSION CONTRIBUTIONS**

The Town contributed \$226,623 (2009 - \$239,212) 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, accounts receivable, accounts payable and accrued liabilities and long term liabilities. The fair value of these financial instruments is approximately equal to their carrying value. It is management's opinion that the Municipality is not exposed to significant interest, 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 \$250,955 (2009 - \$244,737) 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, 2010

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**14. PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996**

The Town of Deep River is an employer subject to the Public Sector Salary Disclosure Act. In 2010, the following employees were paid a salary and reported taxable benefits in excess of \$100,000, as defined in the Public Sector Salary Disclosure Act:

	<b>Salary</b>	<b>Taxable Benefits</b>
Mr. Michael Ueltzhoffer, Chief of Police	\$117,712	\$1,059
Mr. Robert McLaren, Public Works Director	126,924	217

**15. BUDGET FIGURES**

The operating budget approved by Town Council for 2010 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.

**16. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

**DEEP RIVER PUBLIC LIBRARY BOARD**

**Financial Statements**

**For the Year Ended December 31, 2010**

## 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, 2010 and the statement of operations, statement of changes in accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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, 2010 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  
July 21, 2011



**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Financial Position**  
As At December 31, 2010

	2010	2009
<b>Financial assets</b>		
Due from own municipality	\$ 24,070	\$ 15,394
<b>Liabilities</b>		
Accounts payable and accrued liabilities	10,429	7,293
<b>Net financial assets</b>	\$ 13,641	\$ 8,101
<b>Non-financial assets</b>		
Tangible capital assets - net (Note 1 and Schedule 1)	\$ 166,890	\$ 158,950
<b>Accumulated surplus</b>		
Invested in tangible capital assets	166,890	158,950
Operating fund	13,641	8,101
	\$ 180,531	\$ 167,051

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

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Changes in Accumulated Surplus**  
For The Year Ended December 31, 2010

			2010	2009
	Invested in Tangible Capital Assets	Operating Fund	Total	Total
<b>Balance, beginning of year</b>	\$ 158,950	\$ 8,101	\$ 167,051	\$ 173,924
Annual surplus (deficit)	(53,138)	66,618	13,480	(6,873)
Invested in tangible capital assets	61,078	(61,078)	-	-
<b>Balance, end of year</b>	\$ 166,890	\$ 13,641	\$ 180,531	\$ 167,051

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, 2010

	2010	2010	2009
	Budget	Actual	Actual
<b>Revenues</b>			
Town of Deep River	\$ 316,486	\$ 316,486	\$ 297,529
Province of Ontario	9,581	20,376	9,581
Federal Youth Employment grant	-	1,539	1,330
Industry Canada	-	3,663	3,663
Copier receipts	1,500	1,446	1,531
Fines and fees	9,500	8,170	8,554
Room and equipment rental	3,000	2,130	2,254
Audio visual income	7,000	5,188	5,050
Fundraising and miscellaneous	150	2,569	1,319
Donations	100	10,762	4,721
<b>Total revenues</b>	<b>347,317</b>	<b>372,329</b>	<b>335,532</b>
<b>Expenses</b>			
Amortization	\$ -	\$ 53,138	\$ 51,992
Salaries and employee benefits	213,654	212,840	204,508
Books, periodicals and non-print materials	50,166	-	-
Utilities and telephone	28,196	27,375	25,723
Copying expenses	2,765	2,209	2,305
Supplies	5,500	5,206	5,986
Office and general	2,580	2,620	2,666
Professional fees	1,428	1,526	1,400
Repairs and maintenance	34,580	40,412	33,619
Insurance	8,448	8,449	8,138
Computer equipment and software	-	5,074	6,068
	<b>347,317</b>	<b>358,849</b>	<b>342,405</b>
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ 13,480</b>	<b>\$ (6,873)</b>

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, 2010

	<b>2010</b>	<b>2009</b>
<b>Annual surplus (deficit)</b>	\$ 13,480	\$ (6,873)
Amortization of tangible capital assets	53,138	51,992
Acquisition of tangible assets	(61,078)	(51,136)
<b>Increase (decrease) in net financial assets</b>	<b>5,540</b>	<b>(6,017)</b>
<b>Net financial assets, beginning of year</b>	<b>8,101</b>	<b>14,118</b>
<b>Net financial assets, end of year</b>	<b>\$ 13,641</b>	<b>\$ 8,101</b>

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, 2010

	2010	2009
<b>Cash from operating activities</b>		
Annual surplus (deficit)	\$ 13,480	\$ (6,873)
Amortization	53,138	51,992
<b>Changes in non-cash working capital</b>		
Due from own municipality	(8,676)	3,566
Accounts payable	3,136	2,451
	61,078	51,136
<b>Capital</b>		
Tangible capital asset additions	(61,078)	(51,136)
	(61,078)	(51,136)
<b>Increase in cash</b>	-	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	\$ -	\$ -

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 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 2010 was \$9,618 (2009 - \$9,154) 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, 2010

**SCHEDULE 1**

			<b>2010</b>	<b>2009</b>
	<b>Library Collection</b>	<b>Equipment</b>	<b>Total</b>	<b>Total</b>
<b>Cost</b>				
<b>Balance, beginning of year</b>	\$ 456,381	\$ -	\$ 456,381	\$ 405,245
<b>Additions during the year</b>	50,269	10,809	61,078	51,136
<b>Balance, end of year</b>	506,650	10,809	517,459	456,381
<b>Accumulated Amortization</b>				
<b>Balance, beginning of year</b>	297,431	-	297,431	245,439
<b>Amortization during the year</b>	52,057	1,081	53,138	51,992
<b>Balance, end of year</b>	349,488	1,081	350,569	297,431
<b>Net book value of tangible capital assets</b>	\$ 157,162	\$ 9,728	\$ 166,890	\$ 158,950

**CORPORATION OF THE**  
**TOWN OF DEEP RIVER WATERWORKS**  
**Financial Statements**  
For the Year Ended December 31, 2010



## 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, 2010 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, 2010 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  
September 28, 2011

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Financial Position**  
**As At December 31, 2010**

	<b>2010</b>	<b>2009</b>
<b>Financial assets</b>		
Advances to own municipality	\$ 465,234	\$ 576,031
Accounts receivable	36,805	16,379
	<b>502,039</b>	<b>592,410</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	210,940	216,207
Long term liability (Note 4)	4,190,960	4,221,916
	<b>4,401,900</b>	<b>4,438,123</b>
<b>Net financial assets</b>	<b>\$(3,899,861)</b>	<b>\$(3,845,713)</b>
<b>Non-financial assets</b>		
Tangible capital assets - net (Note 1 and Schedule 1)	\$13,544,493	\$13,399,966
<b>Accumulated surplus</b>		
Invested in tangible capital assets	9,353,533	9,178,050
Reserve (Note 2)	291,099	376,203
	<b>\$ 9,644,632</b>	<b>\$ 9,554,253</b>

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, 2010

	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
Sale of water	\$ 1,074,869	\$ 1,071,452	\$ 834,122
Hydrant rental	43,783	43,783	42,924
Other operating revenues	7,013	13,562	10,857
Province of Ontario	25,000	25,000	25,000
Capital grants and contributions	-	562,715	1,261,556
<b>Total revenues</b>	<b>1,150,665</b>	<b>1,716,512</b>	<b>2,174,459</b>
<b>Expenses</b>			
Administration	134,818	78,323	117,924
Amortization	-	608,046	592,994
Plant operations and water treatment	632,277	652,082	679,903
Water transmission and distribution	124,200	59,827	56,980
Interest on long term liability	228,414	227,855	92,923
<b>Total expenses</b>	<b>1,119,709</b>	<b>1,626,133</b>	<b>1,540,724</b>
<b>Annual surplus</b>	<b>30,956</b>	<b>90,379</b>	<b>633,735</b>
<b>Accumulated surplus, at the beginning of the year</b>	<b>9,554,253</b>	<b>9,554,253</b>	<b>8,920,518</b>
<b>Accumulated surplus, at the end of the year</b>	<b>\$ 9,585,209</b>	<b>\$ 9,644,632</b>	<b>\$ 9,554,253</b>

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, 2010**

	<b>2010</b>	<b>2009</b>
<b>Annual surplus</b>	\$ 90,379	\$ 633,735
Amortization of tangible capital assets	608,046	592,994
Acquisition of tangible capital assets	(752,573)	-
<b>(Decrease) increase in net financial assets</b>	(54,148)	1,226,729
<b>Net financial assets, beginning of year</b>	(3,845,713)	(5,072,442)
<b>Net financial assets, end of year</b>	<b>\$(3,899,861)</b>	<b>\$(3,845,713)</b>

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2010**

	2010	2009
<b>Cash from operating activities</b>		
Annual surplus	\$ 90,379	\$ 633,735
Amortization	608,046	592,994
<b>Changes in non-cash working capital</b>		
Accounts receivable	(20,426)	(108)
Accounts payable	(5,267)	(180,433)
	672,732	1,046,188
<b>Capital</b>		
Acquisition of tangible capital assets	(752,573)	-
	(752,573)	-
<b>Cash from financing activities</b>		
Advances from own municipality	110,797	(5,268,104)
Proceeds on issuance of long term liability	-	4,221,916
Repayment of long term liability	(30,956)	-
	79,841	(1,046,188)
<b>Increase in cash</b>	-	-
<b>Cash position, beginning of year</b>	-	-
<b>Cash position, end of year</b>	\$ -	\$ -

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2010**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the **Corporation of the Town of Deep River Waterworks** are the representation of management, prepared in accordance with 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:

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

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

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

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

**Use of Estimates**

The preparation of financial statements in conformity with Canadian 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, 2010**

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**2. RESERVE**

The waterworks surplus is held as a reserve for acquisition of capital assets.

**3. PENSION AGREEMENT**

The Town of Deep River Waterworks makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all members of its staff. The plan is a defined benefit plan, fully funded by equal contributions from participating employers and employees and by investment earnings of the OMERS Fund. The amount of the retirement benefit to be received by the employees is based on the length of service and rates of pay, and is integrated with the Canada Pension Plan.

**4. LONG TERM LIABILITY**

	2010	2009
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	\$ 4,190,960	\$ 4,221,916

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

2011	\$ 32,657
2012	34,451
2013	36,343
2014	38,340
2015	40,446
Thereafter	4,008,723
	\$ 4,190,960

**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.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2010**

**SCHEDULE 1**

				<b>2010</b>	<b>2009</b>
	<b>Land</b>	<b>Watermains</b>	<b>Water Treatment Plant</b>	<b>Total</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance, beginning of year</b>	\$ 3	\$ 1,909,493	\$14,358,801	\$16,268,297	\$15,764,338
Additions during the year	-	752,572	-	752,572	503,959
Disposals during the year	-	(33,971)	-	(33,971)	-
<b>Balance, end of year</b>	3	2,628,094	14,358,801	16,986,898	16,268,297
<b>Accumulated Amortization</b>					
<b>Balance, beginning of year</b>	-	1,258,219	1,610,112	2,868,331	2,275,337
Amortization during the year	-	33,034	575,012	608,046	592,994
Disposals during the year	-	(33,972)	-	(33,972)	-
<b>Balance, end of year</b>	-	1,257,281	2,185,124	3,442,405	2,868,331
<b>Net book value of tangible capital assets</b>	\$ 3	\$ 1,370,813	\$12,173,677	\$13,544,493	\$13,399,966



**CORPORATION OF THE TOWN OF DEEP RIVER**

**TRUST FUNDS**

**Financial Statements**

For the Year Ended December 31, 2010

## 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, 2010 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, 2010 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  
September 28, 2011

**CORPORATION OF THE TOWN OF DEEP RIVER****Trust Funds****Statement of Financial Position****As At December 31, 2010**

	<b>2010</b>			<b>2009</b>
	<b>Cemetery Care</b>	<b>Emergency Response Unit</b>	<b>Total</b>	<b>Total</b>
<b>Assets</b>				
Cash	\$ 10,303	\$ 2,470	\$ 12,773	\$ 62,881
Investments (Note 2)	238,182	-	238,182	181,605
Accounts receivable	-	-	-	251
	<b>\$ 248,485</b>	<b>\$ 2,470</b>	<b>\$ 250,955</b>	<b>\$ 244,737</b>
<b>Fund Balances</b>	<b>\$ 248,485</b>	<b>\$ 2,470</b>	<b>\$ 250,955</b>	<b>\$ 244,737</b>

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, 2010**

			2010	2009
	Cemetery Care	Emergency Response Unit	Total	Total
<b>Capital Receipts</b>				
Sale of plots	\$ 3,955	\$ -	\$ 3,955	\$ 5,950
Emergency calls	-	3,850	3,850	11,597
Interest earned	6,661	34	6,695	6,206
	10,616	3,884	14,500	23,753
<b>Expenditures</b>				
Emergency response	-	8,282	8,282	14,885
<b>Excess of receipts (expenditures)</b>	10,616	(4,398)	6,218	8,868
<b>Fund Balances at the beginning of the year</b>	237,869	6,868	244,737	235,869
<b>Fund Balances at the end of the year</b>	\$ 248,485	\$ 2,470	\$ 250,955	\$ 244,737

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, 2010

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1. **SIGNIFICANT ACCOUNTING POLICIES**

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

Accounts receivables are classified as receivables, which are measured at amortized cost.

2. **INVESTMENTS**

	2010	2009
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 238,182	\$ 181,605

The book value of the investments is \$231,071 (2009 - \$181,071).

3. **FINANCIAL INSTRUMENTS**

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