

**CORPORATION OF THE  
TOWN OF DEEP RIVER**

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**Consolidated Financial Statements**  
For the Year Ended December 31, 2019

## MANAGEMENT REPORT

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

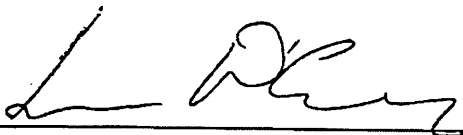
The accompanying consolidated financial statements of the **Corporation of the Town of Deep River** are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting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

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

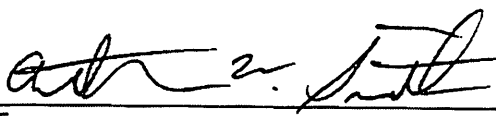
Town management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis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

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

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

  
\_\_\_\_\_  
Mayor

October 21, 2020  
Deep River, Ontario

  
\_\_\_\_\_  
Treasurer

October 21, 2020  
Deep River, Ontario

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

## **Consolidated Financial Statements**

### **INDEX - 2019**

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF OPERATIONS

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED SCHEDULE OF CONTINUITY OF RESERVES - SCHEDULE 1

CONSOLIDATED SCHEDULE OF CONTINUITY OF RESERVE FUNDS - SCHEDULE 2

CONSOLIDATED SCHEDULE OF DEFERRED REVENUE-OBLIGATORY - SCHEDULE 3

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS - SCHEDULE 4

CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS - SCHEDULE 5

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE - SCHEDULE 6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LOCAL BOARD AND TRUST FUNDS - FINANCIAL STATEMENTS

(a) DEEP RIVER PUBLIC LIBRARY BOARD

(b) TRUST FUND – CEMETERY CARE



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2019 and the consolidated statements of operations, change in net financial assets (net debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **CORPORATION OF THE TOWN OF DEEP RIVER** as at December 31, 2019 and the results of its consolidated operations, changes in net financial assets (net debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Dean ~ Sinclair*

Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
October 21, 2020

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Financial Position**  
As At December 31, 2019

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	\$ 2,737,964	\$ 2,055,925
Investments (Note 3)	620,288	596,175
Taxes receivable	332,667	249,510
Trade and other receivables	426,441	505,464
Loan receivable (Note 4)	20,396	30,000
Inventories for resale	8,737	7,754
	<b>\$ 4,146,493</b>	<b>\$ 3,444,828</b>
<b>LIABILITIES</b>		
Loan payable (Note 5)	\$ 8,057	\$ -
Accounts payable and accrued liabilities	1,129,188	759,670
Deferred revenue - general	8,912	49,761
Deferred revenue - obligatory (Schedule 3)	343,169	377,391
Long term liabilities (Note 6)	9,266,697	9,685,486
Employee benefits and post employment liabilities (Note 7)	1,614,084	2,345,471
Landfill closure and post-closure liabilities (Note 8)	223,813	226,721
	<b>12,593,920</b>	<b>13,444,500</b>
<b>NET FINANCIAL ASSETS (NET DEBT)</b>	<b>(8,447,427)</b>	<b>(9,999,672)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - net (Schedule 4)	34,004,669	35,047,254
Inventory of supplies	4,613	5,101
Prepaid expenses	40,115	9,698
	<b>34,049,397</b>	<b>35,062,053</b>
<b>ACCUMULATED SURPLUS (Schedule 5)</b>	<b>\$ 25,601,970</b>	<b>\$ 25,062,381</b>

See accompanying notes and schedules.

6.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Operations**  
For the Year Ended December 31, 2019

	2019	2019	2018
	Budget	Actual	Actual
	(Note 18)		
<b>REVENUES (Note 10)</b>			
Taxation and payments in lieu	\$ 6,663,913	\$ 6,675,557	\$ 6,798,315
User charges	3,544,364	3,172,644	3,029,131
Government transfers	618,484	1,221,400	671,117
Deferred revenue earned - Schedule 3	-	305,280	-
Other	189,814	267,611	459,985
	11,016,575	11,642,492	10,958,548
<b>EXPENDITURES</b>			
General government	1,250,880	1,328,490	1,268,039
Protection to persons and property	3,271,493	2,742,910	3,871,052
Transportation services	1,211,945	1,286,657	1,188,849
Environmental services	3,256,916	3,707,946	3,655,162
Health services	4,722	15,131	7,159
Recreation and cultural services	1,574,072	1,936,921	2,029,793
Planning and development	177,331	84,848	24,139
	10,747,359	11,102,903	12,044,193
<b>ANNUAL SURPLUS (DEFICIT)</b>	269,216	539,589	(1,085,645)
<b>ACCUMULATED SURPLUS, beginning of year</b>	25,062,381	25,062,381	26,148,026
<b>ACCUMULATED SURPLUS, end of year</b>	\$ 25,331,597	\$ 25,601,970	\$ 25,062,381

See accompanying notes and schedules.

7.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Change in Net Financial Assets (Net Debt)**  
For the Year Ended December 31, 2019

	2019	2018
	Actual	Actual
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 539,589	\$ (1,085,645)
Amortization of tangible capital assets	1,793,403	1,631,760
Acquisition of tangible capital assets	(760,349)	(1,307,240)
Loss on disposal of tangible capital assets	9,531	36,679
Changes in level of supplies inventories	488	(1,573)
Changes in level of prepaid expenses	(30,417)	3,637
<b>CHANGE IN NET FINANCIAL ASSETS (NET DEBT)</b>	1,552,245	(722,382)
<b>NET FINANCIAL ASSETS (NET DEBT), beginning of year</b>	(9,999,672)	(9,277,290)
<b>NET FINANCIAL ASSETS (NET DEBT), end of year</b>	\$ (8,447,427)	\$ (9,999,672)



**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Cash Flows**  
For the Year Ended December 31, 2019

	2019	2018
<b>CASH FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ 539,589	\$ (1,085,645)
Adjustments for items not affecting cash		
Amortization of tangible capital assets	1,793,403	1,631,760
Loss on disposal of tangible capital assets	9,531	36,679
Changes in non-cash working capital		
Taxes receivable	(83,157)	199,801
Trade and other receivables	79,023	176,941
Loan receivable	9,604	(30,000)
Inventories for resale	(983)	1,847
Inventory of supplies	488	(1,573)
Prepaid expenses	(30,417)	3,637
Accounts payable and accrued liabilities	369,518	82,125
Employee benefits and post-employment liabilities	(731,387)	174,845
Landfill closure and post-closure liabilities	(2,908)	20,947
Deferred revenue - general	(40,849)	49,761
Deferred revenue - obligatory	(34,222)	138,316
Loan payable	8,057	-
	1,885,290	1,399,441
<b>CASH FROM (USED IN) FINANCING ACTIVITIES</b>		
Payments on long term liabilities	(418,789)	(413,993)
<b>CASH (USED IN) INVESTING ACTIVITIES</b>		
Investments	(24,113)	(4,665)
Purchase of tangible capital assets	(760,349)	(1,307,240)
	(784,462)	(1,311,905)
<b>INCREASE (DECREASE) IN CASH</b>	682,039	(326,457)
<b>CASH, beginning of year</b>	2,055,925	2,382,382
<b>CASH, end of year</b>	\$ 2,737,964	\$ 2,055,925

See accompanying notes and schedules.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Schedule of Continuity of Reserves**  
For the Year Ended December 31, 2019

**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	429,589	-	50,000	-	50,000	314,099	-	-	314,099	165,490
Legal contingency	48,526	-	-	-	-	-	-	-	-	48,526
Waterworks	292,869	-	12,494	-	12,494	-	111,195	-	111,195	194,168
Sewer	243,834	-	168,192	-	168,192	-	12,243	-	12,243	399,783
Working funds	50,000	-	-	-	-	-	-	-	-	50,000
Recreation facilities	1,333	-	-	-	-	-	-	-	-	1,333
Insurance claims	46,720	-	-	-	-	-	-	-	-	46,720
WSIB	72,964	-	-	-	-	-	-	-	-	72,964
Physician recruitment	11,610	-	-	-	-	-	-	-	-	11,610
Living legacy	4,425	-	-	-	-	-	-	-	-	4,425
Asset replacement	365,652	-	6,500	-	6,500	60,000	56,600	-	116,600	255,552
Landfill closure	73,673	-	-	-	-	-	-	-	-	73,673
Recreation	10,135	-	-	-	-	-	-	-	-	10,135
Marina capital	9,087	-	3,983	-	3,983	-	-	-	-	13,070
Capital contingency	79,304	-	-	-	-	-	-	-	-	79,304
Restricted donations	3,500	-	-	-	-	-	-	-	-	3,500
Airport Runway	10,000	-	5,000	-	5,000	-	-	-	-	15,000
Elections	-	-	4,000	-	4,000	-	-	-	-	4,000
Service modernization	-	-	507,786	-	507,786	-	-	-	-	507,786
	1,754,786	-	757,955	-	757,955	374,099	180,038	-	554,137	1,958,604
<b>Reserve Funds (Schedule 2)</b>	852,356	15,871	59,198	-	75,069	43,198	119,940	-	163,138	764,287
<b>Total Reserves and Reserve Funds</b>	\$2,607,142	\$ 15,871	\$ 817,153	\$ -	\$ 833,024	\$ 417,297	\$ 299,978	\$ -	\$ 717,275	\$2,722,891

10. See accompanying notes and schedules.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Continuity of Reserve Funds**  
For the Year Ended December 31, 2019

**SCHEDULE 2**

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year
<b>Reserve Funds</b>										
Capital asset replacement	\$ 429,336	\$ 7,341	\$ 8	\$ -	\$ 66,834	\$ -	\$ 55,000	\$ -	\$ 55,000	\$ 42,024
Humanitarian donations	3,435	76	-	-	76	-	-	-	-	3,511
Airport operations	47,804	-	-	-	-	1,918	-	-	1,918	45,886
Main Street Revitalization	41,591	818	-	-	818	41,280	-	-	41,280	1,129
	\$ 852,356	\$ 15,871	\$ 198	\$ -	\$ 75,069	\$ 3,198	\$ 119,940	\$ -	\$ 163,138	\$ 764,287

11. See accompanying notes and schedules.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Schedule of Deferred Revenue - Obligatory**  
For the Year Ended December 31, 2019

**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 Obligatory Reserve Funds</b>										
Gas tax rebates	\$ 377,391	\$ 10,368	\$ 260,690	\$ -	\$ 271,058	\$ -	\$ 305,280	\$ -	\$ 305,280	\$ 343,169

12. See accompanying notes and schedules.

**Corporation of the Town of Deep River**  
**Consolidated Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2019

**Schedule 4**

	BY ASSET CLASS													
	General						Infrastructure						Totals	
	Land	Buildings	Vehicles	Equipment	Computer Equipment	Other	Roads	Plants & Facilities	Underground & Other	Other Structures	Assets Under Construction	2019	2018	
Cost														
Balance, Beginning of year	\$ 1,640,434	\$ 9,082,912	\$ 3,166,314	\$ 970,657	\$ 16,863	\$ 1,069,353	\$ 4,428,726	\$ 20,621,508	\$ 9,438,193	\$ 2,866,342	\$ 7,862,045	\$ 61,163,347	\$ 60,162,154	
Add:														
Additions during year	-	86,866		55,740		57,258	395,030		8,012,020		37,320	8,644,234	1,307,240	
Less:														
Disposals during year	-	(14,622)					(231,582)				(7,883,885)	(8,130,089)	(306,047)	
Balance, End of year	1,640,434	9,155,156	3,166,314	1,026,397	16,863	1,126,611	4,592,174	20,621,508	17,450,213	2,866,342	15,480	61,677,492	61,163,347	
Accumulated Amortization														
Balance, Beginning of year	-	4,446,526	1,982,310	649,188	16,863	890,657	3,059,714	10,464,799	3,391,107	1,214,929	-	26,116,093	24,753,701	
Add:														
Amortization during the year	-	193,548	159,586	54,888		55,984	93,324	834,588	300,805	100,680	-	1,793,403	1,631,760	
Less:														
Reduction on disposals	-	(5,091)					(231,582)				-	(236,673)	(269,368)	
Balance, End of year	-	4,634,983	2,141,896	704,076	16,863	946,641	2,921,456	11,299,387	3,691,912	1,315,609	-	27,672,823	26,116,093	
Net Book Value of Tangible Capital Assets	\$ 1,640,434	\$ 4,520,173	\$ 1,024,418	\$ 322,321	\$ -	\$ 179,970	\$ 1,670,718	\$ 9,322,121	\$ 13,758,301	\$ 1,550,733	\$ 15,480	\$ 34,004,669	\$ 35,047,254	
BY FUNCTIONAL CLASSIFICATION														
	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Sewer	Waste Management	Recreation	Planning Other	Assets Under Construction	2019	2018	
Cost														
Balance, Beginning of year	\$ 2,536,340	\$ 326,611	\$ 1,251,876	\$ 6,821,524	\$ 1,251,237	\$ 19,084,134	\$ 11,315,332	\$ 126,120	\$ 10,253,753	\$ 334,375	\$ 7,862,045	\$ 61,163,347	\$ 60,162,154	
Add:														
Additions during year			39,679	411,091		7,990,132	21,888	14,298	129,826		37,320	8,644,234	1,307,240	
Less:														
Disposals during year				(231,582)				(14,622)			(7,883,885)	(8,130,089)	(306,047)	
Balance, End of year	2,536,340	326,611	1,291,555	7,001,033	1,251,237	27,074,266	11,337,220	125,796	10,383,579	334,375	15,480	61,677,492	61,163,347	
Accumulated Amortization														
Balance, Beginning of year	1,360,616	287,087	759,617	4,466,780	786,005	8,393,108	5,497,697	45,791	4,487,873	31,519	-	26,116,093	24,753,701	
Add:														
Amortization during the year	65,498	10,742	62,980	210,646	26,913	809,092	338,801	2,281	258,265	8,185		1,793,403	1,631,760	
Less:														
Reduction on disposals				(231,582)				(5,091)				(236,673)	(269,368)	
Balance, End of year	1,426,114	297,829	822,597	4,445,844	812,918	9,202,200	5,836,498	42,981	4,746,138	39,704	-	27,672,823	26,116,093	
Net Book Value of Tangible Capital Assets	\$ 1,110,226	\$ 28,782	\$ 468,958	\$ 2,555,189	\$ 438,319	\$ 17,872,066	\$ 5,500,722	\$ 82,815	\$ 5,637,441	\$ 294,671	\$ 15,480	\$ 34,004,669	\$ 35,047,254	

13. See accompanying notes.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Schedule of Accumulated Surplus**  
For the Year Ended December 31, 2019

**SCHEDULE 5**

	2019	2018
<b>RESERVE FUNDS - Schedule 2</b>		
Capital asset replacement	\$ 371,737	\$ 429,336
Hydro sale proceeds	342,024	330,190
Humanitarian donations	3,511	3,435
Airport operations	45,886	47,804
Main Street Revitalization	1,129	41,591
<b>Total</b>	<b>764,287</b>	<b>852,356</b>

**RESERVES - Schedule 1**

Acquisition of capital assets	5,065	5,065
Sick leave and payroll contingency	165,490	429,589
Legal contingency	48,526	48,526
Waterworks	194,168	292,869
Sewer	399,783	243,834
Working funds	50,000	50,000
Recreation facilities	1,333	1,333
Insurance claims	46,720	46,720
WSIB	72,964	72,964
Physician recruitment	11,610	11,610
Living legacy	4,425	4,425
Asset replacement	255,552	365,652
Landfill closure	73,673	73,673
Recreation	10,135	10,135
Marina capital	13,070	9,087
Capital contingency	79,304	79,304
Airport Runway	15,000	10,000
Elections	4,000	-
Service modernization	507,786	-
<b>Total</b>	<b>1,958,604</b>	<b>1,754,786</b>
<b>Total - Reserves and Reserve Funds</b>	<b>2,722,891</b>	<b>2,607,142</b>

**SURPLUSES**

Invested in tangible capital assets	24,640,789	25,315,303
General revenue fund	28,279	(314,099)
Landfill operations board	47,908	26,227
Unfunded		
• Employment benefits and post-employment liabilities	(1,614,084)	(2,345,471)
• Landfill closure and post-closure liabilities	(223,813)	(226,721)
<b>Total Surpluses</b>	<b>22,879,079</b>	<b>22,455,239</b>

<b>ACCUMULATED SURPLUS</b>	<b>\$ 25,601,970</b>	<b>\$ 25,062,381</b>
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See accompanying notes and schedules.

14.

Corporation of the Town of Deep River  
Consolidated Schedule of Segmented Disclosure  
For the Year Ended December 31, 2019

Schedule 6

	General Government		Protection		Transportation		Environment		Health		Recreation		Planning		Totals	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Revenues</b>																
Taxation	\$ 1,045,920	\$ 1,026,287	\$ 3,108,715	\$ 3,086,559	\$ 1,005,422	\$ 1,141,141	\$ 465,931	\$ 480,422	\$ (5,488)	\$ (14,125)	\$ 1,044,238	\$ 1,004,651	\$ 10,819	\$ 73,380	\$ 6,675,557	\$ 6,798,315
User charges	7,389	7,164	145,110	119,924	28,965	37,593	2,501,534	2,397,828	16,944	6,325	472,702	454,879	-	5,418	3,172,644	3,029,131
Government transfers	844,186	321,400	29,776	39,182	200,649	59,194	135,248	157,966	-	-	11,541	52,095	-	41,280	1,221,400	671,117
Other income	156,040	172,829	-	65	21,725	27,323	36,148	206,829	-	-	53,698	52,939	-	-	267,611	459,985
Deferred revenue earned	-	-	-	-	305,280	-	-	-	-	-	-	-	-	-	305,280	-
	2,053,535	1,527,680	3,283,601	3,245,730	1,562,041	1,265,251	3,138,861	3,243,045	11,456	(7,800)	1,582,179	1,564,564	10,819	120,078	11,642,492	10,958,548
<b>Expenses</b>																
Salaries, wages and benefits	866,172	890,310	1,668,762	2,954,443	632,345	553,323	134,707	200,156	6,201	5,477	986,146	1,035,188	4,999	640	4,299,332	5,639,537
Interest on long term liabilities	-	-	-	-	3,170	3,435	311,919	315,669	-	-	75,457	77,883	-	-	390,546	396,987
Materials and supplies	403,713	410,393	176,204	204,603	405,398	386,361	724,770	807,457	8,930	1,682	579,071	629,328	22,376	6,622	2,320,462	2,446,446
Contracted services	5,107	4,838	797,152	509,562	-	-	1,401,445	1,365,983	-	-	4,907	4,351	57,473	16,877	2,266,084	1,901,611
External transfers	-	-	-	-	-	-	-	-	-	-	33,075	27,852	-	-	33,075	27,852
Interfunctional adjustments	(12,000)	(103,000)	27,070	117,670	-	-	(15,070)	(14,670)	-	-	-	-	-	-	-	-
Amortization	65,498	65,498	73,722	84,774	245,744	245,730	1,150,175	980,567	-	-	258,265	255,191	-	-	1,793,404	1,631,760
	1,328,490	1,268,039	2,742,910	3,871,052	1,286,657	1,188,849	3,707,946	3,655,162	15,131	7,159	1,936,921	2,029,793	84,848	24,139	11,102,903	12,044,193
<b>Net Revenue (Expenses)</b>	<b>\$ 725,045</b>	<b>\$ 259,641</b>	<b>\$ 540,691</b>	<b>\$ (625,322)</b>	<b>\$ 275,384</b>	<b>\$ 76,402</b>	<b>\$ (569,085)</b>	<b>\$ (412,117)</b>	<b>\$ (3,675)</b>	<b>\$ (14,959)</b>	<b>\$ (354,742)</b>	<b>\$ (465,229)</b>	<b>\$ (74,029)</b>	<b>\$ 95,939</b>	<b>\$ 539,589</b>	<b>\$ (1,085,645)</b>

# CORPORATION OF THE TOWN OF DEEP RIVER

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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The **CORPORATION OF 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 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Town of Deep River are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

#### REPORTING ENTITY

- (a) The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, reserves, reserve funds and cash flows of the Town and include the activities of all committees of Council and the following boards and utilities which are under the control of Council:

- Deep River Public Library Board
- Deep River Waterworks

The municipality is also a member of two 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	7.952 %

(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, 2019**

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

**(b) Cash**

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

**(c) Revenue Recognition**

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

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

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

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

**(d) Inventories for Resale**

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**

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

**(e) Non-Financial Assets**

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

<u><b>Assets</b></u>	<u><b>Useful Life-Years</b></u>
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.

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 of 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.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**

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

Inventories

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

**(f) Pension and Employee Benefits**

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

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

**(g) Deferred Revenue - Obligatory**

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

**(h) Investments**

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

**(i) Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates. Management makes accounting estimates when determining the estimated useful life of the Corporation's tangible assets, its allowances for doubtful accounts, the carrying value of its inventory, the accrued liabilities for employee benefits and solid waste landfill closure and post-closure care. Actual results could differ from those estimates.

**(j) Segment Disclosures**

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

**2. CASH**

Cash and investments in the amount of \$1,107,458 (2018 - \$1,229,747) have been restricted to support reserve funds and deferred revenue - obligatory. As at December 31, 2019, the Town's general fund had outstanding borrowings of \$125,375 (2018 - \$183,117) from the reserve funds.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2019

**3. INVESTMENTS**

	<b>2019</b>	<b>2018</b>
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 588,386	\$ 573,408
Mutual funds	31,902	22,767
	<b>\$ 620,288</b>	<b>\$ 596,175</b>

The book value of the investments is \$664,430 (2018 - \$664,813).

**4. LOAN RECEIVABLE**

Loan receivable from Community Skiway Inc. (Mount Martin Ski Hill), bearing interest at the Bank of Canada prime rate and secured by a chattel mortgage on Mount Martin Ski Hill equipment (Prime rate at December 31, 2019 – 3.95%). The loan is due September 2028 but the Town has the option to demand repayment in full any time after September 2023 on six months written notice.

**5. LOAN PAYABLE**

A temporary loan was secured by the Airport Commission to fund the construction of a new hangar. Upon completion of the hangar, serial debentures will be issued. The loan bears interest at the Ontario Infrastructure Lands Corporation floating interest rate.

**6. LONG TERM LIABILITIES**

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

	<b>2019</b>	<b>2018</b>
Prime minus 0.85% non-revolving term loan, maturing June 2022, repayable in blended monthly instalments of \$19,940	\$ 1,699,715	\$ 1,883,383
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	3,823,467	3,873,560
4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693	333,937	382,074
2.9% debentures, maturing November 2036, repayable in blended semi-annual instalments of \$43,871	1,171,035	1,223,669
3.5% debentures, maturing September 2047, repayable in blended semi-annual instalments of \$32,464	1,152,926	1,176,871
3.14% debentures, maturing December 2037, repayable in semi-annual instalments of \$30,156 plus interest	1,085,617	1,145,929
	<b>\$ 9,266,697</b>	<b>\$ 9,685,486</b>

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2019

**6. LONG TERM LIABILITIES (cont'd)**

(b) Principal payments on long term liabilities are estimated as follows:

2020	\$ 430,437
2021	444,036
2022	458,037
2023	472,575
2024	487,596
Thereafter	6,974,016
	<hr/>
	\$ 9,266,697

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.

(c) Total interest charges for Town long term liabilities reported on the Consolidated Statement of Operations are \$390,546 (2018 - \$396,987).

Of the total charges shown above, \$78,628 (2018 - \$81,318) was paid from general revenues of the Town, \$249,963 (2018 - \$255,231) was recovered from the water supply operation and \$61,955 (2018 - \$60,438) was recovered from the sanitary sewer operation. These amounts are included on the Consolidated Statement of Operation, classified under the appropriate functional expenditure headings.

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

	2019	2018
Accrued vacation pay benefits	\$ 84,621	\$ 83,739
Sick leave (Note 7 (a))	572,668	629,528
Post-employment benefits (Note 7 (b))	835,446	811,215
WSIB (Note 7 (c))	121,349	820,989
	<hr/>	<hr/>
	\$ 1,614,084	\$ 2,345,471

**(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 \$115,205 (2018 - \$270,044) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$165,490 (2018 - \$429,589) have been established to provide for these liabilities and are reported on the Consolidated Statement of Financial Position.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2019

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7. **EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES (cont'd)**

(b) **POST EMPLOYMENT BENEFITS**

The Municipality has defined benefit plans providing various post-retirement medical and life insurance benefits.

The liability and expense for 2019 is based on an actuarial valuation performed as at December 31, 2017 and forecasted for 2019.

Information about the plan is as follows:

**Accrued benefit liability**

	2019	2018
Accrued benefit liability as at beginning of year	\$ 811,215	\$ 772,637
Current service cost	48,248	46,797
Interest cost	26,265	25,435
Amortization of actuarial gain/loss	4,118	4,346
Contributions/benefits paid during the year	(54,400)	(38,000)
Accrued benefit liability as at end of year	\$ 835,446	\$ 811,215

**Reconciliation of accrued benefit obligation**

	2019	2018
Accrued benefit obligation as at beginning of year	\$ 850,333	\$ 816,101
Benefits accrued during year	48,248	46,797
Benefits paid during year	(54,400)	(38,000)
Interest on accrued benefit obligation during year	26,265	25,435
Accrued benefit obligation as at end of year	\$ 870,446	\$ 850,333

Discount rate	3.1%
Assumed dental cost trend rate	4.0%

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

(c) **WORKPLACE SAFETY & INSURANCE BOARD (WSIB)**

As a Schedule 2 employer, the Municipality funds its obligations to the WSIB on a "pay as you go" basis. The future benefit costs recorded at the year end are based on calculations prepared by the WSIB. No independent actuarial valuation is considered necessary.

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

### **Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2019

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#### **8. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES**

The Town operates a landfill site that now receives only construction and demolition waste. Currently the landfill site is estimated to be 74% filled and has a remaining volume of approximately 83,600 m<sup>3</sup>. The estimated remaining life of the site at the current level of usage is 20 years. The estimated required period of post-closure care is six years. These financial statements recognize a liability for closure and post-closure care to the extent that the site has been used to date. Since costs are to be incurred in the future they have been discounted at 4.0% . Currently a liability of \$187,000 has been accrued. The present value of estimated total expenditures is approximately \$257,000. The liability remaining to be recognized is \$70,000. A reserve in the amount of \$73,673 has been established to provide for this liability and is reported on the Consolidated Statement of Financial Position.

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 50% filled and has a remaining volume of 99,628 m<sup>3</sup>. At the current rate of usage, the landfill site is expected to close in 24.1 years or as early as January 31, 2044. 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 4.95% and is accrued based on site usage. Currently a liability of \$70,795 (Town share - \$36,813) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$141,589 (Town share - \$73,626). The liability remaining to be recognized is \$70,795 (Town share - \$36,813).

#### **9. CONTAMINATED SITES LIABILITY**

The Town has adopted PS3260 Liability for Contaminated Sites. The Town has not identified any liabilities as at December 31, 2019 (2018 - Nil) as a result of this standard.

**CORPORATION OF THE TOWN OF DEEP RIVER****Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2019

**10. REVENUES**

	2019	2019	2018
	Budget	Actual	Actual
<b>Taxation</b>			
Residential and farm taxation	\$ 5,613,876	\$ 5,652,543	\$ 5,430,318
Commercial, industrial and business taxation	968,385	968,385	962,552
Taxation from other governments	3,175,663	3,175,663	3,371,331
	9,757,924	9,796,591	9,764,201
Deduct: amounts received or receivable for County and school boards	(3,094,011)	(3,121,034)	(2,965,886)
	6,663,913	6,675,557	6,798,315
<b>User Charges</b>	3,544,364	3,172,644	3,029,131
<b>Government Transfers</b>			
Government of Canada	-	89,029	2,100
Province of Ontario	599,984	1,115,161	652,143
Other municipalities	18,500	17,210	16,874
	618,484	1,221,400	671,117
<b>Deferred Revenue Earned</b>	-	305,280	-
<b>Other</b>			
Investment income	40,100	72,643	57,392
Penalties and interest on taxes	50,000	43,118	87,236
Donations	7,645	28,694	31,390
CNL capital cost recovery	-	21,840	195,054
Other	92,069	110,847	125,592
Loss on disposal of tangible capital assets	-	(9,531)	(36,679)
	189,814	267,611	459,985
	\$ 11,016,575	\$ 11,642,492	\$10,958,548



**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2019

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**11. EXPENDITURES BY OBJECT**

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

	2019	2018
Salaries, wages and employee benefits	\$ 4,299,332	\$ 5,639,537
Interest on long term liabilities	390,546	396,987
Transfers to external organizations	33,075	27,852
Materials, contracted services, rents and financial expenses	4,586,546	4,348,057
Amortization	1,793,404	1,631,760
	<u>\$ 11,102,903</u>	<u>\$ 12,044,193</u>

**12. PENSION AGREEMENT**

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

Because OMERS is a multi-employer pension plan, The Corporation of the Town of Deep River does not recognize any share of the pension plan surplus of \$1.53 billion (2018 – deficit of \$2.79 billion) based on the total fair market value of the plans's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed to OMERS for 2019 was \$348,753 (2018 - \$353,644) for current service and is included as an expenditure on the Consolidated Statement of Operations. At December 31, 2019 there is no liability for past service under this agreement.

**13. FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash, investments, taxes receivable, trade and other receivables, loan receivable, accounts payable and accrued liabilities, loan payable and long term liabilities.

It is management's opinion that the Municipality is not exposed to significant interest or currency risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes receivable, water and sewer receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. It is management's opinion that the large number and diversity of taxpayers and users minimizes the credit risk.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2019

**14. JOINT LOCAL BOARDS**

The Town is a member of two joint local boards as follows:

**Pembroke and Area Airport Commission**

The Pembroke and Area Airport Commission was established in 1968 under the *Municipal Act* and on June 25, 1992 was continued as a body corporation by special legislation of the province of Ontario. The Commission's primary function is the management of the Pembroke and Area Airport.

The Town's proportionate share of contributions to the Commission is 7.952% (2018 – 7.974%). The only transactions the Town had with the Commission during the year was the annual municipal levy of \$6,748 (2018 - \$6,444). This transaction is in the normal course of operations and measured at its exchange amount.

Summary financial information for the year ended December 31, 2019 and the Town's proportionate share are as follows:

	<b>Total</b>	<b>Town's Share</b>
Net financial assets	\$ 463,977	\$ 36,895
Non-financial assets	3,697,310	294,010
Accumulated surplus	4,161,287	330,905
Revenue	467,829	37,202
Expenditures	447,351	35,574
Annual surplus	\$ 20,478	\$ 1,628

**North Renfrew Landfill Operations Board**

The North Renfrew Landfill Operations Board is a joint local board which was formed to direct the operation of the Bagg's Road Landfill.

The Town's proportionate share of contributions to the Board is 52% (2018 - 52%). The Town made operating contributions to the Board in the amount of \$152,290 (2018 - \$145,820).

These transactions are in the normal course of operations and measured at their exchange amount.

Summary financial information for the year ended December 31, 2019 and the Town's proportionate share are as follows:

	<b>Total</b>	<b>Town's Share</b>
Net financial assets	\$ 12,430	\$ 10,755
Non-financial assets	44,514	23,147
Accumulated surplus	56,944	33,902
Revenue	355,629	184,928
Expenses	303,563	157,853
Annual surplus	\$ 52,066	\$ 27,075

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

### **Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2019

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#### **15. CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The Town has entered into a fire protection services agreement with Canadian Nuclear Laboratories Ltd. for the period June 1, 2018 to March 31, 2021 at an annual amount of \$690,000 plus HST.

The Town has entered into a contract in the amount of \$1,993,320 including HST for the collection, handling and processing of recyclables and the collection and disposal of residential and commercial waste for the period October 1, 2018 to September 30, 2023 with an option to renew the contract for an additional two years at the amount of \$415,277 per year including HST.

The Town has an agreement with the Ontario Clean Water Agency (OCWA) to manage, operate and maintain the drinking water system and the wastewater treatment system. The agreement is for an initial five-year term commencing January 1, 2017 and renewable for five additional five-year terms if agreed to by the parties. The cost for 2019 was \$1,571,195. The agreement can be terminated by either the Town or OCWA by giving at least 365 days notice in writing.

The Town has awarded a five-year contract effective April 1, 2016 for the provision of landfill operation services for the Miller Road Construction and Demolition Waste Disposal Site for an annual fee of \$62,160 plus HST increasing by approximately 1.9% in each year of the contract.

The North Renfrew Landfill Operations Board has entered into a contract in the amount of \$1,938,000 plus HST for the operation of the North Renfrew (Baggs Road) Solid Waste Disposal Site for the period from August 1, 2013 to July 31, 2023. As at December 31, 2019, the unpaid portion of this contract amounts to \$694,450 plus HST. The Board has also entered into a contract in the estimated amount of \$80,500 plus HST for the monitoring and reporting of the North Renfrew (Baggs Road) Solid Waste Disposal Site for the period from March 2018 to February 2021. As at December 31, 2019 the estimated unpaid portion of this contract amounts to \$18,783 plus HST.

#### **16. TRUST FUNDS**

Trust funds administered by the Town totalling \$328,854 (2018 - \$315,691) are presented in separate trust fund financial statements. As such, balances held in trust by the Town for the benefit of others have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

#### **17. CONTINGENT LIABILITIES**

The Town is the subject of a legal proceeding related to employment issues. Management believes that the ultimate settlement amount, if any, cannot be reasonably determined at this time. In addition, 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**

### **Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2019

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#### **18. BUDGET FIGURES**

The operating budget approved by Town Council for 2019 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.

#### **19. SEGMENTED DISCLOSURES**

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

#### **20. SUBSEQUENT EVENT**

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies. The overall effect of these events on the organization and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.