

**CORPORATION OF THE  
TOWN OF DEEP RIVER**

---

**Consolidated Financial Statements**  
For the Year Ended December 31, 2016

## 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 and Administration 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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

  
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Mayor

  
\_\_\_\_\_  
Treasurer

May 10, 2017

# **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, 2016 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **CORPORATION OF THE TOWN OF DEEP RIVER** as at December 31, 2016 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
May 10, 2017

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Financial Position**  
As At December 31, 2016

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash and investments (Note 2)	\$ 2,187,242	\$ 2,014,479
Taxes receivable	446,672	426,947
Trade and other receivables	700,398	546,618
Loan receivable (Note 3)	11,549	24,451
Inventories for resale	9,615	7,094
	<b>\$ 3,355,476</b>	<b>\$ 3,019,589</b>
<b>LIABILITIES</b>		
Infrastructure loan (Note 4)	\$ 1,200,000	\$ 1,359,460
Accounts payable and accrued liabilities	1,449,215	1,134,656
Deferred revenue (Schedule 3)	110,908	171,332
Long term liabilities (Note 5)	8,012,013	6,937,181
Employee benefits and post employment liabilities (Note 6)	1,555,388	1,547,359
Landfill closure and post-closure liabilities (Note 7)	199,369	159,281
	<b>12,526,893</b>	<b>11,309,269</b>
<b>Net Financial Assets</b>	<b>(9,171,417)</b>	<b>(8,289,680)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets - net (Schedule 4)	34,857,907	28,593,469
Inventory of supplies	3,869	4,207
Prepaid expenses	14,251	126,484
	<b>34,876,027</b>	<b>28,724,160</b>
<b>ACCUMULATED SURPLUS (Schedule 5)</b>	<b>\$25,704,610</b>	<b>\$20,434,480</b>

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

2.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Operations**  
For the Year Ended December 31, 2016

	2016	2016	2015
	Budget	Actual	Actual
	(Note 16)		
<b>REVENUES (Note 9)</b>			
Taxation and payments in lieu	\$ 6,320,587	\$ 6,340,500	\$ 6,148,359
User charges	2,964,994	2,903,406	2,777,099
Government transfers	537,126	572,617	627,739
Deferred revenue earned - Schedule 3	-	189,725	290,732
Other	3,648,419	6,085,846	660,403
	13,471,126	16,092,094	10,504,332
<b>EXPENDITURES</b>			
General government	1,113,487	1,051,612	921,826
Protection to persons and property	3,101,242	3,210,099	3,099,775
Transportation services	1,099,990	1,181,348	1,384,680
Environmental services	2,600,960	3,339,260	3,234,287
Health services	94,270	313,931	12,531
Recreation and cultural services	1,508,481	1,686,968	1,729,432
Planning and development	26,300	38,746	71,967
	9,544,730	10,821,964	10,454,498
<b>ANNUAL SURPLUS</b>	3,926,396	5,270,130	49,834
<b>ACCUMULATED SURPLUS, beginning of year</b>	20,434,480	20,434,480	20,384,646
<b>ACCUMULATED SURPLUS, end of year</b>	\$24,360,876	\$25,704,610	\$20,434,480

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

3.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Change in Net Financial Assets**  
For the Year Ended December 31, 2016

	<b>2016</b>	<b>2015</b>
	<b>Actual</b>	<b>Actual</b>
<b>ANNUAL SURPLUS</b>	\$ 5,270,130	\$ 49,834
Amortization of tangible capital assets	1,604,452	1,545,921
Acquisition of tangible capital assets	(7,868,890)	(1,493,150)
Changes in level of supplies inventories	338	98
Changes in level of prepaid expenses	112,233	3,785
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(881,737)	106,488
<b>NET FINANCIAL ASSETS, beginning of year</b>	(8,289,680)	(8,396,168)
<b>NET FINANCIAL ASSETS, end of year</b>	<b>\$(9,171,417)</b>	<b>\$(8,289,680)</b>

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

4.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Statement of Cash Flows**  
For the Year Ended December 31, 2016

	2016	2015
<b>CASH FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ 5,270,130	\$ 49,834
Adjustments for item not affecting cash		
Amortization of tangible capital assets	1,604,452	1,545,921
Changes in non-cash working capital		
Taxes receivable	(19,725)	(69,541)
Trade and other receivables	(153,780)	(331,709)
Loan receivable	12,902	12,407
Inventories for resale	(2,521)	(1,490)
Inventory of supplies	338	98
Prepaid expenses	112,233	3,785
Accounts payable and accrued liabilities	314,559	518,483
Employee benefits and post-employment liabilities	8,029	(46,468)
Landfill closure and post-closure liabilities	40,088	3,666
Deferred revenue	(60,424)	(168,419)
Infrastructure loan	(159,460)	1,359,460
	6,966,821	2,876,027
<b>CASH FROM (USED IN) FINANCING ACTIVITIES</b>		
Advances on long term liabilities	1,324,500	-
Payments on long term liabilities	(249,668)	(239,390)
	1,074,832	(239,390)
<b>CASH (USED IN) INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(7,868,890)	(1,493,150)
<b>INCREASE (DECREASE) IN CASH POSITION</b>	172,763	1,143,487
<b>CASH POSITION, beginning of year</b>	2,014,479	870,992
<b>CASH POSITION, end of year</b>	\$ 2,187,242	\$ 2,014,479
<b>COMPRISED OF:</b>		
Cash	\$ 1,594,618	\$ 1,425,576
Investments	592,624	588,903
	\$ 2,187,242	\$ 2,014,479

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

5.



**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Schedule of Continuity of Reserves**  
For the Year Ended December 31, 2016

**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	229,589	-	100,000	-	100,000	-	-	-	-	329,589
Legal contingency	88,526	-	-	-	-	-	-	-	-	88,526
Waterworks	634,466	-	83,631	-	83,631	9,973	236,623	-	246,596	471,501
Sewer	590,561	-	152,966	-	152,966	-	462,392	-	462,392	281,135
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	232,566	-	33,000	-	33,000	30,754	-	-	30,754	234,812
100 <sup>th</sup> Anniversary	1,039	-	2,000	-	2,000	-	-	-	-	3,039
Landfill closure	-	-	58,674	-	58,674	-	-	-	-	58,674
Recreation	-	-	17,055	-	17,055	-	-	-	-	17,055
Marina capital	-	-	925	-	925	-	-	-	-	925
Capital contingency	-	-	100,000	-	100,000	440	20,256	-	20,696	79,304
	1,965,364	-	548,251	-	548,251	41,167	719,271	-	760,438	1,753,177
<b>Reserve Funds (Schedule 2)</b>	<b>1,143,903</b>	<b>17,051</b>	<b>97,840</b>	<b>-</b>	<b>114,891</b>	<b>38,865</b>	<b>37,375</b>	<b>-</b>	<b>76,240</b>	<b>1,182,554</b>
<b>Total Reserves and Reserve Funds</b>	<b>\$3,109,267</b>	<b>\$ 17,051</b>	<b>\$ 646,091</b>	<b>\$ -</b>	<b>\$ 663,142</b>	<b>\$ 80,032</b>	<b>\$ 756,646</b>	<b>\$ -</b>	<b>\$ 836,678</b>	<b>\$2,935,731</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, 2016

**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	\$ 950,178	\$ 16,018	\$ 58,006	\$ -	\$ 74,024	\$ 38,865	\$ 37,375	\$ -	\$ 76,240	\$ 947,962
Hydro sale proceeds	153,122	1,008	38,302	-	39,310	-	-	-	-	192,432
Humanitarian donations	3,308	25	-	-	25	-	-	-	-	3,333
Airport operations	37,295	-	1,532	-	1,532	-	-	-	-	38,827
	\$1,143,903	\$ 17,051	\$ 97,840	\$ -	\$ 114,891	\$ 38,865	\$ 37,375	\$ -	\$ 76,240	\$1,182,554

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, 2016

**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	\$ 171,332	\$ 1,821	\$ -	\$ 127,480	\$ 129,301	\$ -	\$ 189,725	\$ -	\$ 189,725	\$ 110,908

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, 2016

**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	2016	2015	
Cost														
Balance, Beginning of year	\$ 1,640,434	\$ 7,623,955	\$ 2,907,604	\$ 931,249	\$ 16,863	\$ 904,302	\$ 4,315,508	\$ 20,462,246	\$ 8,433,633	\$ 1,977,764	\$ 1,065,359	\$ 50,278,917	\$ 48,889,644	
Add:														
Additions during year	-	1,381,774	37,375			53,117	153,045		699,015	657,530	5,836,090	8,817,946	1,493,150	
Less:														
Disposals during year	-			(27,199)			(55,804)		(45,955)		(949,056)	(1,078,014)	(103,877)	
Balance, End of year	1,640,434	9,005,729	2,944,979	904,050	16,863	957,419	4,412,749	20,462,246	9,086,693	2,635,294	5,952,393	58,018,849	50,278,917	
Accumulated Amortization														
Balance, Beginning of year	-	3,854,964	1,617,055	511,260	16,863	727,669	2,911,597	7,976,962	3,139,664	929,414	-	21,685,448	20,243,404	
Add:														
Amortization during the year	-	197,523	174,962	57,505		53,972	79,401	826,624	123,731	90,734		1,604,452	1,545,921	
Less:														
Reduction on disposals	-			(27,199)			(55,804)		(45,955)			(128,958)	(103,877)	
Balance, End of year	-	4,052,487	1,792,017	541,566	16,863	781,641	2,935,194	8,803,586	3,217,440	1,020,148	-	23,160,942	21,685,448	
Net book value of Tangible Capital Assets	\$ 1,640,434	\$ 4,953,242	\$ 1,152,962	\$ 362,484	\$ -	\$ 175,778	\$ 1,477,555	\$ 11,658,660	\$ 5,869,253	\$ 1,615,146	\$ 5,952,393	\$ 34,857,907	\$ 28,593,469	
BY FUNCTIONAL CLASSIFICATION														
	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Sewer	Waste Management	Recreation	Planning & Econ. Dev.	Assets Under Construction	2016	2015	
Cost														
Balance, Beginning of year	\$ 2,503,410	\$ 304,710	\$ 1,222,853	\$ 6,499,331	\$ 1,243,604	\$ 18,370,406	\$ 10,525,477	\$ 126,120	\$ 8,410,684	\$ 6,963	\$ 1,065,359	\$ 50,278,917	\$ 48,889,644	
Add:														
Additions during year				190,420		566,741	462,392		1,434,891	327,412	5,836,090	8,817,946	1,493,150	
Less:														
Disposals during year				(55,804)		(21,917)	(24,038)		(27,199)		(949,056)	(1,078,014)	(103,877)	
Balance, End of year	2,503,410	304,710	1,222,853	6,633,947	1,243,604	18,915,230	10,963,831	126,120	9,818,376	334,375	5,952,393	58,018,849	50,278,917	
Accumulated Amortization														
Balance, Beginning of year	1,177,294	199,680	558,885	4,146,349	675,912	6,513,155	4,601,833	38,216	3,767,161	6,963	-	21,685,448	20,243,404	
Add:														
Amortization during the year	58,912	38,663	74,860	175,089	35,742	630,660	331,232	2,526	248,583	8,185		1,604,452	1,545,921	
Less:														
Reduction on disposals				(55,804)		(21,917)	(24,038)		(27,199)			(128,958)	(103,877)	
Balance, End of year	1,236,206	238,343	633,745	4,265,634	711,654	7,121,898	4,909,027	40,742	3,988,545	15,148	-	23,160,942	21,685,448	
Net book value of Tangible Capital Assets	\$ 1,267,204	\$ 66,367	\$ 589,108	\$ 2,368,313	\$ 531,950	\$ 11,793,332	\$ 6,054,804	\$ 85,378	\$ 5,829,831	\$ 319,227	\$ 5,952,393	\$ 34,857,907	\$ 28,593,469	

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Consolidated Schedule of Accumulated Surplus**  
For the Year Ended December 31, 2016

**SCHEDULE 5**

	2016	2015
<b>RESERVE FUNDS - Schedule 2</b>		
Capital asset replacement	\$ 947,962	\$ 950,178
Hydro sale proceeds	192,432	153,122
Humanitarian donations	3,333	3,308
Airport operations	38,827	37,295
<b>Total</b>	<b>1,182,554</b>	<b>1,143,903</b>
<b>RESERVES - Schedule 1</b>		
Acquisition of capital assets	1,565	1,565
Sick leave and payroll contingency	329,589	229,589
Legal contingency	88,526	88,526
Waterworks	471,501	634,466
Sewer	281,135	590,561
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	234,812	232,566
100 <sup>th</sup> Anniversary	3,039	1,039
Landfill closure	58,674	-
Recreation	17,055	-
Marina capital	925	-
Capital contingency	79,304	-
<b>Total</b>	<b>1,753,177</b>	<b>1,965,364</b>
<b>Total - Reserves and Reserve Funds</b>	<b>2,935,731</b>	<b>3,109,267</b>
<b>SURPLUSES</b>		
Invested in tangible capital assets	24,158,010	18,908,287
General revenue fund	316,108	80,605
Landfill operations board	49,518	42,961
Unfunded		
• Employment benefits and post-employment liabilities	(1,555,388)	(1,547,359)
• Landfill closure and post-closure liabilities	(199,369)	(159,281)
<b>Total Surpluses</b>	<b>22,768,879</b>	<b>17,325,213</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$25,704,610</b>	<b>\$20,434,480</b>

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

10.

**Corporation of the Town of Deep River**  
**Consolidated Schedule of Segmented Disclosure**  
For the Year Ended December 31, 2016

**Schedule 6**

	General Government		Protection		Transportation		Environment		Health		Recreation		Planning		Totals	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenues</b>																
Taxation	\$ 815,512	\$ 693,789	\$2,962,112	\$2,989,699	\$1,004,606	\$ 963,378	\$ 483,501	\$ 494,901	\$ (11,538)	\$ 12,708	\$1,066,742	\$ 945,311	\$ 19,565	\$ 48,573	\$6,340,500	\$6,148,359
User charges	7,285	6,978	123,986	112,591	26,426	20,460	2,333,192	2,230,117	18,314	14,701	387,971	386,451	6,232	5,801	2,903,406	2,777,099
Government transfers	434,900	511,600	39,652	37,874	47,064	16,416	5,274	41,574	-	-	45,727	20,275	-	-	572,617	627,739
Other income	103,983	130,860	-	55,051	52,705	15,446	5,884,556	124,163	10,853	287,776	33,749	47,107	-	-	6,085,846	660,403
Deferred revenue earned	-	-	-	-	189,725	290,732	-	-	-	-	-	-	-	-	189,725	290,732
	1,361,680	1,343,227	3,125,750	3,195,215	1,320,526	1,306,432	8,706,523	2,890,755	17,629	315,185	1,534,189	1,399,144	25,797	54,374	16,092,094	10,504,332
<b>Expenses</b>																
Salaries, wages and benefits	656,199	493,431	2,738,997	2,586,797	543,270	766,932	194,466	136,681	12,838	10,826	891,126	966,514	3,228	320	5,040,124	4,961,501
Interest on long term liabilities	-	-	-	-	4,159	4,499	284,159	294,138	-	-	6,402	-	-	-	294,720	298,637
Materials and supplies	435,333	414,382	154,579	160,871	414,903	387,190	691,114	656,668	301,093	1,705	486,057	522,552	35,518	52,489	2,518,597	2,195,857
Contracted services	4,168	44,817	85,480	99,368	-	14,234	1,219,624	1,241,239	-	-	2,910	4,984	-	19,158	1,312,182	1,423,800
Rents and financial expenses	-	-	-	-	-	-	-	-	-	-	25,011	-	-	-	25,011	-
External transfers	-	13,000	-	-	-	-	-	-	-	-	26,878	15,782	-	-	26,878	28,782
Interfunctional adjustments	(103,000)	(102,716)	117,520	135,658	-	-	(14,520)	(32,942)	-	-	-	-	-	-	-	-
Amortization	58,912	58,912	113,523	117,081	219,016	211,825	964,417	938,503	-	-	248,584	219,600	-	-	1,604,452	1,545,921
	1,051,612	921,826	3,210,099	3,099,775	1,181,348	1,384,680	3,339,260	3,234,287	313,931	12,531	1,686,968	1,729,432	38,746	71,967	10,821,964	10,454,498
<b>Net Revenue (Expenses)</b>	<b>\$ 310,068</b>	<b>\$ 421,401</b>	<b>\$ (84,349)</b>	<b>\$ 95,440</b>	<b>\$ 139,178</b>	<b>\$ (78,248)</b>	<b>\$5,367,263</b>	<b>\$ (343,532)</b>	<b>\$ (296,302)</b>	<b>\$ 302,654</b>	<b>\$ (152,779)</b>	<b>\$ (330,288)</b>	<b>\$ (12,949)</b>	<b>\$ (17,593)</b>	<b>\$5,270,130</b>	<b>\$ 49,834</b>

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2016**

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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 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:

	<b>Proportionate Share</b>
• North Renfrew Landfill Operations Board	52.00 %
• Pembroke and Area Airport Commission	8.305%

(b) **Accounting for County and School Board Transactions**

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Renfrew are not reflected in these financial statements.

(c) **Trust Funds**

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately in the Trust Funds Statement of Financial Activities and Fund Balances and the Trust Funds Statement of Financial Position.

**BASIS OF ACCOUNTING**

(a) **Accrual Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(b) **Cash**

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

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

**(c) Revenue Recognition**

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

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

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

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

**(d) Inventories for Resale**

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

**(e) Non-Financial Assets**

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

**Tangible Capital Assets**

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

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

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



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

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

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

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

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**

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.

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

**(h) Investments**

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

**(i) Use of Estimates**

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

**(j) Segment Disclosures**

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

**2. CASH AND INVESTMENTS**

	<b>2016</b>	<b>2015</b>
Cash	\$ 1,594,618	\$ 1,425,576
Investment in Public Sector Group of Funds		
• Bond Fund	565,728	561,905
Mutual funds	26,896	26,998
	<b>\$ 2,187,242</b>	<b>\$ 2,014,479</b>

The book value of the investment in Public Sector Group of Funds is \$593,155 (2015 - \$579,528).

Cash and investments in the amount of \$1,293,462 (2015 - \$1,315,235) have been restricted to support reserve funds and deferred revenue. As at December 31, 2016, the Town's general fund had outstanding borrowings of \$574,665 from the reserve funds.

**3. LOAN RECEIVABLE**

Loan receivable from Deep River Golf Club (1972) Incorporated, bearing interest at 4% per annum, receivable in one remaining instalment of \$11,589, secured by a real property mortgage and chattel mortgage on Golf Club property and equipment.

**4. INFRASTRUCTURE LOAN**

Floating rate infrastructure loan from Ontario Infrastructure and Lands Corporation (OILC). This is a construction loan advance for the refurbishment of the community pool. Terms of repayment will be fixed when debentures are issued.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2016

**5. LONG TERM LIABILITIES**

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

	2016	2015
Prime minus 0.5% non-revolving term loan for wastewater treatment plant, repayable in blended monthly instalments of \$18,000	\$ 2,248,805	\$ 2,413,213
5.42% debentures for water treatment plant, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	3,966,056	4,008,723
4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693	472,652	515,245
2.9% debentures, maturing November 2036, repayable in blended semi-annual instalments of \$43,871	1,324,500	-
	<b>\$ 8,012,013</b>	<b>\$ 6,937,181</b>

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

2017	\$ 300,691
2018	310,549
2019	320,765
2020	331,355
2021	342,332
Thereafter	6,406,321
	<b>\$ 8,012,013</b>

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 of Operations are \$294,720 (2015 - \$299,367).

Of the total charges shown above, \$10,561 (2015 - \$4,499) was paid from general revenues of the Town, \$224,249 (2015 - \$227,922) was recovered from the water supply operation and \$59,910 (2015 - \$66,946) was recovered from the sanitary sewer 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, 2016

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

	<b>2016</b>	<b>2015</b>
Accrued vacation pay benefits	\$ 56,332	\$ 50,952
Sick leave (Note 6 (a))	735,997	748,058
Post-employment benefits (Note 6 (b))	763,059	748,349
	<b>\$ 1,555,388</b>	<b>\$ 1,547,359</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 \$31,055 (2015 - \$69,373) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$329,589 (2015 - \$229,589) have been established to provide for these liabilities and are reported on the Consolidated Statement of Financial Position.

**(b) POST EMPLOYMENT BENEFITS**

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

The liability and expense for 2016 is based on an actuarial valuation performed as at December 31, 2013 and forecasted for 2016.

Information about the plan is as follows:

**Accrued benefit liability**

	<b>2016</b>	<b>2015</b>
Accrued benefit liability as at beginning of year	\$ 748,349	\$ 734,171
Current service cost	29,798	28,762
Interest cost	22,999	22,086
Amortization of actuarial losses	(11,087)	(11,670)
Contributions/benefits paid during the year	(27,000)	(25,000)
Accrued benefit liability as at end of year	<b>\$ 763,059</b>	<b>\$ 748,349</b>

**Reconciliation of accrued benefit obligation**

	<b>2016</b>	<b>2015</b>
Accrued benefit obligation as at beginning of year	\$ 637,475	\$ 611,627
Benefits accrued during year	29,798	28,762
Benefits paid during year	(27,000)	(25,000)
Interest on accrued benefit obligation during year	22,999	22,086
Accrued benefit obligation as at end of year	<b>\$ 663,272</b>	<b>\$ 637,475</b>

Discount rate	3.6%
Assumed dental cost trend rate	4.0%

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

**7. 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 70% filled and has a remaining volume of approximately 91,300 m<sup>3</sup>. The estimated remaining life of the site at the current level of usage is 20 - 25 years. The estimated required period of post-closure care is six years. These financial statements recognize a liability for closure and post-closure care to the extent that the site has been used to date. Since costs are to be incurred in the future they have been discounted at 4.0% . Currently a liability of \$168,000 has been accrued. The present value of estimated total expenditures is approximately \$237,000. The liability remaining to be recognized is \$69,000. A reserve in the amount of \$58,674 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 46% filled and has a remaining volume of 104,031 m<sup>3</sup>. At the current rate of usage, the landfill site is expected to close in 19 to 20 years or as early as 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 4.7% and is accrued based on site usage. Currently a liability of \$60,325 (Town share - \$31,369) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$131,141 (Town share - \$68,193). The liability remaining to be recognized is \$70,816 (Town share - \$36,824).

**8. CONTAMINATED SITES LIABILITY**

On January 1, 2015, the Town adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2016

**9. REVENUES**

	2016	2016	2015
	Budget	Actual	Actual
<b>Taxation</b>			
Residential and farm taxation	\$ 5,483,194	\$ 5,500,490	\$ 5,269,191
Commercial, industrial and business taxation	1,048,005	1,048,007	1,023,615
Taxation from other governments	2,861,172	2,861,172	2,833,731
	9,392,371	9,409,669	9,126,537
Deduct: amounts received or receivable for County and school boards	(3,071,784)	(3,069,169)	(2,978,178)
	6,320,587	6,340,500	6,148,359
<b>User Charges</b>	2,964,994	2,903,406	2,777,099
<b>Government Transfers</b>			
Government of Canada	-	1,500	1,650
Province of Ontario	519,026	537,859	609,673
Other municipalities	18,100	33,258	16,416
	537,126	572,617	627,739
<b>Deferred Revenue Earned</b>	-	189,725	290,732
<b>Other</b>			
Investment income	6,663	33,250	22,367
Penalties and interest on taxes	69,126	65,442	55,526
Donations	3,500	14,036	22,051
CRL capital cost recovery	3,500,000	5,836,090	116,303
Other	69,130	137,028	444,156
	3,648,419	6,085,846	660,403
	\$13,471,126	\$16,092,094	\$10,504,332

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Notes to the Consolidated Financial Statements**  
For the Year Ended December 31, 2016

**10. EXPENDITURES BY OBJECT**

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

	2016	2015
Salaries, wages and employee benefits	\$ 5,040,124	\$ 4,961,501
Interest on long term liabilities	294,720	298,637
Transfers to external organizations	25,011	28,782
Materials, contracted services, rents and financial expenses	3,857,657	3,619,657
Amortization	1,604,452	1,545,921
	<b>\$10,821,964</b>	<b>\$10,454,498</b>

**11. 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 deficit of \$2.3 billion (2015 - \$5.3 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 2016 was \$359,744 (2015 - \$372,161) for current service and is included as an expenditure on the Consolidated Statement of Operations. At December 31, 2016 there is no liability for past service under this agreement.

**12. FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash and investments, taxes receivable, trade and other receivables, loan receivable, infrastructure loan, 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 or currency risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes receivable 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.

**13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The Town has entered into an agreement for the collection of residential and commercial waste for a period ending September 30, 2018 at an annual cost of \$193,007 plus HST.

The Town has entered into an agreement for recyclables collection services for a period ending September 30, 2018 at an annual cost of \$136,817 plus 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 2017 of \$1,344,301 plus HST is comprised of an annual O & M charge of \$861,301, which increases in subsequent years by the CPI plus 1.5%, plus allowances of \$483,000 for bio-solids management, hydro, natural gas, major maintenance and a strategic infrastructure program. 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.

**14. TRUST FUNDS**

Trust funds administered by the Town totalling \$303,326 (2015 - \$296,118) 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.

**15. 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.

**16. BUDGET FIGURES**

The operating budget approved by Town Council for 2016 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.

**17. 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.



**DEEP RIVER PUBLIC LIBRARY BOARD**

**Financial Statements**

**For the Year Ended December 31, 2016**



## 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, 2016 and the statement of operations, statement of changes in accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **DEEP RIVER PUBLIC LIBRARY BOARD** as at December 31, 2016 and the results of its operations and the changes in its net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
May 18, 2017

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Financial Position**  
As At December 31, 2016

	2016	2015
<b>Financial assets</b>		
Cash	\$ 11,867	\$ 7,645
Due from own municipality	37,126	17,872
	48,993	25,517
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	13,901	14,584
Deferred contribution (Note 2)	4,131	-
	18,032	14,584
<b>Net financial assets</b>	\$ 30,961	\$ 10,933
<b>Non-financial assets</b>		
Tangible capital assets - net (Schedule 1)	\$ 156,871	\$ 155,645
<b>Accumulated surplus</b>		
Invested in tangible capital assets	156,871	155,645
Operating fund	30,961	10,933
	\$ 187,832	\$ 166,578

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

2.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Changes in Accumulated Surplus**  
For the Year Ended December 31, 2016

	2016			2015
	Invested in Tangible Capital Assets	Operating Fund	Total	Total
<b>Balance, beginning of year</b>	\$ 155,645	\$ 10,933	\$ 166,578	\$ 194,521
Annual surplus (deficit)	(51,891)	73,145	21,254	(27,943)
Invested in tangible capital assets	53,117	(53,117)	-	-
<b>Balance, end of year</b>	\$ 156,871	\$ 30,961	\$ 187,832	\$ 166,578

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

3.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Operations**  
For the Year Ended December 31, 2016

	2016	2016	2015
	Budget	Actual	Actual
<b>Revenues</b>			
Town of Deep River	\$ 386,877	\$ 386,877	\$ 346,115
Province of Ontario	9,581	9,581	18,625
Federal Youth Employment grant	-	1,500	1,650
Fines and fees	7,000	6,820	6,312
Room and equipment rental	3,500	3,742	2,673
Donations, fundraising and miscellaneous	3,500	14,710	20,555
	410,458	423,230	395,930
<b>Expenses</b>			
Amortization	-	51,891	51,608
Salaries and employee benefits	263,703	254,372	267,876
Books, periodicals and non-print materials	49,930	-	-
Utilities and telephone	40,950	35,714	35,996
Copying expenses	2,765	1,834	1,568
Supplies	5,500	5,335	5,547
Office and general	3,350	2,233	2,838
Professional fees	1,526	1,832	1,526
Repairs and maintenance	42,035	37,083	45,076
Insurance	10,177	10,177	9,791
Computer equipment and software	1,455	1,505	2,047
	421,391	401,976	423,873
<b>Annual surplus (deficit)</b>	<b>\$ (10,933)</b>	<b>\$ 21,254</b>	<b>\$ (27,943)</b>

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

4.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Changes in Net Financial Assets**  
For the Year Ended December 31, 2016

	2016	2015
<b>Annual surplus (deficit)</b>	\$ 21,254	\$ (27,943)
Amortization of tangible capital assets	51,891	51,608
Acquisition of tangible capital assets	(53,117)	(49,942)
<b>Increase (decrease) in net financial assets</b>	20,028	(26,277)
<b>Net financial assets, beginning of year</b>	10,933	37,210
<b>Net financial assets, end of year</b>	\$ 30,961	\$ 10,933

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

5.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2016

	2016	2015
<b>Cash from operating activities</b>		
Annual surplus (deficit)	\$ 21,254	\$ (27,943)
Adjustment for item not affecting cash		
Amortization	51,891	51,608
Changes in non-cash working capital		
Due from own municipality	(19,254)	32,854
Accounts payable and accrued liabilities	(683)	(4,648)
Deferred contributions	4,131	-
	57,339	51,871
<b>Cash (used in) investing activities</b>		
Tangible capital asset additions	(53,117)	(49,942)
<b>Increase in cash</b>	4,222	1,929
<b>Cash, beginning of year</b>	7,645	5,716
<b>Cash, end of year</b>	\$ 11,867	\$ 7,645

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

6.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**Accrual Basis of Accounting**

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

**Non-Financial Assets**

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

**Cash**

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

**Tangible Capital Assets**

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

**Revenue Recognition**

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

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

**Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant items subject to estimates include the estimated useful lives of tangible capital assets. Actual results could vary from those estimates.



**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Notes to the Financial Statements**  
For the Year Ended December 31, 2016

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**2. DEFERRED CONTRIBUTIONS**

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

	<b>2016</b>	<b>2015</b>
<b>Balance, beginning of year</b>	\$ -	\$ -
Add: amount received related to the following year	4,131	-
Less: amount recognized as revenue in the year	-	-
<b>Balance, end of year</b>	<b>\$ 4,131</b>	<b>\$ -</b>

**3. PENSION AGREEMENT**

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 6 members of its staff. The plan is a defined benefit plan, fully funded by equal contributions from participating employers and employees and by investment earnings of the OMERS Fund. The amount of the retirement benefit to be received by the employees is based on the length of service and rates of pay, and is integrated with the Canada Pension Plan.

The amount contributed to OMERS for 2016 was \$19,343 (2015 - \$17,071) for current service and is included as an expenditure in Statement of Operations.

**4. FINANCIAL INSTRUMENTS**

**Risks and concentrations**

The board is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentration at the balance sheet date.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The board is exposed to this risk mainly in respect of its accounts payable.

**DEEP RIVER PUBLIC LIBRARY BOARD**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2016**

**SCHEDULE 1**

			<b>2016</b>	<b>2015</b>
	<b>Library Collection</b>	<b>Equipment</b>	<b>Total</b>	<b>Total</b>
<b>Cost</b>				
<b>Balance, beginning of year</b>	\$ 758,936	\$ 10,809	\$ 769,745	\$ 719,803
<b>Additions during the year</b>	53,117	-	53,117	49,942
<b>Balance, end of year</b>	812,053	10,809	822,862	769,745
<b>Accumulated Amortization</b>				
<b>Balance, beginning of year</b>	607,614	6,486	614,100	562,492
<b>Amortization during the year</b>	50,810	1,081	51,891	51,608
<b>Balance, end of year</b>	658,424	7,567	665,991	614,100
<b>Net book value of tangible capital assets</b>	\$ 153,629	\$ 3,242	\$ 156,871	\$ 155,645

**CORPORATION OF THE  
TOWN OF DEEP RIVER WATERWORKS  
Financial Statements  
For the Year Ended December 31, 2016**



## 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, 2016 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **CORPORATION OF THE TOWN OF DEEP RIVER WATERWORKS** as at December 31, 2016 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
May 10, 2017

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Financial Position**  
As At December 31, 2016

	2016	2015
<b>Financial assets</b>		
Accounts and other receivables	\$ 510,877	\$ 31,829
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	543,429	182,832
Advances from own municipality	702,189	420,774
Long term liabilities (Note 4)	4,155,117	4,214,822
	5,400,735	4,818,428
<b>Net financial assets</b>	<b>\$(4,889,858)</b>	<b>\$(4,786,599)</b>
<b>Non-financial assets</b>		
Tangible capital assets - net (Schedule 1)	\$17,747,362	\$12,305,308
<b>Accumulated surplus</b>		
Invested in tangible capital assets	12,386,004	6,884,244
Reserve (Note 2)	471,500	634,465
	\$12,857,504	\$ 7,518,709

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

2.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Operations**  
For the Year Ended December 31, 2016

	2016	2016	2015
	Budget	Actual	Actual
	(Note 5)		
<b>Revenues</b>			
Sale of water	\$ 1,261,940	\$ 1,261,179	\$ 1,208,257
Hydrant rental	26,520	26,520	44,658
CRL capital cost recovery	3,500,000	5,836,090	116,303
Other	(1,285)	1,876	3,617
<b>Total revenues</b>	<b>4,787,175</b>	<b>7,125,665</b>	<b>1,372,835</b>
<b>Expenses</b>			
Administration	59,178	86,949	48,262
Amortization	-	630,659	613,994
Plant operations and water treatment	800,519	705,262	689,499
Water transmission and distribution	113,853	139,751	214,809
Interest on long term liabilities	232,752	224,249	227,192
<b>Total expenses</b>	<b>1,206,302</b>	<b>1,786,870</b>	<b>1,793,756</b>
<b>Annual surplus (deficit)</b>	<b>3,580,873</b>	<b>5,338,795</b>	<b>(420,921)</b>
<b>Accumulated surplus, at the beginning of the year</b>	<b>7,518,709</b>	<b>7,518,709</b>	<b>7,939,630</b>
<b>Accumulated surplus, at the end of the year</b>	<b>\$11,099,582</b>	<b>\$12,857,504</b>	<b>\$ 7,518,709</b>

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

3.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Changes in Net Financial Assets**  
**As At December 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>Annual surplus (deficit)</b>	\$ 5,338,795	\$ (420,921)
Amortization of tangible capital assets	630,659	613,994
Acquisition of tangible capital assets	(6,072,713)	(483,611)
<b>Increase (decrease) in net financial assets</b>	(103,259)	(290,538)
<b>Net financial assets, beginning of year</b>	(4,786,599)	(4,496,061)
<b>Net financial assets, end of year</b>	<b>\$(4,889,858)</b>	<b>\$(4,786,599)</b>

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

4.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2016

	2016	2015
<b>Cash from (used in) operating activities</b>		
Annual surplus (deficit)	\$ 5,338,795	\$ (420,921)
Amortization	630,659	613,994
<b>Changes in non-cash working capital</b>		
Accounts and grants receivable	(479,048)	20,097
Accounts payable and accrued liabilities	360,597	(15,132)
	5,851,003	198,038
<b>Cash (used in) investing activities</b>		
Acquisition of tangible capital assets	(6,072,713)	(483,611)
<b>Cash from (used in) financing activities</b>		
Advances from own municipality	281,415	342,375
Repayment of long term liabilities	(59,705)	(56,802)
	221,710	285,573
<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.

5.



**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**Accrual Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

**Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

**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.

Other revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Tangible Capital Assets**

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

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

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

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

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

**Use of Estimates**

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

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Notes to the Financial Statements**  
For the Year Ended December 31, 2016

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2. **RESERVE**

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

3. **PENSION AGREEMENT**

The Corporation of the Town of Deep River, on behalf of its eligible employees, including those of the Town of Deep River Waterworks, 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.

The Town expenses its contributions to OMERS when contributions are due.

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 deficit of \$2.3 billion (2015 - \$5.3 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.

4. **LONG TERM LIABILITIES**

	2016	2015
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	\$ 3,966,056	\$ 4,008,724
Waterworks share of debentures issued by the Town of Deep River, maturing in 2025, payable in semi-annual instalments of \$12,677 including interest at 4.12%.	189,061	206,098
	<u>\$ 4,155,117</u>	<u>\$ 4,214,822</u>

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

2017	\$ 62,758
2018	65,970
2019	69,347
2020	72,901
2021	76,638
Thereafter	3,807,503
	<u>\$ 4,155,117</u>

**CORPORATION OF THE TOWN OF DEEP RIVER**

**WATERWORKS**

**Notes to the Financial Statements**

For the Year Ended December 31, 2016

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**5. BUDGET FIGURES**

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

**6. FINANCIAL INSTRUMENTS**

The Town of Deep River Waterworks financial instruments consist of accounts and other receivables, 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 Utility is not exposed to significant interest or currency risks arising from these financial instruments. The Utility is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that ratepayers to which the Utility 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 ratepayers and users minimizes the credit risk.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**WATERWORKS**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2016**

**SCHEDULE 1**

						<b>2016</b>	<b>2015</b>
	<b>Land</b>	<b>Watermains</b>	<b>Water Treatment Plant</b>	<b>Assets Under Construction</b>	<b>Total</b>	<b>Total</b>	
<b>Cost</b>							
<b>Balance, beginning of year</b>	\$ 3	\$ 3,994,312	\$ 14,376,092	\$ 446,421	\$ 18,816,828	\$ 18,333,217	
Additions during the year	-	566,741	-	5,836,090	6,402,831	483,611	
Disposals during the year	-	21,917	-	330,118	352,035	-	
<b>Balance, end of year</b>	\$ 3	\$ 4,539,136	\$ 14,376,092	\$ 5,952,393	\$ 24,867,624	\$ 18,816,828	
<b>Accumulated Amortization</b>							
<b>Balance, beginning of year</b>	\$ -	\$ 1,489,967	\$ 5,021,553	\$ -	\$ 6,511,520	\$ 5,897,526	
Amortization during the year	-	61,990	568,669	-	630,659	613,994	
Disposals during the year	-	21,917	-	-	21,917	-	
<b>Balance, end of year</b>	-	1,530,040	5,590,222	-	7,120,262	6,511,520	
<b>Net book value of tangible capital assets</b>	\$ 3	\$ 3,009,096	\$ 8,785,870	\$ 5,952,393	\$ 17,747,362	\$ 12,305,308	

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**TRUST FUNDS**  
**Financial Statements**  
For the Year Ended December 31, 2016



## 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, 2016 and the statement of financial activities and fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **CORPORATION OF THE TOWN OF DEEP RIVER TRUST FUNDS** as at December 31, 2016 and the results of the financial activities of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Licensed Public Accountants

Pembroke, Ontario  
May 10, 2017

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Trust Funds**  
**Statement of Financial Position**  
**As At December 31, 2016**

	2016	2015
	Cemetery Care	Cemetery Care
<b>Assets</b>		
Cash	\$ 34,105	\$ 28,721
Investments (Note 2)	269,218	267,397
	<b>\$ 303,323</b>	<b>\$ 296,118</b>
<b>Fund Balances</b>	<b>\$ 303,323</b>	<b>\$ 296,118</b>

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

2.

**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Trust Funds**  
Statement of Financial Activities and Fund Balances  
For the Year Ended December 31, 2016

	<b>2016</b>		<b>2015</b>	
	<b>Cemetery Care</b>	<b>Emergency Response Unit</b>	<b>Total</b>	<b>Total</b>
<b>Capital Receipts</b>				
Sale of plots	\$ 5,160	\$ -	\$ 5,160	\$ 3,910
Emergency calls	-	-	-	1,230
Investment income	2,045	-	2,045	5,545
	7,205	-	7,205	10,685
<b>Expenditures</b>				
Emergency response	-	-	-	3,266
Disbursements upon dissolution	-	-	-	44,790
	-	-	-	48,056
<b>Excess of receipts (expenditures)</b>	7,205	-	7,205	(37,371)
<b>Fund Balances at the beginning of the year</b>	296,118	-	296,118	333,489
<b>Fund Balances at the end of the year</b>	\$ 303,323	\$ -	\$ 303,323	\$ 296,118

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

3.



**CORPORATION OF THE TOWN OF DEEP RIVER**  
**Trust Funds**  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

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**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**Accrual Method of Accounting**

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

**Revenue Recognition**

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

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.

Interest income is recorded as it is earned.

**Use of Estimates**

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

**Investments**

Investments consist of bond funds recorded at market value.

**2. INVESTMENTS**

	2016	2015
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 269,218	\$ 267,397

The book value of the investments is \$283,901 (2015 - \$277,416).

**3. FINANCIAL INSTRUMENTS**

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