

**CORPORATION OF THE
TOWN OF DEEP RIVER**

Consolidated Financial Statements
For the Year Ended December 31, 2015

MANAGEMENT REPORT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

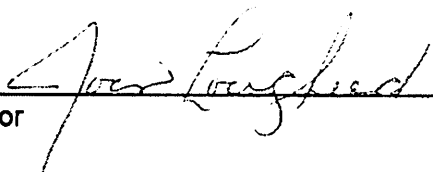
The accompanying consolidated financial statements of the **Corporation of the Town of Deep River** are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting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

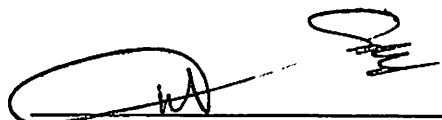
Town management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis 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.



Mayor



Treasurer

May 10, 2016

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, 2015 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, 2015 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, 2016

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Financial Position
As At December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and investments (Note 2)	\$ 2,014,479	\$ 870,992
Taxes receivable	426,947	357,406
Trade and other receivables	546,618	214,909
Loan receivable (Note 3)	24,451	36,858
Inventories for resale	7,094	5,604
	\$ 3,019,589	\$ 1,485,769
LIABILITIES		
Infrastructure loan (Note 4)	\$ 1,359,460	\$ -
Accounts payable and accrued liabilities	1,134,656	616,173
Deferred revenue (Schedule 3)	171,332	339,751
Long term liabilities (Note 5)	6,937,181	7,176,571
Employee benefits and post employment liabilities (Note 6)	1,547,359	1,593,827
Landfill closure and post-closure liabilities (Note 7)	159,281	155,615
	11,309,269	9,881,937
Net Financial Assets	(8,289,680)	(8,396,168)
Non-Financial Assets		
Tangible capital assets - net (Schedule 4)	28,593,469	28,646,240
Inventory of supplies	4,207	4,305
Prepaid expenses	126,484	130,269
	28,724,160	28,780,814
ACCUMULATED SURPLUS (Schedule 5)	\$20,434,480	\$20,384,646

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Operations
For the Year Ended December 31, 2015

	2015	2015	2014
	Budget	Actual	Actual
	(Note 15)		
REVENUES (Note 8)			
Taxation and payments in lieu	\$ 6,143,008	\$ 6,148,359	\$ 5,531,261
User charges	2,922,813	2,777,099	2,635,399
Government transfers	582,671	627,739	354,043
Deferred revenue earned - Schedule 3	-	290,732	210,236
Other	3,633,245	660,403	506,720
	13,281,737	10,504,332	9,237,659
EXPENDITURES			
General government	1,004,987	921,826	1,042,747
Protection to persons and property	3,126,701	3,099,775	3,277,865
Transportation services	1,015,397	1,384,680	1,428,807
Environmental services	2,532,811	3,234,287	3,281,150
Health services	115,538	12,531	11,386
Recreation and cultural services	1,409,319	1,729,432	1,707,290
Planning and development	51,600	71,967	48,772
	9,256,353	10,454,498	10,798,017
ANNUAL SURPLUS (DEFICIT)	4,025,384	49,834	(1,560,358)
ACCUMULATED SURPLUS, beginning of year	20,384,646	20,384,646	21,945,004
ACCUMULATED SURPLUS, end of year	\$24,410,030	\$20,434,480	\$20,384,646

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, 2015

	2015	2014
	Actual	Actual
ANNUAL SURPLUS (DEFICIT)	\$ 49,834	\$(1,560,358)
Amortization of tangible capital assets	1,545,921	1,546,507
Acquisition of tangible capital assets	(1,493,150)	(2,192,982)
Acquisition of supplies inventories	98	631
Acquisition (consumption) of prepaid expenses	3,785	(128,655)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	106,488	(2,334,857)
NET FINANCIAL ASSETS, beginning of year	(8,396,168)	(6,061,311)
NET FINANCIAL ASSETS, end of year	\$(8,289,680)	\$(8,396,168)

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015

	2015	2014
CASH FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 49,834	\$(1,560,358)
Adjustments for items not affecting cash		
Amortization of tangible capital assets	1,545,921	1,546,507
Changes in non-cash working capital		
Taxes receivable	(69,541)	(92,488)
Trade and other receivables	(331,709)	587,256
Loan receivable	12,407	11,902
Inventory of supplies	(1,392)	(820)
Prepaid expenses	3,785	(128,655)
Accounts payable and accrued liabilities	518,483	(183,734)
Employee benefits and post-employment liabilities	(46,468)	25,798
Landfill closure and post-closure liabilities	3,666	(25,975)
Deferred revenue	(168,419)	(81,758)
Infrastructure loan	1,359,460	-
	2,876,027	97,675
CASH (USED IN) FROM FINANCING ACTIVITIES		
Payments on long-term liabilities	(239,390)	(227,276)
CASH (USED IN) INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,493,150)	(2,192,982)
INCREASE (DECREASE) IN CASH POSITION	1,143,487	(2,322,583)
CASH POSITION, beginning of year	870,992	3,193,575
CASH POSITION, end of year	\$ 2,014,479	\$ 870,992
COMPRISED OF:		
Cash	\$ 1,425,576	\$ 293,059
Investments	588,903	577,933
	\$ 2,014,479	\$ 870,992

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, 2015

SCHEDULE 1

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest Earned	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year
Reserves										
Acquisition of capital assets	\$ 1,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,565
Sick leave and payroll contingency	229,589	-	-	-	-	-	-	-	-	229,589
Legal Contingency	88,526	-	-	-	-	-	-	-	-	88,526
Waterworks	631,787	-	42,679	-	42,679	40,000	-	-	40,000	634,466
Sewer	579,868	-	154,758	-	154,758	40,000	104,065	-	144,065	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	232,719	-	-	-	-	-	153	-	153	232,566
100 th Anniversary	-	-	1,039	-	1,039	-	-	-	-	1,039
	1,951,106	-	198,476	-	198,476	80,000	104,218	-	184,218	1,965,364
Reserve Funds (Schedule 2)	1,366,920	10,704	22,288	-	32,992	201,957	54,052	-	256,009	1,143,903
Total Reserves and Reserve Funds	\$3,318,026	\$ 10,704	\$ 220,764	\$ -	\$ 231,468	\$ 281,957	\$ 158,270	\$ -	\$ 440,227	\$3,109,267

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, 2015

SCHEDULE 2

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest on Investments	From Operations	Other	Total	To Operations	To Capital	Other	Total	End of Year
Reserve Funds										
Capital asset replacement	\$1,183,734	\$ 5,234	\$ -	\$ -	\$ 5,234	\$ 200,950	\$ 37,840	\$ -	\$ 238,790	\$ 950,178
Hydro sale proceeds	141,602	5,444	22,288	-	27,732	-	16,212	-	16,212	153,122
Humanitarian donations	3,282	26	-	-	26	-	-	-	-	3,308
Airport operations	38,302	-	-	-	-	1,007	-	-	1,007	37,295
	\$1,366,920	\$ 10,704	\$ 22,288	\$ -	\$ 32,992	\$ 201,957	\$ 54,052	\$ -	\$ 256,009	\$1,143,903

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, 2015

SCHEDULE 3

	BALANCE	REVENUES				TRANSFERS				BALANCE
	Beginning of Year	Interest on Investments	From Operating	Government Transfers	Total	To Operating	To Capital	Other	Total	End of Year
Deferred Revenue										
Obligatory Reserve Funds										
Gas tax rebates	\$ 339,751	\$ 903	\$ -	\$ 121,410	\$ 122,313	\$ -	\$ 290,732	\$ -	\$ 290,732	\$ 171,332
	\$ 339,751	\$ 903	\$ -	\$ 121,410	\$ 122,313	\$ -	\$ 290,732	\$ -	\$ 290,732	\$ 171,332

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, 2015

Schedule 4

	BY ASSET CLASS											Totals	
	General						Infrastructure						
	Land	Buildings	Vehicles	Equipment	Computer	Other	Roads	Plants & Facilities	Underground & Other	Other Structures	Assets Under Construction	2015	2014
Cost													
Balance, Beginning of year	1,640,434	7,550,218	2,961,143	881,322	16,863	854,360	4,315,508	20,349,756	8,300,456	1,961,552	58,032	48,889,644	46,696,662
Add:													
Additions during year	-	73,737	50,338	49,927	-	49,942	-	112,490	133,177	16,212	1,007,327	1,493,150	2,192,982
Write up of cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:													
Disposals during year	-	-	(103,877)	-	-	-	-	-	-	-	-	(103,877)	-
Balance, End 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
Accumulated Amortization													
Balance, Beginning of year	-	3,688,344	1,537,431	450,122	16,863	674,616	2,836,979	7,150,337	3,030,311	858,401	-	20,243,404	18,696,897
Add:													
Amortization during the year	-	166,620	183,501	61,138	-	53,053	74,618	826,625	109,353	71,013	-	1,545,921	1,546,507
Less:													
Reduction on disposals	-	-	(103,877)	-	-	-	-	-	-	-	-	(103,877)	-
Balance, End 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
Net book value of													
Fangible Capital Assets	1,640,434	3,768,991	1,290,549	419,989	-	176,633	1,403,911	12,485,284	5,293,969	1,048,350	1,065,359	28,593,469	28,646,240
BY FUNCTIONAL CLASSIFICATION													
	General Government	Police	Fire	Roads	Other Transportation	Water Supply	Sewer	Waste Management	Recreation	Planning & Econ. Dev.	Assets Under Construction	2015	2014
Cost													
Balance, Beginning of year	2,538,799	322,860	1,188,173	6,499,331	1,243,604	18,333,217	10,316,999	126,120	8,255,546	6,963	58,032	48,889,644	46,696,662
Add:													
Additions during year	-	50,338	34,680	-	-	37,189	208,478	-	155,138	-	1,007,327	1,493,150	2,192,982
Write up of cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:													
Disposals during year	(35,389)	(68,488)	-	-	-	-	-	-	-	-	-	(103,877)	-
Balance, End 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
Accumulated Amortization													
Balance, Beginning of year	1,153,771	227,325	482,647	3,967,606	642,830	5,899,161	4,279,849	35,691	3,547,561	6,963	-	20,243,404	18,696,897
Add:													
Amortization during the year	58,912	40,843	76,238	178,743	33,082	613,994	321,984	2,525	219,600	-	-	1,545,921	1,546,507
Less:													
Reduction on disposals	(35,389)	(68,488)	-	-	-	-	-	-	-	-	-	(103,877)	-
Balance, End 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
Net book value of													
Fangible Capital Assets	1,326,116	105,030	663,968	2,352,982	567,692	11,857,251	5,923,644	87,904	4,643,523	-	1,065,359	28,593,469	28,646,240

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

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Accumulated Surplus
For the Year Ended December 31, 2015

SCHEDULE 5

	2015	2014
RESERVE FUNDS - Schedule 2		
Capital asset replacement	\$ 950,178	\$ 1,183,734
Hydro sale proceeds	153,122	141,602
Humanitarian donations	3,308	3,282
Airport operations	37,295	38,302
Total	1,143,903	1,366,920
RESERVES - Schedule 1		
Acquisition of capital assets	1,565	1,565
Sick leave and payroll contingency	229,589	229,589
Legal Contingency	88,526	88,526
Waterworks	634,466	631,787
Sewer	590,561	579,868
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	232,719
100 th Anniversary	1,039	-
Total	1,965,364	1,951,106
Total - Reserves and Reserve Funds	3,109,267	3,318,026
SURPLUSES		
Invested in tangible capital assets	18,908,287	19,272,842
General revenue fund	80,605	(470,950)
Landfill operations board	42,961	14,170
Unfunded		
• Employment benefits and post-employment liabilities	(1,547,359)	(1,593,827)
• Landfill closure and post-closure liabilities	(159,281)	(155,615)
Total Surpluses	17,325,213	17,066,620
ACCUMULATED SURPLUS	\$20,434,480	\$20,384,646

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, 2015

Schedule 6

	General Government		Protection		Transportation		Environment		Health		Recreation		Planning		Totals	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues																
Taxation	693,789	314,194	2,989,699	2,845,369	963,378	1,019,008	494,901	409,717	12,708	13,004	945,311	904,608	48,573	25,361	6,148,359	5,531,261
User charges	6,978	5,499	112,591	99,218	20,460	24,381	2,230,117	2,076,399	14,701	12,744	386,451	412,284	5,801	4,874	2,777,099	2,635,399
Government transfers	511,600	258,189	37,874	40,976	16,416	22,389	41,574	13,508	-	-	20,275	18,981	-	-	627,739	354,043
Other Income	130,860	132,287	55,051	9,050	15,446	8,857	124,163	305,349	287,776	-	47,107	51,177	-	-	660,403	506,720
Deferred revenue earned	-	-	-	-	290,732	-	-	210,236	-	-	-	-	-	-	290,732	210,236
	1,343,227	710,169	3,195,215	2,994,613	1,306,432	1,074,635	2,890,755	3,015,209	315,185	25,748	1,399,144	1,387,050	54,374	30,235	10,504,332	9,237,659
Expenses																
Salaries, wages and benefits	493,431	549,481	2,586,797	2,714,099	766,932	723,900	136,681	133,264	10,826	8,605	966,514	913,294	320	-	4,961,501	5,042,643
Interest on long term debt	-	4,826	-	-	4,499	-	294,138	305,962	-	-	-	-	-	-	298,637	310,788
Materials and supplies	414,382	527,008	160,871	241,494	387,190	469,914	656,668	760,797	1,705	2,781	522,552	546,017	52,489	21,921	2,195,857	2,569,932
Contracted Services	44,817	5,236	99,368	70,340	14,234	14,432	1,241,239	1,171,786	-	-	4,984	8,273	19,158	26,851	1,423,800	1,296,918
External transfers	13,000	-	-	7,500	-	-	-	-	-	-	15,782	23,729	-	-	28,782	31,229
Interfunctional adjustments	(102,716)	(102,716)	135,658	135,658	-	-	(32,942)	(32,942)	-	-	-	-	-	-	-	-
Amortization	58,912	58,912	117,081	108,774	211,825	220,561	938,503	942,283	-	-	219,600	215,977	-	-	1,545,921	1,546,507
	921,826	1,042,747	3,099,775	3,277,865	1,384,680	1,428,807	3,234,287	3,281,150	12,531	11,386	1,729,432	1,707,290	71,967	48,772	10,454,498	10,798,017
Net Revenue (Expense)	421,401	(332,578)	95,440	(283,252)	(78,248)	(354,172)	(343,532)	(265,941)	302,654	14,362	(330,288)	(320,240)	(17,593)	(18,537)	49,834	(1,560,358)

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

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2015

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 non-controlled joint local boards which are accounted for using the proportionate consolidation method whereby the municipality's proportionate share of revenues, expenditures, assets and liabilities are included in the accounts after elimination of the proportionate share of inter-entity transactions:

	Proportionate Share
• North Renfrew Landfill Operations Board	52.00 %
• Pembroke and Area Airport Commission	8.452%

(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:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- (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.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2015

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

	2015	2014
Cash	\$ 1,425,576	\$ 293,059
Investment in Public Sector Group of Funds		
• Bond Fund	561,905	551,226
Mutual funds	26,998	26,707
	\$ 2,014,479	\$ 870,992

The book value of the investment in Public Sector Group of Funds is \$579,528 (2014 - \$591,759).

Cash and investments in the amount of \$1,315,235 (2014 - \$1,706,671) have been restricted to support reserve funds and deferred revenue. As at December 31, 2015, the Town's general fund had outstanding borrowings of \$541,395 from the reserve funds.

3. LOAN RECEIVABLE

Loan receivable from Deep River Golf Club (1972) Incorporated, bearing interest at 4% per annum, receivable in annual instalments of \$13,394, 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. 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, 2015

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:

	2015	2014
Prime minus 0.5% non-revolving term loan for wastewater treatment plant, repayable in blended monthly instalments of \$18,000	\$ 2,413,213	\$ 2,571,265
5.42% debentures for water treatment plant, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	4,008,723	4,049,169
4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693	515,245	556,137
	<u>\$ 6,937,181</u>	<u>\$ 7,176,571</u>

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

2016	\$ 250,059
2017	257,822
2018	265,867
2019	274,208
2020	282,856
Thereafter	5,606,369
	<u>\$ 6,937,181</u>

The long term liabilities in (a) issued in the name of the municipality have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

- (c) Total interest charges for Town long term liabilities reported on the Consolidated Statement of Operations are \$299,367 (2014 - \$310,788).

Of the total charges shown above, \$4,499 (2014 - \$4,826) was paid from general revenues of the Town, \$227,922 (2014 - \$229,990) was recovered from the water supply operation and \$66,946 (2014 - \$75,972) was recovered from the sanitary sewerage operation. These amounts are included on the Consolidated Statement of Operation, classified under the appropriate functional expenditure headings.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2015

6. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES

	2015	2014
Accrued vacation pay benefits	\$ 50,952	\$ 90,006
Sick leave (Note 6 (a))	748,058	769,650
Post-employment benefits (Note 6 (b))	748,349	734,171
	\$ 1,547,359	\$ 1,593,827

(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 \$69,373 (2014 - \$25,945) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$229,589 (2014 - \$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 2015 is based on an actuarial valuation performed as at December 31, 2014 and forecasted for 2015.

Information about the plan is as follows:

Accrued benefit liability

	2015	2014
Accrued benefit liability as at beginning of year	\$ 734,171	\$ 720,492
Current service cost	28,762	27,762
Interest cost	22,086	21,171
Amortization of actuarial losses	(11,671)	(12,254)
Contributions/benefits paid during the year	(25,000)	(23,000)
Accrued benefit liability as at end of year	\$ 748,349	\$ 734,171

Reconciliation of accrued benefit obligation

	2015	2014
Accrued benefit obligation as at beginning of year	\$ 611,627	\$ 585,693
Benefits accrued during year	28,762	27,763
Benefits paid during year	(25,000)	(23,000)
Interest on accrued benefit obligation during year	22,086	21,171
Accrued benefit obligation as at end of year	\$ 637,475	\$ 611,627

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 98,000 m³. 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 \$130,000 has been accrued. The present value of estimated total expenditures is approximately \$171,000. The liability remaining to be recognized is \$41,000.

The Town is also a joint member of the North Renfrew Landfill Operations Board which owns and operates one open landfill site. Currently, the landfill site is estimated to be 43% filled and has a remaining volume of 108,361 m³. At the current rate of usage, the landfill site is expected to close in 19 years or by December 31, 2034. The Board is liable for closing costs of this landfill site and post-closure costs for monitoring, reporting, site reconnaissance and maintenance on an annual basis for a period of at least four years following the closure of the site. The present value of the expected closure and post-closure costs have been reported as a liability in the Consolidated Statement of Financial Position. The liability was estimated using a discount factor of 3.7% and is accrued based on site usage. Currently a liability of \$56,309 (Town share - \$29,281) has been accrued. The present value of estimated expenditures for closure and post-closure care is \$130,950 (Town share - \$68,094). The liability remaining to be recognized is \$74,641 (Town share - \$38,813).

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2015

8. REVENUES

	2015	2015	2014
	Budget	Actual	Actual
Taxation			
Residential and farm taxation	\$ 5,276,678	\$ 5,269,191	\$ 4,785,342
Commercial, industrial and business taxation	1,023,615	1,023,615	940,187
Taxation from other governments	2,823,941	2,833,731	2,728,082
	9,124,234	9,126,537	8,453,611
Deduct: amounts received or receivable for County and school boards	(2,981,226)	(2,978,178)	(2,922,350)
	6,143,008	6,148,359	5,531,261
User Charges	2,922,813	2,777,099	2,635,399
Government Transfers			
Government of Canada	-	1,650	1,650
Province of Ontario	572,671	609,673	342,613
Other municipalities	10,000	16,416	9,780
	582,671	627,739	354,043
Other			
Investment income	9,684	22,367	47,749
Penalties and interest on taxes	40,001	55,526	46,226
Donations	1,000	22,051	33,765
Other	3,582,560	560,459	378,980
	3,633,245	660,403	506,720
Deferred Revenue Earned	-	290,732	210,236
	\$13,281,737	\$10,504,332	\$ 9,237,659

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2015

9. EXPENDITURES BY OBJECT

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

	2015	2014
Salaries, wages and employee benefits	\$ 4,961,501	\$ 5,042,643
Interest on long term liabilities	298,637	310,788
Transfers to external organizations	28,782	31,229
Materials, contracted services, rents and financial expenses	3,619,657	3,866,850
Amortization	1,545,921	1,546,507
	\$10,454,498	\$10,798,017

10. 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 \$5.3 billion (2014 - \$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 2015 was \$372,161 (2014 - \$360,660) for current service and is included as an expenditure on the Consolidated Statement of Operations. At December 31, 2015 there is no liability for past service under this agreement.

11. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash and investments, taxes receivable, water and sewer receivables, accounts 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, water and sewer receivables and accounts receivable. 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.

12. 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 a three-year contract for recyclables collection services starting October 1, 2015 and ending September 30, 2018 at an annual cost of \$136,817 plus HST.

The Town has an agreement with Ontario Clean Water Agency (OCWA) to operate and maintain water and wastewater treatment facilities and distribution services. The agreement is for a two year term ending March 31, 2016 at an annual cost of \$662,703 for the first year and \$672,644 for the second year.

In the ordinary course of business the Town has committed to construction contracts in the amount of \$2,105,909.

13. TRUST FUNDS

Trust funds administered by the Town totalling \$296,118 (2014 - \$333,489) 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.

14. 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.

15. BUDGET FIGURES

The operating budget approved by Town Council for 2015 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.

16. 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, 2015



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, 2015 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, 2015 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 19, 2016

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Financial Position
As At December 31, 2015

	2015	2014
Financial assets		
Cash	\$ 7,645	\$ 5,716
Due from own municipality	17,872	50,726
	25,517	56,442
Financial liabilities		
Accounts payable and accrued liabilities	14,584	19,232
Net financial assets	\$ 10,933	\$ 37,210
Non-financial assets		
Tangible capital assets - net (Schedule 1)	\$ 155,645	\$ 157,311
Accumulated surplus		
Invested in tangible capital assets	155,645	157,311
Operating fund	10,933	37,210
	\$ 166,578	\$ 194,521

DEEP RIVER PUBLIC LIBRARY BOARD
Statement of Changes in Accumulated Surplus
For the Year Ended December 31, 2015

	2015			2014
	Invested in Tangible Capital Assets	Operating Fund	Total	Total
Balance, beginning of year	\$ 157,311	\$ 37,210	\$ 194,521	\$ 180,164
Annual surplus (deficit)	(51,608)	23,665	(27,943)	14,357
Invested in tangible capital assets	49,942	(49,942)	-	-
Balance, end of year	\$ 155,645	\$ 10,933	\$ 166,578	\$ 194,521

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, 2015

	2015	2015	2014
	Budget	Actual	Actual
Revenues			
Town of Deep River	\$ 346,115	\$ 346,115	\$ 372,169
Province of Ontario	9,581	18,625	9,581
Federal Youth Employment grant	-	1,650	1,650
Fines and fees	7,000	6,312	6,949
Room and equipment rental	3,500	2,673	3,541
Donations, fundraising and miscellaneous	2,500	20,555	18,835
	368,696	395,930	412,725
Expenses			
Amortization	-	51,608	51,828
Salaries and employee benefits	253,636	267,876	246,222
Books, periodicals and non-print materials	49,930	-	-
Utilities and telephone	34,100	35,996	31,010
Copying expenses	2,765	1,568	2,209
Supplies	5,500	5,547	5,086
Office and general	3,050	2,838	2,652
Professional fees	1,526	1,526	1,526
Repairs and maintenance	45,884	45,076	46,796
Insurance	8,060	9,791	9,403
Computer equipment and software	1,455	2,047	1,636
	405,906	423,873	398,368
Annual surplus (deficit)	\$ (37,210)	\$ (27,943)	\$ 14,357

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, 2015

	2015	2014
Annual surplus (deficit)	\$ (27,943)	\$ 14,357
Amortization of tangible capital assets	51,608	51,828
Acquisition of tangible assets	(49,942)	(51,715)
Increase (decrease) in net financial assets	(26,277)	14,470
Net financial assets, beginning of year	37,210	22,740
Net financial assets, end of year	\$ 10,933	\$ 37,210

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, 2015

	2015	2014
Cash from operating activities		
Annual surplus (deficit)	\$ (27,943)	\$ 14,357
Adjustment for item not affecting cash		
Amortization	51,608	51,828
Changes in non-cash working capital		
Due from own municipality	32,854	(12,435)
Accounts payable and accrued liabilities	(4,648)	2,850
Deferred contributions	-	(4,835)
	51,871	51,765
Capital		
Tangible capital asset additions	(49,942)	(51,715)
Increase in cash	1,929	50
Cash, beginning of year	5,716	5,666
Cash, end of year	\$ 7,645	\$ 5,716

DEEP RIVER PUBLIC LIBRARY BOARD
Notes to the Financial Statements
For the Year Ended December 31, 2015

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, 2015

2. DEFERRED CONTRIBUTIONS

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

	2015	2014
Balance, beginning of year	\$ -	\$ 4,835
Add: amount received related to the following year	-	-
Less: amount recognized as revenue in the year	-	(4,835)
Balance, end of year	\$ -	\$ -

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 2015 was \$17,071 (2014 - \$17,767) 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 payables.

DEEP RIVER PUBLIC LIBRARY BOARD
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2015

SCHEDULE 1

			2015	2014
	Library Collection	Equipment	Total	Total
Cost				
Balance, beginning of year	\$ 708,994	\$ 10,809	\$ 719,803	\$ 668,088
Additions during the year	49,942	-	49,942	51,715
Balance, end of year	758,936	10,809	769,745	719,803
Accumulated Amortization				
Balance, beginning of year	557,087	5,405	562,492	510,664
Amortization during the year	50,527	1,081	51,608	51,828
Balance, end of year	607,614	6,486	614,100	562,492
Net book value of tangible capital assets	\$ 151,322	\$ 4,323	\$ 155,645	\$ 157,311

**CORPORATION OF THE
TOWN OF DEEP RIVER WATERWORKS
Financial Statements
For the Year Ended December 31, 2015**



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, 2015 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, 2015 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, 2016

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Financial Position
As At December 31, 2015

	2015	2014
Financial assets		
Accounts and grants receivable	\$ 31,829	\$ 51,926
Financial liabilities		
Accounts payable and accrued liabilities	182,832	197,964
Advances from own municipality	420,774	78,399
Long term liabilities (Note 4)	4,214,822	4,271,624
	4,818,428	4,547,987
Net financial assets	\$(4,786,599)	\$(4,496,061)
Non-financial assets		
Tangible capital assets - net (Schedule 1)	\$12,305,308	\$12,435,691
Accumulated surplus		
Invested in tangible capital assets	6,884,244	7,307,843
Reserve (Note 2)	634,465	631,787
	\$ 7,518,709	\$ 7,939,630

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Operations
For the Year Ended December 31, 2015

	2015	2015	2014
	Budget	Actual	Actual
	(Note 5)		
Revenues			
Sale of water	\$ 1,203,580	\$ 1,208,257	\$ 1,119,087
Hydrant rental	44,658	44,658	44,658
Other	3,503,058	119,920	302,632
Province of Ontario	-	-	(394,810)
Total revenues	4,751,296	1,372,835	1,071,567
Expenses			
Administration	49,325	48,262	44,849
Amortization	-	613,994	626,901
Plant operations and water treatment	703,933	689,499	699,171
Water transmission and distribution	92,204	214,809	98,447
Interest on long term liabilities	241,749	227,192	229,990
Total expenses	1,087,211	1,793,756	1,699,358
Annual surplus (deficit)	3,664,085	(420,921)	(627,791)
Accumulated surplus, at the beginning of the year	7,939,630	7,939,630	8,567,421
Accumulated surplus, at the end of the year	\$11,603,715	\$ 7,518,709	\$ 7,939,630

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Changes in Net Financial Assets
As At December 31, 2015

	2015	2014
Annual surplus (deficit)	\$ (420,921)	\$ (627,791)
Amortization of tangible capital assets	613,994	626,901
Acquisition of tangible capital assets	(483,611)	(545,982)
Increase (decrease) in net financial assets	(290,538)	(546,872)
Net financial assets, beginning of year	(4,496,061)	(3,949,189)
Net financial assets, end of year	\$(4,786,599)	\$(4,496,061)

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Statement of Cash Flows
For the Year Ended December 31, 2015

	2015	2014
Cash from (used in) operating activities		
Annual surplus (deficit)	\$ (420,921)	\$ (627,791)
Amortization	613,994	626,901
Changes in non-cash working capital		
Accounts and grants receivable	20,097	546,765
Accounts payable and accrued liabilities	(15,132)	25,540
	198,038	571,415
Cash (used in) investing activities		
Acquisition of tangible capital assets	(483,611)	(545,982)
Cash from (used in) financing activities		
Advances from own municipality	342,375	28,609
Repayment of long term liabilities	(56,802)	(54,042)
	285,573	(25,433)
Increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Notes to the Financial Statements
For the Year Ended December 31, 2015

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.

Tangible Capital Assets

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

Assets	Useful Life-Years
Watermains	50
Water treatment plant	20-80

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

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

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

Use of Estimates

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

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 \$5.3 billion (2014 - \$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

	2015	2014
5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685	\$ 4,008,724	\$ 4,049,169
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%.	206,098	222,455
	\$ 4,214,822	\$ 4,271,624

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

2016	\$ 59,705
2017	62,758
2018	65,970
2019	69,347
2020	72,901
Thereafter	3,884,141
	\$ 4,214,822

CORPORATION OF THE TOWN OF DEEP RIVER
WATERWORKS
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 grants receivable, 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, 2015

SCHEDULE 1

						2015	2014
	Land	Watermains	Water Treatment Plant	Assets Under Construction	Total	Total	
Cost							
Balance, beginning of year	\$ 3	\$ 3,974,413	\$14,358,801	\$ -	\$18,333,217	\$17,787,235	
Additions during the year	-	19,899	17,291	446,421	483,611	545,982	
Disposals during the year	-	-	-	-	-	-	
Balance, end of year	\$ 3	\$ 3,994,312	\$14,376,092	\$ -	\$18,816,828	\$18,333,217	
Accumulated Amortization							
Balance, beginning of year	\$ -	\$ 1,444,642	\$ 4,452,884	\$ -	\$ 5,897,526	\$ 5,270,625	
Amortization during the year	-	45,325	568,669	-	613,994	626,901	
Disposals during the year	-	-	-	-	-	-	
Balance, end of year	-	1,489,967	5,021,553	-	6,511,520	5,897,526	
Net book value of tangible capital assets	\$ 3	\$ 2,504,345	\$ 9,354,539	\$ 446,421	\$12,305,308	\$12,435,691	

CORPORATION OF THE TOWN OF DEEP RIVER
TRUST FUNDS
Financial Statements
For the Year Ended December 31, 2015



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, 2015 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, 2015 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, 2016

CORPORATION OF THE TOWN OF DEEP RIVER
Trust Funds
Statement of Financial Position
As At December 31, 2015

			2015	2014
	Cemetery Care	Emergency Response Unit	Total	Total
Assets				
Cash	\$ 28,721	\$ -	\$ 28,721	\$ 71,174
Investments (Note 2)	267,397	-	267,397	262,315
	\$ 296,118	\$ -	\$ 296,118	\$ 333,489
Fund Balances	\$ 296,118	\$ -	\$ 296,118	\$ 333,489

CORPORATION OF THE TOWN OF DEEP RIVER
Trust Funds
Statement of Financial Activities and Fund Balances
For the Year Ended December 31, 2015

	2015			2014
	Cemetery Care	Emergency Response Unit	Total	Total
Capital Receipts				
Government transfers	\$ -	\$ -	\$ -	\$ 10,800
Sale of plots	3,910	-	3,910	3,610
Emergency calls	-	1,230	1,230	3,075
Investment income	5,278	267	5,545	7,648
	9,188	1,497	10,685	25,133
Expenditures				
Emergency response	-	3,266	3,266	5,739
Disbursements upon dissolution	-	44,790	44,790	-
	-	48,056	48,056	5,739
Excess of receipts (expenditures)	9,188	(46,559)	(37,371)	19,394
Fund Balances at the beginning of the year	286,930	46,559	333,489	314,095
Fund Balances at the end of the year	\$ 296,118	\$ -	\$ 296,118	\$ 333,489

CORPORATION OF THE TOWN OF DEEP RIVER

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2015

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

	2015	2014
Investment in Public Sector Group of Funds		
• Bond Fund	\$ 267,397	\$ 262,315

The book value of the investments is \$277,416 (2014 - \$270,527).

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.