

**The Corporation of the  
Township of Severn  
Consolidated Financial Statements  
For the year ended December 31, 2010**

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## Independent Auditor's Report

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**To the Members of Council, Inhabitants and Ratepayers of the  
The Corporation of the Township of Severn**

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Severn, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's 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 auditor's judgment, 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 Township of Severn as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Orillia, Ontario  
November 10, 2011

**The Corporation of the Township of Severn**  
**Consolidated Statement of Financial Position**

December 31	2010	2009
<b>Financial assets</b>		
Cash (Note 1)	\$ 13,631,461	\$ 13,156,806
Taxes receivable	3,008,733	2,577,396
Accounts receivable	4,106,885	2,308,594
Long-term receivables (Note 2)	430,697	398,553
Inventories for resale	38,592	44,976
	<b>21,216,368</b>	<b>18,486,325</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,178,647	1,531,181
Other current liabilities	482,382	447,892
Deferred revenue (Note 4)	2,796,593	2,480,945
Net long-term debt (Note 5)	8,731,567	8,849,899
	<b>14,189,189</b>	<b>13,309,917</b>
<b>Net financial assets</b>	<b>7,027,179</b>	<b>5,176,408</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	<b>72,017,698</b>	<b>69,209,666</b>
<b>Accumulated surplus (Note 7)</b>	<b>\$ 79,044,877</b>	<b>\$ 74,386,074</b>

**Contingent liabilities (Note 9)**

On behalf of Council:

\_\_\_\_\_ Treasurer \_\_\_\_\_ Mayor

**The Corporation of the Township of Severn**  
**Consolidated Statement of Operations and Accumulated Surplus**

For the year ended December 31	Budget 2010	2010	2009
	(Note 15)		
<b>Revenue</b>			
Taxation (Note 13)	\$ 7,771,225	\$ 7,967,317	\$ 7,535,011
Government grants - Federal	372,020	550,479	923,157
Government grants - Provincial	3,307,642	3,406,113	1,937,534
Government grants - Municipal	35,500	26,919	26,791
User fees and service charges	3,005,362	3,365,997	3,417,310
Investment income	65,500	108,729	88,321
Contributed assets	-	178,600	485,875
Other (Note 8)	725,000	856,026	778,953
	<u>15,282,249</u>	<u>16,460,180</u>	<u>15,192,952</u>
<b>Expenses</b>			
General government	1,480,642	1,494,778	1,387,665
Fire department	896,091	1,009,431	985,757
Police services	1,007,612	850,686	860,382
Protective inspection and control	513,868	439,938	439,000
Transportation services	2,093,146	2,741,969	2,706,972
Waterworks and sewer systems	2,343,218	3,043,703	2,965,988
Environmental services	1,048,265	1,049,202	1,049,516
Parks and recreation	508,063	659,702	607,906
Library and culture	206,152	225,682	202,202
Planning and development	294,970	286,286	382,950
	<u>10,392,027</u>	<u>11,801,377</u>	<u>11,568,338</u>
<b>Annual surplus</b>	4,890,222	4,658,803	3,624,614
<b>Accumulated surplus, beginning of year</b>	<u>74,386,074</u>	<u>74,386,074</u>	<u>70,761,460</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 79,276,296</u>	<u>\$ 79,044,877</u>	<u>\$ 74,386,074</u>

**The Corporation of the Township of Severn**  
**Consolidated Statement of Change in Net Financial Assets**

<b>For the year ended December 31</b>	<b>Budget 2010</b>	<b>2010</b>	<b>2009</b>
	(Note 15)		
<b>Annual surplus</b>	\$ 4,890,222	\$ 4,658,803	\$ 3,624,614
Acquisition of tangible capital assets	(4,778,199)	(4,680,278)	(5,481,651)
Amortization of tangible capital assets	1,641,783	1,852,246	1,641,783
Gain on sale of tangible capital assets	33,000	15,390	32,778
Proceeds on sale of tangible capital assets	(33,000)	(15,390)	(32,778)
<b>Net change in net financial assets</b>	<b>1,753,806</b>	<b>1,850,771</b>	<b>(215,254)</b>
<b>Net financial assets, beginning of year</b>	<b>5,176,408</b>	<b>5,176,408</b>	<b>5,391,662</b>
<b>Net financial assets, end of year</b>	<b>\$ 6,930,214</b>	<b>\$ 7,027,179</b>	<b>\$ 5,176,408</b>

**The Corporation of the Township of Severn**  
**Consolidated Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2010</b>	<b>2009</b>
<b>Operating transactions</b>		
Annual surplus	\$ 4,658,803	\$ 3,624,614
Items not involving cash		
Amortization of tangible capital assets	1,852,246	1,641,783
Gain on disposal of tangible capital assets	(15,390)	(32,778)
Changes in non-cash operating balances		
Taxes receivable	(431,338)	(545,243)
Accounts receivable	(1,798,291)	516,065
Inventories for resale	6,384	(7,307)
Long term receivables	(32,143)	20,281
Accounts payable and accrued liabilities	647,467	176,794
Other current liabilities	34,489	(34,069)
	<u>4,922,227</u>	<u>5,360,140</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(4,660,278)	(5,481,651)
Proceeds on sale of tangible capital assets	15,390	32,778
	<u>(4,644,888)</u>	<u>(5,448,873)</u>
<b>Financing transactions</b>		
Repayment of long-term debt	(118,332)	(162,390)
<b>Net change in cash</b>	<b>159,007</b>	<b>(251,123)</b>
<b>Cash, beginning of year</b>	<b>10,675,861</b>	<b>10,926,984</b>
<b>Cash, end of year</b>	<b>\$ 10,834,868</b>	<b>\$ 10,675,861</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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# The Corporation of the Township of Severn

## Summary of Significant Accounting Policies

**December 31, 2010**

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**Management Responsibility**

The consolidated financial statements of the Corporation of the Township of Severn are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

**Basis of Consolidation**

The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenditures have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Township of Severn Public Library Board

**Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

**Inventories For Resale**

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

**Long-term Receivables**

Long-term receivables are recorded at their face value. Allowances for doubtful receivables are recorded when it is determined that the Township will be unable to collect all amounts due according to their terms of the underlying agreements. Interest revenue is recognized as received.

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# The Corporation of the Township of Severn

## Summary of Significant Accounting Policies

December 31, 2010

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### Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Vehicles	8 to 25 years
Equipment	7 to 25 years
Buildings	20 to 50 years
Site improvements	15 to 50 years
Roads and bridges	15 to 60 years
Water systems	20 to 80 years
Sewer systems	20 to 80 years

### Trust Funds

Trust funds held in trust by the Corporation of the Township of Severn, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately. (Page 23)

### Post Retirement Benefits

The Corporation of the Township of Severn is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

### Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

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# The Corporation of the Township of Severn

## Summary of Significant Accounting Policies

**December 31, 2010**

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**Government Transfers**

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made and there is reasonable assurance of collection.

**County and School Boards**

The municipality collects taxation revenue on behalf of the school boards and the County of Simcoe. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Simcoe are not reflected in these financial statements.

**Revenue Recognition**

The municipality recognizes taxation revenue on an annual basis using total assessment values for the year and annually established tax rates. Property assessment values are provided by the Municipal Property Assessment Corporation (MPAC) and tax rates are established and approved by members of Council. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal are known.

Charges for sewer and water usage are recognized as user fees when services have been provided. Connection fee revenues are recognized when the connection has been established. Charges for interment and vaults are recognized as user fees when services are purchased. Charges for the use of recreation facilities and programs like arena and hall rentals are recognized when services have been provided.

Sales of services and other revenue are recognized when services are provided and collection is reasonably assured.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these consolidated financial statements are the determination of the allowance for doubtful accounts, the estimated useful life of tangible capital assets and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

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# The Corporation of the Township of Severn

## Summary of Significant Accounting Policies

**December 31, 2010**

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**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 revenue over expenses, provides the consolidated change in net financial debt for the year.

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**The Corporation of the Township of Severn**  
**Notes to Consolidated Financial Statements**

**December 31, 2010**

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**1. Cash**

	<u>2010</u>	<u>2009</u>
Unrestricted	\$ 10,834,868	\$ 10,675,861
Restricted	2,796,593	2,480,945
	<u>\$ 13,631,461</u>	<u>\$ 13,156,806</u>

All cash is held at one chartered bank with interest paid monthly at prime less 1.8%.

The restricted cash represents the balance of the deferred revenue (Note 4).

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**2. Long-Term Receivables**

	<u>2010</u>	<u>2009</u>
Due from County of Simcoe	\$ 274,640	\$ 275,540
Tile drainage loans	156,057	123,013
	<u>\$ 430,697</u>	<u>\$ 398,553</u>

The amount due from the County has no interest and no specific terms of repayment other than rebates regarding landfill sites within the Township will be applied against the balance.

The tile drainage loans have interest rates ranging from 6% to 8% and are due from 2011 to 2020.

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**3. Credit Facility**

The Township has arranged an operating loan for \$500,000 at prime less 0.5% to assist with working capital requirements.

The Township has arranged a demand loan for \$4,500,000 at prime less 0.5% to assist with the Coldwater Sewer project.

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**The Corporation of the Township of Severn**  
**Notes to Consolidated Financial Statements**

**December 31, 2010**

**4. Deferred Revenue - Obligatory Reserve Funds**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 321,437	\$ 370,181	\$ 2,611	\$ (545,864)	\$ 148,365
Development charges	1,811,450	622,695	14,715	(153,473)	2,295,387
Recreational land	348,058	32,675	2,827	(30,719)	352,841
	<b>\$ 2,480,945</b>	<b>\$ 1,025,551</b>	<b>\$ 20,153</b>	<b>\$ (730,056)</b>	<b>\$ 2,796,593</b>

Federal gas tax

The Ministry of Transportation requires the Municipality to include unspent gas tax funding in a reserve. The funding and interest earned in the reserve must be spent on approved projects.

Development charges

Certain user charges and fees are collected for which the related services have yet to be performed. These revenues will be recognized at the time the related services are performed.

Recreational land

These monies are received through subdivision agreements and are used for such things as acquisition of land for park or public recreation, including erection or repair of buildings and the acquisition of machinery for park or other public recreational uses. Monies received from subdividers is in lieu of land being conveyed to the municipality.

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**The Corporation of the Township of Severn**  
**Notes to Consolidated Financial Statements**

**December 31, 2010**

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**5. Net Long-term Debt**

Net long term debt reported on the statement of financial position is comprised of the following:

	2010	2009
Ontario Strategic Infrastructure Financing Authority Debenture, 5.28%, repayable \$305,092 semi-annually, due August 2036	\$ 8,575,510	\$ 8,726,886
Tile drainage loans, interest rates ranging from 6% to 8%, annual payments ranging from \$1,118 to \$5,883 per year, due 2011 to 2020	<u>156,057</u>	<u>123,013</u>
	<u>\$ 8,731,567</u>	<u>\$ 8,849,899</u>

Gross long-term debt repayments for the next five years and thereafter are due as follows:

2011		\$ 639,303
2012		639,303
2013		638,186
2014		638,186
2015		638,186
Thereafter		<u>12,869,312</u>
		16,062,476
Less: interest portion		<u>(7,330,909)</u>
		<u>\$ 8,731,567</u>

The annual principal and interest payments required to service the long-term liabilities of the municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing. Interest expense paid relating to the long-term debt above is \$463,288 (2009 - \$472,350)(Note 16).

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# The Corporation of the Township of Severn

## Notes to Consolidated Financial Statements

**December 31, 2010**

**6. Tangible Capital Assets**

	2010								
	Land and Site Improvements	Buildings	Equipment	Roads and Bridges	Water systems	Sewer systems	Vehicles	Construction in progress	Total
Cost, beginning of year	\$ 7,579,571	\$ 33,373,297	\$ 2,001,109	\$ 24,835,028	\$ 6,674,206	\$ 14,160,468	\$ 4,708,770	\$ 3,923,869	\$ 97,256,318
Additions	240,791	914,509	136,334	2,222,146			235,943	910,555	4,660,278
Disposals				(164,467)			(144,573)		(309,040)
Cost, end of year	7,820,362	34,287,806	2,137,443	26,892,707	6,674,206	14,160,468	4,800,140	4,834,424	101,607,556
Accumulated amortization, beginning of year	299,291	6,159,364	689,526	16,172,063	716,232	1,690,055	2,310,121		28,048,662
Amortization	18,457	659,199	142,020	452,002	86,101	180,821	315,646		1,852,246
Disposals				(164,467)			(144,573)		(309,040)
Accumulated amortization, end of year	315,748	6,818,563	841,546	16,459,598	802,333	1,870,876	2,481,194		29,589,858
Net carrying amount, end of year	\$ 7,504,614	\$ 27,469,243	\$ 1,295,897	\$ 10,433,109	\$ 5,871,873	\$ 12,289,592	\$ 2,318,946	\$ 4,834,424	\$ 72,017,698

	2009								
	Land and Site Improvements	Buildings	Equipment	Roads and Bridges	Water systems	Sewer systems	Vehicles	Construction in Progress	Total
Cost, beginning of year	\$ 7,475,570	\$ 27,844,416	\$ 1,672,467	\$ 24,433,130	\$ 6,674,206	\$ 14,160,468	\$ 4,573,798	\$ 5,419,973	\$ 92,254,028
Additions	104,001	5,528,881	543,998	401,888			398,977	(1,496,104)	5,481,651
Disposals			(215,356)				(264,005)		(479,361)
Cost, end of year	7,579,571	33,373,297	2,001,109	24,835,028	6,674,206	14,160,468	4,708,770	3,923,869	97,256,318
Accumulated amortization, beginning of year	287,005	5,598,834	781,979	15,800,872	630,131	1,509,234	2,276,175		26,884,230
Amortization	12,286	560,530	132,903	371,191	86,101	180,821	297,951		1,641,763
Disposals			(215,356)				(264,005)		(479,361)
Accumulated amortization, end of year	299,291	6,159,364	699,526	16,172,063	716,232	1,690,055	2,310,121		28,048,662
Net carrying amount, end of year	\$ 7,280,280	\$ 27,213,933	\$ 1,301,583	\$ 8,662,965	\$ 5,957,974	\$ 12,470,413	\$ 2,398,649	\$ 3,923,869	\$ 69,209,666

Included in additions are \$178,600 (2009 - \$485,875) in contributed capital assets that were recognized in the financial statements during the year. The cost land included in land and site improvement is \$6,975,601 and is not being amortized.

## The Corporation of the Township of Severn

### Notes to Consolidated Financial Statements

**December 31, 2010**

#### 7. Accumulated Surplus

The Corporation of the Township of Severn segregates its accumulated surplus in the following categories:

	2010	2009
Investment in tangible capital assets	<b>\$ 72,017,698</b>	<b>\$ 69,209,666</b>
Current Fund		
General area taxation	2,500	2,500
Police	426,926	357,891
Waste management	27,621	11,158
Waterworks and sewer systems	326,555	98,057
Coldwater Business Improvement Area (Schedule 1)	5,780	-
Libraries	79,555	90,694
	<b>868,937</b>	<b>560,300</b>
Amounts to be recovered	<b>(8,720,188)</b>	<b>(8,899,676)</b>
Reserves set aside for specific purposes by Council:		
Working funds	3,329,159	3,050,241
Election	33,000	33,000
Emergency planning	40,000	40,000
Parkland	231,984	226,984
Capital purposes	6,653,078	5,900,988
Administration	1,204,422	1,111,725
Fire protection	441,591	166,279
Water and sewer systems	788,528	706,497
Environment	551,829	547,383
Building department	23,872	23,680
Gravel pit restoration	112,865	111,956
Westshore	1,468,102	1,597,051
	<b>14,878,430</b>	<b>13,515,784</b>
	<b>\$ 79,044,877</b>	<b>\$ 74,386,074</b>

The balance available to offset future revenue requirements for the fiscal year ending December 31, 2010 has been decreased by an amount of \$434,698, transferred to reserves as authorized by by-law #2010-30 dated May 6, 2010. Had this decrease not been made the current fund balance would have shown a surplus of \$1,303,635.

**The Corporation of the Township of Severn**  
**Notes to Consolidated Financial Statements**

**December 31, 2010**

**8. Other Income**

	2010	2010	2009
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 350,000	\$ 396,074	\$ 336,498
Other fines and penalties	60,000	99,679	108,704
Licences, permits and fines	265,000	314,067	252,283
Donations	9,000	4,119	3,452
Gain on disposal of tangible capital assets	21,000	19,190	32,778
Other	20,000	22,897	45,238
	<b>\$ 725,000</b>	<b>\$ 856,026</b>	<b>\$ 778,953</b>

**9. Contingencies**

Claims have been filed against the Township requesting damages. The ultimate outcome of these claims is not determinable at the time of issue of these financial statements. No provision for these claims has been recorded in these financial statements. Settlements in excess of insurance, if any, will be reflected in the periods in which settlement occurs.

**10. Contractual Obligation - Ontario Clean Water Agency**

In accordance with a service agreement entered into by the municipality with the Ontario Clean Water Agency (OCWA), the existing sewage system at Coldwater is administered and operated by OCWA. The municipality is obligated to meet all operating costs and repay the long-term liabilities related to this project.

Included in the consolidated statement of financial activities are the 2010 charges from OCWA. The consolidated statement of financial position does not reflect any assets or liabilities pertaining to the sewage system except to the extent of service charges due to (or from) OCWA.

Information received from the OCWA as at December 31, 2010, indicates the following:

	2010 Debt Charges	Total Outstanding Long-term Liabilities
Sewage system, 9.97%, due 2015	\$ 12,116	\$ 44,949

The surplus and long-term liabilities are not reflected in these financial statements.

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## The Corporation of the Township of Severn

### Notes to Consolidated Financial Statements

**December 31, 2010**

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#### **11. Contractual Commitments**

The Corporation of the Township of Severn has entered into contracts with Ontario Clean Water Agency for the operation of water and sewer systems. The 2010 operations and maintenance charges are as follows;

Coldwater sewer	\$ 202,279
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Effective January 1, 2010 the Township took over the operations of the Westshore water and sewer systems. 2011 operations and maintenance charges for the Coldwater sewer system are expected to be \$208,347.

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#### **12. Post Retirement Benefits**

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of substantially all full-time members of its staff. This plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 409,746 active and retired members and approximately 931 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2010. The results of this valuation disclosed total actuarial liabilities of \$60,035 million in respect of benefits accrued for service with actuarial assets at that date of \$55,568 million indicating an actuarial deficit of \$4,467 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the municipality to OMERS for 2010 were \$184,617 (2009 - \$171,847).

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## The Corporation of the Township of Severn

### Notes to Consolidated Financial Statements

**December 31, 2010**

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#### 13. Taxation

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Simcoe:

	2010	2009
Taxation revenue	\$ 19,519,208	\$ 18,899,148
Amount levied and remitted to School Boards	(6,116,525)	(6,151,461)
Amount levied and remitted to the County of Simcoe	(5,336,351)	(5,089,822)
Available for general municipal purposes	8,066,332	7,657,865
Amounts written off during the year	(99,015)	(122,854)
	\$ 7,967,317	\$ 7,535,011

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#### 14. Trust Funds

The trust funds administered by the municipality amounting to \$102,232 (2009 - \$100,595) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations. At December 31, 2010, the trusts fund balances are as follows:

	2010	2009
Cemetery Care and Maintenance funds	\$ 92,009	\$ 89,409
Cemetery pre-need	6,646	7,637
Other	3,577	3,549
	\$ 102,232	\$ 100,595

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## The Corporation of the Township of Severn

### Notes to Consolidated Financial Statements

**December 31, 2010**

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#### 15. Budget

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2010 budget amounts for The Corporation of the Township of Severn approved by Council are unaudited.

The Financial Plan (Budget) was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan with adjustments as follows:

	<u>2010</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	5,869,975
Less:	
Budgeted transfers to accumulated surplus	<u>(979,753)</u>
Budget surplus per statement of operations	<u>\$ 4,890,222</u>

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# The Corporation of the Township of Severn

## Notes to Consolidated Financial Statements

**December 31, 2010**

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### **16. Segmented Information**

The Corporation of the Township of Severn is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire and water services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

#### **General Government**

This relates to the revenues and expenditures of the municipality itself and cannot be directly attributed to specific segments.

#### **Fire Department**

The fire department is responsible for providing fire suppression service, fire prevention programs, training and education. The members of the fire department consist of full-time employees and volunteers.

#### **Police Services**

The police services work to ensure the safety and protection of the citizens and their property.

#### **Protective Inspection and Control**

Protective inspection is comprised of the building department and animal control. The building department provides a number of services including maintenance and enforcement of building and construction codes.

#### **Transportation Services**

Transportation is responsible for maintaining the municipality's roadway and streetlight systems.

#### **Water and Sewer**

This service provides the municipality's drinking water. They process and clean sewage and ensure the Municipality's water system meets all Provincial standards.

#### **Environmental Services**

Environmental services consists of providing recycling and waste disposal services to citizens.

#### **Parks and Recreation**

Parks and recreation represents recreational activity support within the municipality. This includes maintenance and upkeep of parks, community centres and administering recreation programs.

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**The Corporation of the Township of Severn**  
**Notes to Consolidated Financial Statements**

**December 31, 2010**

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**16. Segmented Information Disclosures (continued)**

**Library and Cultural**

The municipality provides library services to assist with its citizens' informational needs.

**Planning and Development**

The planning department provides a number of services including municipal planning and review of all property development plans through its application process.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter segment transfers are measured on the basis of the percentage of budgeted expenditures.

# The Corporation of the Township of Severn

## Notes to Consolidated Financial Statements

December 31, 2010

### 16. Segmented Information (continued)

For the year ended December 31, 2010	General government		Fire department	Police services	Protective inspection and control	Transportation services	Water and sewer	Environmental services	Parks and recreation	Library and cultural	Planning and development	Unallocated	2010 Total
	\$	\$											
Revenue													
Taxation	-	-	-	919,721	-	154,667	-	1,065,442	-	-	-	5,982,154	7,987,317
Grants	-	-	-	-	-	-	2,655,333	-	78,939	49,972	-	1,044,600	3,983,511
User fees and service charges	42,275	98,599	-	-	-	209,181	2,778,735	225	171,725	6,974	62,283	-	3,365,997
Investment income	95,489	1,351	-	-	-	909	5,739	4,447	-	794	-	-	108,729
Contributed assets	44,600	-	-	-	-	-	-	-	194,000	-	-	-	178,600
Other	399,717	-	-	-	-	15,390	-	-	24,820	180	-	-	856,028
	582,081	97,950	919,721	919,721	415,919	380,147	5,437,807	1,070,114	409,494	57,920	62,283	7,028,754	16,460,160
Expenses													
Salaries and wages	866,943	528,709	-	-	337,963	1,109,890	568,427	-	217,046	73,648	238,618	-	3,941,242
Materials and supplies	430,669	275,500	-	-	44,316	719,045	740,940	6,001	277,079	40,007	9,976	-	2,543,533
Contracted services	104,494	17,702	-	835,767	57,659	243,709	470,864	1,041,265	45,241	86,762	30,221	-	2,943,684
Rents and financial interest	18,343	-	-	14,919	-	(44,381)	48,218	1,898	-	150	-	-	39,185
Other	18,200	-	-	-	-	-	455,817	-	-	-	7,471	-	463,288
Amortization	58,129	187,520	-	-	-	713,706	759,437	-	120,398	15,117	-	-	1,852,245
	1,494,778	1,009,431	850,688	850,688	439,938	2,741,999	3,043,703	1,049,202	659,702	225,982	286,286	-	11,801,377
Net surplus (deficit)	\$ (912,697)	\$ (911,481)	\$ 69,035	\$ (2,381,822)	\$ (24,019)	\$ (2,381,822)	\$ 2,394,104	\$ 20,912	\$ (250,219)	\$ (167,762)	\$ (224,003)	\$ 7,028,754	\$ 4,659,803
For the year ended December 31, 2009													
Revenue													
Taxation	-	-	-	879,943	-	-	-	1,054,266	-	-	-	5,601,802	7,536,011
Grants	383	-	-	-	-	555,089	1,182,954	-	42,344	50,212	-	1,046,500	2,897,462
User fees and service charges	51,485	76,834	-	-	-	344,418	2,682,779	2,040	181,901	4,309	73,536	-	3,417,310
Investment income	77,638	1,704	-	-	-	758	3,897	3,704	-	620	-	-	88,321
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	486,875
Other	361,675	-	-	-	381,102	32,778	-	-	19,946	3,462	-	-	778,953
	491,191	78,538	879,943	879,943	381,102	1,419,916	3,879,630	1,060,010	244,191	68,663	73,536	6,648,302	15,182,952
Expenses													
Salaries and benefits	869,522	518,584	-	-	325,240	1,078,370	478,518	-	204,016	73,854	227,680	-	3,775,794
Materials and supplies	312,412	271,987	-	-	48,409	844,521	745,774	3,525	271,218	20,670	13,236	-	2,531,652
Contracted services	112,800	19,040	-	855,034	58,694	152,043	599,461	1,042,439	18,937	82,972	113,318	-	3,064,538
Rents and financial interest	20,110	-	-	5,348	-	12,940	11,448	3,552	-	350	-	-	53,746
Other	28,475	-	-	-	-	-	463,644	-	-	-	8,706	-	472,350
Amortization	44,548	176,146	-	-	6,657	619,098	687,145	-	113,735	14,456	-	-	28,475
	1,387,865	995,767	860,382	860,382	439,000	2,706,972	2,966,998	1,049,516	607,908	202,202	362,950	-	11,568,358
Net surplus (deficit)	\$ (898,474)	\$ (907,219)	\$ 19,561	\$ (1,288,056)	\$ (77,898)	\$ (1,288,056)	\$ 913,642	\$ 10,494	\$ (363,715)	\$ (143,609)	\$ (289,414)	\$ 6,648,302	\$ 3,624,614



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## Auditor's Comments on Supplementary Financial Information

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### To the Members of Council, Inhabitants and Ratepayers of the The Corporation of the Township of Severn

We have audited the consolidated financial statements of The Corporation of the Township of Severn, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. We have issued our report thereon dated November 10, 2011 which contained an unmodified opinion on those consolidated financial statements. The audit was performed to form an opinion on the consolidated financial statements as a whole. Schedule 1 - Coldwater Business Improvement Area is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the consolidated financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

**The Corporation of the Township of Severn**  
**Schedule 1 - Coldwater Business Improvement Area**

<b>For the year ended December 31</b>	<b>Budget</b>		<b>2010</b>	<b>2009</b>
	<b>2010</b>			
<b>Revenue</b>				
BIA Coldwater taxation	\$ 25,000	\$	25,000	-
Other revenue	-		1,100	-
	<u>25,000</u>		<u>26,100</u>	<u>-</u>
<b>Expenses</b>				
Advertising	8,000		3,182	-
Beautification	5,000		7,606	-
Capital expenditures	2,000		-	-
Contingency	3,000		3,106	-
Insurance	1,000		1,000	-
Professional fees	2,000		2,000	-
Promotion and public relations	4,000		3,201	-
Taxes written off	-		225	-
	<u>25,000</u>		<u>20,320</u>	<u>-</u>
<b>Annual surplus</b>	-		5,780	-
<b>Accumulated surplus, beginning of year</b>	-		-	-
<b>Accumulated surplus, end of the year</b>	\$ -	\$	5,780	\$ -



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## Independent Auditor's Report

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### To the Members of Council, Inhabitants and Ratepayers of the The Corporation of the Township of Severn

We have audited the accompanying financial statements of the trust funds of The Corporation of the Township of Severn, which comprise the statement of financial position as at December 31, 2010, and the statement of financial activities 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 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.

#### Auditor's 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 auditor's judgment, 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 the trust funds of The Corporation of the Township of Severn as at December 31, 2010, and the results of its financial activities for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Orillia, Ontario  
November 10, 2011

**The Corporation of the Township of Severn  
Trust Funds  
Statement of Financial Position**

<b>December 31</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Cash	\$ 103,272	\$ 100,591
Due from Township	-	4
	<u>\$ 103,272</u>	<u>\$ 100,595</u>
Due to Township	\$ 1,040	-
<b>Fund Balance</b>	<u>102,232</u>	<u>100,595</u>
	<u>\$ 103,272</u>	<u>\$ 100,595</u>

**Statement of Financial Activities**

<b>For the year ended December 31</b>	<b>2010</b>	<b>2009</b>
<b>Fund balance, beginning of the year</b>	<u>\$ 100,595</u>	<u>\$ 99,326</u>
<b>Revenue</b>		
Sale of plots	800	1,020
Monuments placed	1,800	800
Interments prepaid	200	1,000
Bank interest	88	76
	<u>2,888</u>	<u>2,896</u>
<b>Expenses</b>		
Interments used	1,100	1,260
Transfer to general fund	151	367
	<u>1,251</u>	<u>1,627</u>
<b>Fund balance, end of the year</b>	<u>\$ 102,232</u>	<u>\$ 100,595</u>

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**The Corporation of the Township of Severn  
Trust Funds  
Notes to Financial Statements**

**December 31, 2010**

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**1. Summary of Significant Accounting Policies**

**Management Responsibility**      The financial statements of The Corporation of the Township of Severn Trust Funds are the representation of management.

**Accrual Basis of Accounting**      Sources of revenue and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

**Township of Severn  
Public Library Board  
Financial Statements**  
For the year ended December 31, 2010

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## Independent Auditor's Report

---

**To the Library Board Members, Members of Council, Inhabitants and Ratepayers  
Of the Corporation of the Township of Severn**

We have audited the accompanying financial statements of the Township of Severn Public Library Board, which comprise the statement of financial position as at December 31, 2010 and the statements of operations and accumulated surplus 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.

### **Auditor's 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 auditor's judgment, 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 the Library Board as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

**Chartered Accountants, Licensed Public Accountants**

**Orillia, Ontario  
November 10, 2011**

**Township of Severn Public Library Board  
Statement of Financial Position**

<b>December 31</b>	<b>2010</b>	<b>2009</b>
<b>Financial assets</b>		
Cash	\$ 94,218	\$ 83,135
Due from Township of Severn	-	7,560
	<u>94,218</u>	<u>90,695</u>
<b>Liabilities</b>		
Due to Township of Severn	<u>14,663</u>	-
<b>Net financial assets</b>	<b>79,555</b>	<b>90,695</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 1)	<u>118,052</u>	<u>118,363</u>
<b>Accumulated surplus (Note 2)</b>	<b>\$ 197,607</b>	<b>\$ 209,058</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

**Township of Severn Public Library Board  
Statement of Operations and Accumulated Surplus**

<b>For the year ended December 31</b>	(Note 3) Budget 2010	Actual 2010	Actual 2009
<b>Revenue</b>			
Province of Ontario grant	\$ 25,342	\$ 27,358	\$ 27,165
Township of Severn contribution	156,310	156,310	151,307
Grant - Industry Canada	3,000	4,614	5,047
Township of Oro-Medonte contribution	18,000	18,000	18,000
Donations	100	180	3,516
Interest	500	794	620
Fines	1,500	1,670	1,925
Miscellaneous	1,400	5,304	2,320
	<u>206,152</u>	<u>214,230</u>	<u>209,900</u>
<b>Expenses</b>			
Amortization of tangible capital assets	-	15,117	14,456
Bank charges and interest	150	150	150
Equipment	-	5,844	-
General and office	4,585	15,191	4,119
Insurance	2,000	2,045	1,828
Library contract	95,480	95,480	92,700
Professional fees	550	550	550
Repairs and maintenance	3,975	6,082	2,641
Supplies	14,912	5,556	5,409
Telephone	1,700	1,733	1,774
Utilities	4,900	4,287	4,721
Wages and benefits	77,900	73,646	73,854
	<u>206,152</u>	<u>225,681</u>	<u>202,202</u>
<b>Net surplus (deficit) for the year</b>	-	(11,451)	7,698
<b>Accumulated surplus, beginning of year</b>	<u>209,058</u>	<u>209,058</u>	<u>201,360</u>
<b>Accumulated Surplus, end of year</b>	<u>\$ 209,058</u>	<u>\$ 197,607</u>	<u>\$ 209,058</u>

**Township of Severn Public Library Board**  
**Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2010</b>	<b>2009</b>
<b>Operating transactions</b>		
Annual surplus (deficit)	\$ (11,451)	\$ 7,698
Items not involving cash		
Amortization of tangible capital assets	15,117	14,456
Changes in non-cash operating balances		
Accounts receivable	-	38
	<u>3,666</u>	<u>22,192</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<u>(14,806)</u>	<u>(10,918)</u>
<b>Investing transactions</b>		
Due to Township of Severn	<u>22,223</u>	<u>(12,264)</u>
<b>Net change in cash</b>	<b>11,083</b>	<b>(990)</b>
<b>Cash, beginning of year</b>	<u>83,135</u>	<u>84,125</u>
<b>Cash, end of year</b>	<u>\$ 94,218</u>	<u>\$ 83,135</u>

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## Township of Severn Public Library Board

### Summary of Significant Accounting Policies

**December 31, 2010**

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#### **Management Responsibility**

The financial statements of the Board are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

#### **Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

#### **Revenue Recognition**

Government transfers are recognized in the year in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

#### **Post Retirement Benefits**

The Township of Severn Public Library Board is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

#### **Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the estimated useful life of tangible capital assets. Actual results could differ from the management's best estimates as additional information becomes available in the future.

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**Township of Severn Public Library Board**  
**Summary of Significant Accounting Policies**

**December 31, 2010**

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**Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings	40 years
Books	7 years
Computer Equipment	7 years
Furniture and Equipment	10 years

**Township of Severn Public Library Board  
Notes to Financial Statements**

**December 31, 2010**

**1. Tangible Capital Assets**

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 5,067	\$ -	\$ 5,067	\$ -
Buildings	185,316	109,857	179,816	105,467
Books	65,618	36,222	56,314	27,932
Computer equipment	15,893	8,975	15,893	6,705
Furniture and equipment	1,651	439	1,651	274
	<u>\$ 273,545</u>	<u>\$ 155,493</u>	<u>\$ 258,741</u>	<u>\$ 140,378</u>
Net book value		<u>\$ 118,052</u>		<u>\$ 118,363</u>

**2. Accumulated Surplus**

The Township of Severn Public Library Board segregates its accumulated surplus in the following categories:

	2010	2009
Investment in tangible capital assets	\$ 118,052	\$ 118,363
Current surplus	79,555	90,695
	<u>\$ 197,607</u>	<u>\$ 209,058</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

**3. Budget**

The Financial Plan (Budget) By-Law was adopted by Council on February 8, 2010.

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## Township of Severn Public Library Board Notes to Financial Statements

**December 31, 2010**

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#### **4. Pension Agreements**

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of substantially all full-time members of its staff. This plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 409,746 active and retired members and approximately 931 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2010. The results of this valuation disclosed total actuarial liabilities of \$60,035 million in respect of benefits accrued for service with actuarial assets at that date of \$55,568 million indicating an actuarial deficit of \$4,467 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the municipality to OMERS for 2010 were \$3,038 (2009 - \$2,950).

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