

**The Corporation of the  
Township of Severn**  
Consolidated Financial Statements  
For the year ended December 31, 2012

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# TOWNSHIP OF SEVERN

THE CORPORATION OF THE TOWNSHIP OF SEVERN

P.O. Box 159, Orillia, Ontario, L3V 6J3

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

The accompanying consolidated financial statements of The Corporation of the Township of Severn ("the Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Township. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Chief Administrative Officer

Director of Corporate Services/Clerk-Treasurer

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19 Front Street N  
PO Box 670  
Orillia ON L3V 6K5 Canada

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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, 2012, and the consolidated statements of operations and accumulated surplus, 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, 2012, 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  
May 22, 2013

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

December 31	2012	2011
<b>Financial assets</b>		
Cash (Note 1)	\$ 19,723,639	\$ 17,173,396
Taxes receivable	2,649,539	2,470,567
Accounts receivable	1,319,659	2,315,265
Inventories for resale	14,451	36,970
Long-term receivables (Note 2)	126,809	137,710
	<b>23,834,097</b>	<b>22,133,908</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,267,987	1,707,173
Other current liabilities	494,673	778,523
Deferred revenue (Note 4)	4,440,617	3,805,635
Long-term debt (Note 5)	8,374,812	8,552,376
	<b>14,578,089</b>	<b>14,843,707</b>
<b>Net financial assets</b>	<b>9,256,008</b>	<b>7,290,201</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	73,298,671	73,190,887
<b>Accumulated surplus (Note 7)</b>	<b>\$ 82,554,679</b>	<b>\$ 80,481,088</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**

<b>For the year ended December 31</b>	<b>Budget 2012</b>	<b>2012</b>	<b>2011</b>
			(Note 16)
<b>Revenue</b>			
Taxation (Note 13)	\$ 8,708,928	\$ 8,814,931	\$ 8,146,261
Government grants - Federal	373,020	244,849	4,214
Government grants - Provincial	1,328,042	1,411,736	1,472,472
Government grants - Municipal	28,000	27,723	27,522
User fees and service charges	3,625,725	3,517,927	3,395,869
Investment income	125,500	214,604	192,974
Contributed assets	-	148,602	46,308
Other (Note 8)	804,550	1,003,260	781,728
	<u>14,993,765</u>	<u>15,383,632</u>	<u>14,067,348</u>
<b>Expenses</b>			
General government	1,676,277	1,604,450	1,753,895
Fire department	1,187,944	1,026,137	1,020,429
Police services	1,256,679	1,246,650	1,067,652
Protective inspection and control	551,472	527,083	459,321
Transportation services	3,067,773	3,178,388	2,928,632
Waterworks and sewer systems	3,392,023	3,172,233	3,171,031
Environmental services	1,340,310	1,341,198	1,082,131
Parks and recreation	804,150	721,781	701,940
Library and culture	222,670	220,413	220,642
Planning and development	372,920	271,708	225,464
	<u>13,872,218</u>	<u>13,310,041</u>	<u>12,631,137</u>
<b>Annual surplus</b>	1,121,547	2,073,591	1,436,211
<b>Accumulated surplus, beginning of year</b>	80,481,088	80,481,088	79,044,877
<b>Accumulated surplus, end of year</b>	<u>\$ 81,602,635</u>	<u>\$ 82,554,679</u>	<u>\$ 80,481,088</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 2012</b>	<b>2012</b>	<b>2011</b>
<b>Annual surplus</b>	\$ 1,121,547	\$ 2,073,591	\$ 1,436,211
Acquisition of tangible capital assets	(3,071,500)	(2,467,905)	(3,282,866)
Amortization of tangible capital assets	2,081,000	2,132,770	1,999,033
Net loss on disposal of tangible capital assets	-	73,716	83,570
Proceeds on disposal of tangible capital assets	141,900	153,635	27,076
<b>Net change in net financial assets</b>	<b>272,947</b>	<b>1,965,807</b>	<b>263,024</b>
<b>Net financial assets, beginning of year</b>	<b>7,290,201</b>	<b>7,290,201</b>	<b>7,027,177</b>
<b>Net financial assets, end of year</b>	<b>\$ 7,563,148</b>	<b>\$ 9,256,008</b>	<b>\$ 7,290,201</b>

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

<b>For the year ended December 31</b>	<b>2012</b>	<b>2011</b>
<b>Operating transactions</b>		
Annual surplus	\$ 2,073,591	\$ 1,436,211
Items not involving cash		
Amortization of tangible capital assets	2,132,770	1,999,033
Net loss on disposal of tangible capital assets	73,716	83,570
Changes in non-cash operating balances		
Taxes receivable	(178,972)	538,166
Accounts receivable	995,606	1,791,620
Inventories for resale	22,519	1,622
Long term receivables	10,901	292,986
Accounts payable and accrued liabilities	(439,186)	(471,476)
Other current liabilities	(283,850)	296,142
	<u>4,407,095</u>	<u>5,967,874</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(2,467,905)	(3,282,866)
Proceeds on disposal of tangible capital assets	153,635	27,076
	<u>(2,314,270)</u>	<u>(3,255,790)</u>
<b>Financing transactions</b>		
Proceeds from issuance of long-term debt	23,600	-
Repayment of long-term debt	(201,164)	(179,191)
	<u>(177,564)</u>	<u>(179,191)</u>
<b>Net change in cash</b>	<b>1,915,261</b>	<b>2,532,893</b>
<b>Cash, beginning of year</b>	<b>13,367,761</b>	<b>10,834,868</b>
<b>Cash, end of year (Note 1)</b>	<b>\$ 15,283,022</b>	<b>\$ 13,367,761</b>

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**The Corporation of the  
Township of Severn  
Summary of Significant Accounting Policies**

**December 31, 2012**

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**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 - 100%

**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; expenses 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.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations.

The accumulated surplus represents the financial position of the municipality, and is the difference between its assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

**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.

**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, 2012**

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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 assets for the year.

**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 26).

**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.

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**The Corporation of the  
Township of Severn  
Summary of Significant Accounting Policies**

**December 31, 2012**

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<b>Government Transfers</b>	Government transfers, which include legislative grants, are recognized in the consolidated 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.
<b>County and School Boards</b>	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.
<b>Revenue Recognition</b>	<p>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.</p> <p>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.</p> <p>Sales of services and other revenue are recognized when services are provided and collection is reasonably assured.</p>
<b>Use of Estimates</b>	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.

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

**December 31, 2012**

**1. Cash**

	<b>2012</b>	<b>2011</b>
Unrestricted	<b>\$ 15,283,022</b>	<b>\$ 13,367,761</b>
Restricted	<b>4,440,617</b>	<b>3,805,635</b>
	<b>\$ 19,723,639</b>	<b>\$ 17,173,396</b>

All cash is held at one chartered bank with interest paid monthly at prime less 1.75%.

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

**2. Long-Term Receivables**

	<b>2012</b>	<b>2011</b>
Due from County of Simcoe	<b>\$ 274,583</b>	<b>\$ 275,926</b>
Tile drainage loans	<b>126,782</b>	<b>136,340</b>
	<b>401,365</b>	<b>412,266</b>
Less: Allowance for doubtful accounts	<b>(274,556)</b>	<b>(274,556)</b>
	<b>\$ 126,809</b>	<b>\$ 137,710</b>

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. During the year it was determined that the landfill site rebates are considered to be uncollectible and an allowance for doubtful amounts for the full amount due from the County with respect to the landfill site has been reported in the current year.

The tile drainage loans have interest rates of 6% and are due from 2015 to 2022.

**3. Credit Facility**

The Township has arranged an operating loan for \$500,000 at prime less 0.75% to assist with working capital requirements.

The Township has arranged a demand loan for \$4,500,000 at prime less 0.75% to assist with the Coldwater Sewer project.

As at December 31, 2012 no amounts have been drawn relating to the credit facility.

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

**December 31, 2012**

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

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 519,363	\$ 369,020	\$ 6,569	\$ (240,523)	\$ 654,429
Development charges	2,864,576	554,713	36,234	(182,290)	3,273,233
Recreational land	421,696	85,925	5,334	-	512,955
	<b>\$ 3,805,635</b>	<b>\$ 1,009,658</b>	<b>\$ 48,137</b>	<b>\$ (422,813)</b>	<b>\$ 4,440,617</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.

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

**December 31, 2012**

**5. Long-term Debt**

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

	<b>2012</b>	<b>2011</b>
Ontario Strategic Infrastructure Financing Authority Debenture, 5.28%, repayable \$305,092 semi-annually, due August 2036	<b>\$ 8,248,030</b>	\$ 8,416,036
Tile drainage loans, interest rate of 6%, annual payments ranging from \$3,206 to \$6,793 per year, due 2015 to 2022	<b>126,782</b>	136,340
	<b>\$ 8,374,812</b>	<b>\$ 8,552,376</b>

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

2013	\$	196,016
2014		206,626
2015		217,811
2016		223,720
2017		235,797
Thereafter		7,294,842
	<b>\$</b>	<b>8,374,812</b>

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 \$447,530 (2011 - \$460,112)(Note 15).

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

**December 31, 2012**

**6. Tangible Capital Assets**

	2012								
	Land and Site Improvements	Buildings	Equipment	Roads and Bridges	Water systems	Sewer systems	Vehicles	Construction in progress	Total
Cost, beginning of year	\$ 7,866,670	\$ 34,341,637	\$ 2,132,469	\$ 29,148,735	\$ 9,187,655	\$ 14,702,339	\$ 5,306,189	\$ 1,478,454	\$104,164,148
Additions	511,906	785,657	157,888	1,885,512			370,986	(1,244,044)	2,467,905
Disposals	(31,494)		(72,745)	(235,067)			(528,998)		(868,304)
Cost, end of year	8,347,082	35,127,294	2,217,612	30,799,180	9,187,655	14,702,339	5,148,177	234,410	105,763,749
Accumulated amortization, beginning of year	333,993	7,495,935	943,543	16,741,583	854,847	2,018,468	2,584,892		30,973,261
Amortization	21,685	687,707	155,937	588,405	131,299	191,658	356,079		2,132,770
Disposals			(65,908)	(139,723)			(435,322)		(640,953)
Accumulated amortization, end of year	355,678	8,183,642	1,033,572	17,190,265	986,146	2,210,126	2,505,649		32,465,078
Net carrying amount, end of year	\$ 7,991,404	\$ 26,943,652	\$ 1,184,040	\$ 13,608,915	\$ 8,201,509	\$ 12,492,213	\$ 2,642,528	\$ 234,410	\$ 73,298,671

(Note 16)

	2011								
	Land and Site Improvements	Buildings	Equipment	Roads and Bridges	Water systems	Sewer systems	Vehicles	Construction in Progress	Total
Cost, beginning of year	\$ 7,820,362	\$ 34,287,806	\$ 2,137,442	\$ 26,892,707	\$ 6,674,206	\$ 14,160,468	\$ 4,800,141	\$ 4,834,424	\$101,607,556
Additions	46,308	53,831	48,024	2,490,036	2,627,497	613,440	759,700	(3,355,970)	3,282,866
Disposals	-	-	(52,997)	(234,008)	(114,048)	(71,569)	(253,652)		(726,274)
Cost, end of year	7,866,670	34,341,637	2,132,469	29,148,735	9,187,655	14,702,339	5,306,189	1,478,454	104,164,148
Accumulated amortization, beginning of year	315,747	6,818,564	841,545	16,459,596	802,333	1,870,875	2,481,195		29,589,855
Amortization	18,246	677,371	154,995	514,801	107,985	185,524	340,111		1,999,033
Disposals	-	-	(52,997)	(232,814)	(55,471)	(37,931)	(236,414)		(615,627)
Accumulated amortization, end of year	333,993	7,495,935	943,543	16,741,583	854,847	2,018,468	2,584,892		30,973,261
Net carrying amount, end of year	\$ 7,532,677	\$ 26,845,702	\$ 1,188,926	\$ 12,407,152	\$ 8,332,808	\$ 12,683,871	\$ 2,721,297	\$ 1,478,454	\$ 73,190,887

Included in additions are \$148,602 (2011 - \$46,308) in contributed capital assets that were recognized in the financial statements during the year. The cost of land included in land and site improvement is \$7,143,554 (2011 - \$7,021,909) and is not being amortized.

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

**December 31, 2012**

**7. Accumulated Surplus**

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

	<b>2012</b>	<b>2011</b>
Investment in tangible capital assets	<b>\$ 73,298,671</b>	<b>\$ 73,190,887</b>
Current Fund		
General area taxation	2,500	2,500
Police	197,333	319,091
Waste management	20,507	24,122
Waterworks and sewer systems	723,516	519,389
Coldwater Business Improvement Area (Schedule 1)	11,321	4,264
Libraries	89,444	84,597
	<b>1,044,621</b>	<b>953,963</b>
Amounts to be recovered	<b>(8,370,704)</b>	<b>(8,535,516)</b>
Reserves set aside for specific purposes by Council:		
Working funds	3,562,844	3,435,919
Election	68,000	50,500
Emergency planning	40,000	40,000
Parkland	100,298	186,849
Capital purposes	7,719,100	6,651,972
Severn Sound	50,000	-
Taxation	400,000	200,000
Administration	1,356,644	1,316,530
Fire protection	890,385	629,847
Water and sewer systems	479,171	473,186
Environment	288,233	284,633
Building department	24,497	24,191
Gravel pit restoration	115,817	114,370
Westshore	1,487,102	1,463,757
	<b>16,582,091</b>	<b>14,871,754</b>
	<b>\$ 82,554,679</b>	<b>\$ 80,481,088</b>

The balance available to offset future revenue requirements for the fiscal year ending December 31, 2012 has been decreased by an amount of \$1,026,925, transferred to reserves as authorized by by-law #2012-42 dated June 7, 2012. Had this decrease not been made the current fund balance would have shown a surplus of \$2,071,546.

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

**December 31, 2012**

**8. Other Income**

	2012	2012	(Note 16) 2011
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 410,000	\$ 396,271	\$ 405,359
Other fines and penalties	75,000	100,638	75,677
Licences, permits and fines	307,450	415,706	275,436
Donations	100	100	-
Gain on disposal of tangible capital assets	-	72,946	12,161
Other	12,000	17,599	13,095
	<b>\$ 804,550</b>	<b>\$ 1,003,260</b>	<b>\$ 781,728</b>

Losses on disposal of tangible capital assets amounted to \$146,662 (2011 - \$95,731) and are included in the other expense line in respect to the department they pertain to, resulting in a total net loss of \$73,716 (2011 - \$83,570).

**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 operations are the 2012 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, 2012, indicates the following:

	2012 Debt Charges	Total Outstanding Long-term Liabilities
Sewage system, 9.97%, due 2015	\$ 12,116	\$ 28,500

The above is not reflected in these consolidated financial statements.



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

**December 31, 2012**

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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 2012 operations and maintenance charges are as follows:

Coldwater sewer	\$ 213,556
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Effective January 1, 2010 the Township took over the operations of the Westshore water and sewer systems. 2013 operations and maintenance charges for the Coldwater sewer system are expected to be \$215,051 along with debt charges of \$12,116.

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**12. Post Retirement Benefits**

OMERS provides pension services to more than 428,947 active and retired members and approximately 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,122 million in respect of benefits accrued for service with actuarial assets at that date of \$59,198 million indicating an actuarial deficit of \$9,924 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 2012 were \$247,599 (2011 - \$195,793).

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

**December 31, 2012**

**13. Taxation**

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

	<b>2012</b>	<b>2011</b>
Taxation revenue	<b>\$ 20,878,972</b>	<b>\$ 19,780,143</b>
Amount levied and remitted to School Boards	<b>(6,300,684)</b>	<b>(6,088,366)</b>
Amount levied and remitted to the County of Simcoe	<b>(5,703,459)</b>	<b>(5,448,636)</b>
Available for general municipal purposes	<b>8,874,829</b>	<b>8,243,141</b>
Amounts written off during the year	<b>(59,898)</b>	<b>(96,880)</b>
	<b>\$ 8,814,931</b>	<b>\$ 8,146,261</b>

**14. Trust Funds**

The trust funds administered by the municipality amounting to \$108,513 (2011 - \$105,011) 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, 2012, the trusts fund balances are as follows:

	<b>2012</b>	<b>2011</b>
Cemetery Care and Maintenance funds	<b>\$ 97,809</b>	<b>\$ 94,359</b>
Cemetery pre-need	<b>7,036</b>	<b>7,030</b>
Other	<b>3,668</b>	<b>3,622</b>
	<b>\$ 108,513</b>	<b>\$ 105,011</b>

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

**December 31, 2012**

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**15. 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, 2012**

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**15. 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, 2012

### 15. Segmented Information (continued)

For the year ended December 31, 2012	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	2012 Total
Revenue	\$ -	\$ -	\$ 1,124,891	\$ -	\$ 403,114	\$ 53,178	\$ 1,325,938	\$ -	\$ 48,667	\$ -	\$ 6,364,102	\$ 8,814,931
Taxation	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	1,077,900	1,684,308
User fees and service charges	36,847	67,265	-	-	124,998	2,883,211	11,645	152,154	3,875	237,932	-	3,517,927
Investment income	194,354	7,967	-	-	1,447	5,985	3,600	-	1,251	-	-	214,604
Contributed assets	-	-	-	-	-	-	-	148,602	-	-	-	148,602
Other	469,740	4,540	-	517,315	-	-	-	11,565	100	-	-	1,003,260
	700,941	79,772	1,124,891	517,315	529,559	2,942,374	1,341,183	413,770	53,893	237,932	7,442,002	15,383,632
Expenses												
Salaries and wages	974,261	582,002	-	415,131	1,095,532	633,413	-	266,986	74,550	159,124	-	4,200,999
Materials and supplies	322,707	223,891	6,470	46,680	803,376	812,883	17,088	305,647	28,840	9,306	-	2,576,888
Contracted services	157,626	22,020	1,240,180	58,236	240,157	453,885	1,324,110	22,579	101,441	94,596	-	3,714,830
Rents and financial interest	12,050	-	-	-	31,837	-	-	-	-	-	-	43,887
Other	53,312	-	-	-	139,824	438,848	-	-	-	8,682	-	447,530
Amortization	84,494	198,224	-	7,036	867,662	833,204	-	126,569	15,582	-	-	193,136
	1,604,450	1,026,137	1,246,650	527,083	3,178,388	3,172,233	1,341,198	721,781	220,413	271,708	-	2,132,771
Net surplus (deficit)	\$ (903,509)	\$ (946,365)	\$ (121,759)	\$ (9,768)	\$ (2,648,829)	\$ (229,859)	\$ (15)	\$ (308,011)	\$ (166,520)	\$ (33,776)	\$ 7,442,002	\$ 2,073,591
	609,644	131,187	959,817	350,272	222,065	3,109,955	1,085,991	300,617	57,785	74,378	7,165,637	14,067,348
For the year ended December 31, 2011												
Revenue	\$ -	\$ -	\$ 959,817	\$ -	\$ 154,093	\$ 191,420	\$ 1,068,507	\$ -	\$ 52,444	\$ -	\$ 6,117,937	\$ 8,146,261
Taxation	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	1,047,700	1,504,208
User fees and service charges	36,430	124,093	-	-	55,511	2,908,019	10,125	183,299	4,014	74,378	-	3,395,869
Investment income	166,378	5,889	-	-	1,505	10,516	7,359	-	1,327	-	-	192,974
Contributed assets	-	-	-	-	-	-	-	46,308	-	-	-	46,308
Other	406,836	1,205	-	350,272	10,956	-	-	12,459	-	-	-	781,728
	609,644	131,187	959,817	350,272	222,065	3,109,955	1,085,991	300,617	57,785	74,378	7,165,637	14,067,348
Expenses												
Salaries and benefits	769,617	548,838	-	350,817	1,082,900	584,985	-	227,993	75,343	196,775	-	3,837,268
Materials and supplies	682,488	238,381	16,151	44,906	811,170	784,750	11,172	326,622	31,364	9,704	-	2,956,708
Contracted services	165,182	19,824	1,051,501	63,598	175,915	466,737	1,070,959	23,208	98,507	9,582	-	3,145,013
Rents and financial interest	13,476	-	-	-	80,036	-	-	-	150	-	-	93,662
Other	43,610	-	-	-	1,194	450,709	-	-	-	9,403	-	460,112
Amortization	79,522	213,386	-	-	777,417	94,538	-	124,117	-	-	-	139,342
	1,753,895	1,020,429	1,067,652	459,321	2,928,632	3,171,031	1,082,131	701,940	220,642	225,464	-	12,631,137
Net surplus (deficit)	\$ (1,144,251)	\$ (889,242)	\$ (107,835)	\$ (109,049)	\$ (2,706,567)	\$ (61,076)	\$ 3,860	\$ (401,323)	\$ (162,857)	\$ (151,086)	\$ 7,165,637	\$ 1,436,211

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

**December 31, 2012**

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**16. Comparative Amounts**

Certain comparative amounts for the prior year have been reclassified to conform to the current year financial statement presentation. Such reclassifications had no effect on the annual surplus or the accumulated surplus.



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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, 2012, 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 May 22, 2013 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 2012</b>	<b>2012</b>	<b>2011</b>
<b>Revenue</b>			
BIA Coldwater taxation	\$ 25,000	\$ 25,000	25,000
Other revenue	-	400	753
	<u>25,000</u>	<u>25,400</u>	<u>25,753</u>
<b>Expenses</b>			
Advertising	12,000	8,120	6,945
Beautification	7,000	4,418	9,064
Contingency	-	978	1,240
Insurance	1,000	-	1,000
Professional fees	2,000	2,000	2,000
Promotion and public relations	3,000	2,588	6,788
Taxes written off	-	239	232
	<u>25,000</u>	<u>18,343</u>	<u>27,269</u>
<b>Annual surplus (deficit)</b>	-	<b>7,057</b>	<b>(1,516)</b>
<b>Accumulated surplus, beginning of year</b>	-	<b>4,264</b>	<b>5,780</b>
<b>Accumulated surplus, end of the year</b>	<b>\$ -</b>	<b>\$ 11,321</b>	<b>\$ 4,264</b>





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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, 2012, 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 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, 2012, 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  
May 22, 2013

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

<b>December 31</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash	\$ 108,584	\$ 105,000
Due from Township	-	11
	<u>\$ 108,584</u>	<u>\$ 105,011</u>
<b>Liabilities</b>		
Due to Township	\$ 71	\$ -
<b>Fund Balance</b>	<u>108,513</u>	<u>105,011</u>
	<u>\$ 108,584</u>	<u>\$ 105,011</u>

**Statement of Financial Activities**

<b>For the year ended December 31</b>	<b>2012</b>	<b>2011</b>
<b>Fund balance, beginning of the year</b>	<u>\$ 105,011</u>	<u>\$ 102,232</u>
<b>Revenue</b>		
Sale of plots	3,450	2,000
Monuments placed	-	350
Interments prepaid	-	700
Bank interest	134	132
	<u>3,584</u>	<u>3,182</u>
<b>Expenses</b>		
Interments used	66	210
Transfer to general fund	16	193
	<u>82</u>	<u>403</u>
<b>Fund balance, end of the year</b>	<u>\$ 108,513</u>	<u>\$ 105,011</u>

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

**December 31, 2012**

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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 responsibility 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.

**The Corporation of the  
Township of Severn  
Library Board  
Financial Statements  
For the year ended December 31, 2012**

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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 Corporation of the Township of Severn Library Board, which comprise the statement of financial position as at December 31, 2012 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 organization'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 Corporation of the Township of Severn Library Board as at December 31, 2012 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  
May 22, 2013

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**The Corporation of the Township of Severn Library Board**  
**Statement of Financial Position**

<b>December 31</b>	<b>2012</b>	<b>2011</b>
<b>Financial assets</b>		
Cash	\$ 113,975	\$ 61,333
Grants receivable	<u>25,342</u>	<u>25,342</u>
	<b>139,317</b>	<b>86,675</b>
<b>Liabilities</b>		
Due to the Corporation of the Township of Severn	<u>49,873</u>	<u>2,078</u>
<b>Net financial assets</b>	<b>89,444</b>	<b>84,597</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 2)	<u>108,039</u>	<u>110,580</u>
<b>Accumulated surplus (Note 3)</b>	<b>\$ 197,483</b>	<b>\$ 195,177</b>

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

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

<b>For the year ended December 31</b>	(Note 4) Budget 2012	Actual 2012	Actual 2011
<b>Revenue</b>			
Township of Severn contribution	\$ 168,828	\$ 168,828	\$ 158,568
Province of Ontario grant	25,342	25,342	30,230
Township of Oro-Medonte contribution	19,000	19,000	18,000
Industry Canada Grant	4,000	4,325	4,214
Fines	1,500	1,660	1,929
Miscellaneous	1,400	2,215	1,941
Interest	500	1,251	1,327
Donations	100	100	143
	220,670	222,721	216,352
<b>Expenses</b>			
Amortization of tangible capital assets	16,000	15,582	15,278
Bank charges and interest	-	-	150
Equipment	-	739	5,861
General and office	6,825	8,370	5,444
Insurance	2,300	2,313	2,253
Library contract	99,825	99,825	97,390
Professional fees	700	700	700
Repairs and maintenance	3,975	4,120	5,544
Supplies	5,845	7,461	5,208
Telephone	1,750	1,637	1,648
Utilities	5,300	4,244	5,003
Wages and benefits	80,150	75,424	74,303
	222,670	220,415	218,782
<b>Annual surplus (deficit)</b>	(2,000)	2,306	(2,430)
<b>Accumulated surplus, beginning of year</b>	195,177	195,177	197,607
<b>Accumulated surplus, end of year</b>	\$ 193,177	\$ 197,483	\$ 195,177

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

**The Corporation of the Township of Severn Library Board**  
**Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2012</b>	<b>2011</b>
<b>Operating transactions</b>		
Annual surplus (deficit)	\$ 2,306	\$ (2,430)
Items not involving cash		
Amortization of tangible capital assets	15,582	15,278
Changes in non-cash operating balances		
Grants receivable	-	(25,342)
	<u>17,888</u>	<u>(12,494)</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<u>(13,041)</u>	<u>(7,806)</u>
<b>Investing transactions</b>		
Due to the Corporation of the Township of Severn	<u>47,795</u>	<u>(12,585)</u>
<b>Net change in cash</b>	<b>52,642</b>	<b>(32,885)</b>
<b>Cash, beginning of year</b>	<u>61,333</u>	<u>94,218</u>
<b>Cash, end of year</b>	<b>\$ 113,975</b>	<b>\$ 61,333</b>



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# The Corporation of the Township of Severn Library Board

## Summary of Significant Accounting Policies

December 31, 2012

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<b>Nature of Business</b>	The organization provides library services to the general public.								
<b>Basis of Accounting</b>	<p>Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.</p> <p>The statement of financial position reflects all of the financial assets and liabilities of the organization. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations.</p> <p>The accumulated surplus represents the financial position of the organization, and is the difference between its assets and liabilities. This provides information about the organization's overall future revenue requirements and its ability to finance activities and meets its obligations.</p>								
<b>Non-financial Assets</b>	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 change in net financial assets for the year.								
<b>Tangible Capital Assets</b>	<p>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:</p> <table><tr><td>Buildings</td><td>15 - 40 years</td></tr><tr><td>Books</td><td>7 years</td></tr><tr><td>Computer equipment</td><td>7 years</td></tr><tr><td>Furniture and equipment</td><td>10 years</td></tr></table>	Buildings	15 - 40 years	Books	7 years	Computer equipment	7 years	Furniture and equipment	10 years
Buildings	15 - 40 years								
Books	7 years								
Computer equipment	7 years								
Furniture and equipment	10 years								
<b>Government Transfers</b>	Government transfers, which include legislative grants, are recognized in the consolidated 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.								

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# The Corporation of the Township of Severn Library Board

## Summary of Significant Accounting Policies

December 31, 2012

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<b>Revenue Recognition</b>	User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.
<b>Contributed Materials and Services</b>	Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of the contribution, if fair value can be reasonably estimated.
<b>Post Retirement Benefits</b>	The Corporation of the Township of Severn 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.
<b>Use of Estimates</b>	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 determination of allowance for doubtful accounts, if any, and 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.

# The Corporation of the Township of Severn Library Board

## Notes to Financial Statements

December 31, 2012

### 1. Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Corporation of the Township of Severn Library Board's ("Library Board") management and have been prepared in accordance with PSA. A summary of significant accounting policies is provided in these financial statements. The preparation of the financial statements involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Library Board's 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 regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

### 2. Tangible Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 5,067	\$ -	\$ 5,067	\$ -
Buildings	96,913	66,915	101,856	64,644
Books	69,361	39,356	67,567	38,880
Computer equipment	19,042	12,673	15,893	10,876
Furniture and equipment	90,053	53,453	85,110	50,513
	<b>\$ 280,436</b>	<b>\$ 172,397</b>	<b>\$ 275,493</b>	<b>\$ 164,913</b>
Net book value		<b>\$ 108,039</b>		<b>\$ 110,580</b>

### 3. Accumulated Surplus

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

	2012	2011
Investment in tangible capital assets	\$ 108,039	\$ 110,580
Surplus	89,444	84,597
	<b>\$ 197,483</b>	<b>\$ 195,177</b>

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

Reserve funds represent funds set aside by by-law or council resolution for specific purposes.

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## The Corporation of the Township of Severn Library Board

### Notes to Financial Statements

**December 31, 2012**

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#### 4. Budget

The Financial Plan (Budget) By-Law adopted by Council on June 7, 2012 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 the use of short-term funding to fund current year expenses in excess of current year revenues. In addition, the budget excluded amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Corporation of the Township of Severn Public Library Board on June 7, 2012 with adjustments as follows:

Financial Plan (Budget) Bylaw surplus for the year	\$	-
Add:		
Capital expenditures		14,000
Less:		
Amortization of tangible capital assets		<u>16,000</u>
Budgeted deficit per statement of operations	\$	<u>(2,000)</u>

Under Canadian public sector accounting standards, budget amounts are to be reported on the statement of operations for comparative purposes. The 2012 budget amounts for the Corporation of the Township of Severn Library Board approved by the council have been restated to conform to the basis of preparation of the revenues and expenses on the statement of operations.

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#### 5. Post Retirement Benefits

OMERS provides pension services to more than 428,947 active and retired members and approximately 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,122 million in respect of benefits accrued for service with actuarial assets at that date of \$59,198 million indicating an actuarial deficit of \$9,924 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 Library Board to OMERS for 2012 were \$4,086 (2011 - \$3,549).

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