



**The Corporation of the
Township of Severn**
Consolidated Financial Statements
For the year ended December 31, 2013

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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 Collins Barrow Kawarthas LLP, independent external auditors appointed by the Township. The accompanying Independent 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/Treasurer

INDEPENDENT AUDITORS' REPORT**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Severn***Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Severn and its local boards, which comprise the consolidated statement of financial position as at December 31, 2013, 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 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls 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 controls. 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Township of Severn and its local boards as at December 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

The consolidated financial statements of the Corporation of the Township of Severn and its local boards for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2013.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants

Peterborough, Ontario
June 5, 2014

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

December 31	2013	2012
Financial assets		
Cash (Note 1)	\$ 22,554,455	\$ 19,723,639
Taxes receivable	2,679,785	2,649,539
Accounts receivable	826,975	1,305,938
Inventories for resale	9,797	14,451
Long-term receivables (Note 2)	137,086	126,809
	26,208,098	23,820,376
Liabilities		
Accounts payable and accrued liabilities	1,461,811	1,254,266
Other current liabilities	797,823	494,673
Deferred revenue (Note 4)	5,358,184	4,440,617
Long-term debt (Note 5)	8,208,096	8,374,812
	15,825,914	14,564,368
Net financial assets	10,382,184	9,256,008
Non-financial assets		
Tangible capital assets (Note 6)	74,185,839	73,298,671
Accumulated surplus (Note 7)	\$ 84,568,023	\$ 82,554,679

Contingencies (Note 10)

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 2013	2013	2012
	(Note 16)		(Note 18)
Revenue			
Taxation (Note 14)	\$ 7,785,639	\$ 7,862,931	\$ 8,814,931
Government grants - Federal	369,020	84,062	244,849
Government grants - Provincial	1,214,724	1,238,190	1,310,287
Government grants - Municipal	49,380	40,609	120,449
User fees and service charges	3,850,899	3,546,995	3,526,650
Investment income	150,600	249,677	214,604
Contributed assets	-	270,564	148,602
Other (Note 8)	808,550	945,353	1,003,260
	14,228,812	14,238,381	15,383,632
Expenses			
General government	1,724,635	1,624,604	1,604,450
Fire department	1,195,588	1,095,923	1,026,137
Police services	1,369,287	1,314,038	1,246,650
Protective inspection and control	562,972	529,959	527,083
Transportation services	3,248,460	3,165,632	3,178,388
Water and sewer	3,487,983	3,250,297	3,172,233
Environmental services	16,500	14,269	1,341,198
Parks and recreation	843,720	755,405	721,781
Library and culture	233,166	231,259	220,413
Planning and development	308,811	243,651	271,708
	12,991,122	12,225,037	13,310,041
Annual surplus	1,237,690	2,013,344	2,073,591
Accumulated surplus, beginning of year	82,554,679	82,554,679	80,481,088
Accumulated surplus, end of year	\$ 83,792,369	\$ 84,568,023	\$ 82,554,679

**The Corporation of the
Township of Severn**

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2013	2013	2012
	(Note 16)		
Annual surplus	\$ 1,237,690	\$ 2,013,344	\$ 2,073,591
Acquisition of tangible capital assets	(3,312,500)	(3,138,511)	(2,467,905)
Amortization of tangible capital assets	2,143,000	2,203,883	2,132,770
Net loss(gain) on disposal of tangible capital assets	-	(60,205)	73,716
Proceeds on disposal of tangible capital assets	362,000	107,665	153,635
Net change in net financial assets	430,190	1,126,176	1,965,807
Net financial assets, beginning of year	9,256,008	9,256,008	7,290,201
Net financial assets, end of year	\$ 9,686,198	\$ 10,382,184	\$ 9,256,008

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

For the year ended December 31	2013	2012
Operating transactions		
Annual surplus	\$ 2,013,344	\$ 2,073,591
Items not involving cash		
Amortization of tangible capital assets	2,203,883	2,132,770
Net loss (gain) on disposal of tangible capital assets	(60,205)	73,716
Changes in non-cash operating balances		
Taxes receivable	(30,246)	(178,972)
Accounts receivable	478,963	991,118
Inventories for resale	4,654	22,519
Long term receivables	(10,277)	10,901
Accounts payable and accrued liabilities	207,545	(434,698)
Other current liabilities	303,150	(283,850)
Deferred revenue	917,567	634,982
	<u>6,028,378</u>	<u>5,042,077</u>
Capital transactions		
Acquisition of tangible capital assets	(3,138,511)	(2,467,905)
Proceeds on disposal of tangible capital assets	107,665	153,635
	<u>(3,030,846)</u>	<u>(2,314,270)</u>
Financing transactions		
Proceeds from issuance of long-term debt	29,300	-
Repayment of long-term debt	(196,016)	(177,564)
	<u>(166,716)</u>	<u>(177,564)</u>
Net change in cash	2,830,816	2,550,243
Cash, beginning of year	<u>19,723,639</u>	<u>17,173,396</u>
Cash, end of year (Note 1)	<u>\$ 22,554,455</u>	<u>\$ 19,723,639</u>

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

December 31, 2013

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 the 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.

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

December 31, 2013

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.

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

December 31, 2013

Government Transfers	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.
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	<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>
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.

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

December 31, 2013

1. Cash

	<u>2013</u>	<u>2012</u>
Unrestricted	\$ 17,196,271	\$ 15,283,022
Restricted	<u>5,358,184</u>	<u>4,440,617</u>
	<u>\$ 22,554,455</u>	<u>\$ 19,723,639</u>

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

	<u>2013</u>	<u>2012</u>
Due from County of Simcoe	\$ 274,583	\$ 274,583
Tile drainage loans	<u>137,059</u>	<u>126,782</u>
	411,642	401,365
Less: Allowance for doubtful accounts	<u>(274,556)</u>	<u>(274,556)</u>
	<u>\$ 137,086</u>	<u>\$ 126,809</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. During 2011 it was determined that the landfill site rebates were considered to be uncollectible and an allowance for doubtful amounts for the full amount due from the County with respect to the landfill site was recorded.

The tile drainage loans have interest rates of 6% and are due from 2015 to 2023.

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, 2013 no amounts have been drawn relating to the credit facility.

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

December 31, 2013

4. Deferred Revenue - Obligatory Reserve Funds

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 654,429	\$ 369,020	\$ 7,475	\$ (84,062)	\$ 946,862
Development charges	3,273,233	728,573	37,387	(192,860)	3,846,333
Recreational land	512,955	46,175	5,859	-	564,989
	<u>\$ 4,440,617</u>	<u>\$ 1,143,768</u>	<u>\$ 50,721</u>	<u>\$ (276,922)</u>	<u>\$ 5,358,184</u>

Federal gas tax

The Ministry of Transportation requires the Municipality to include unspent gas tax funding in an obligatory reserve fund which is reported as deferred revenue. The funding and interest earned in the obligatory reserve fund 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, 2013

5. Long-term Debt

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

	2013	2012
Ontario Strategic Infrastructure Financing Authority Debenture, 5.28%, repayable \$305,092 semi-annually, due August 2036	\$ 8,071,037	\$ 8,248,030
Tile drainage loans, interest rate of 6%, annual payments ranging from \$3,206 to \$6,793 per year, due 2015 to 2023	137,059	126,782
	\$ 8,208,096	\$ 8,374,812

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

2014	\$ 208,849
2015	220,168
2016	226,217
2017	238,445
2018	253,528
Thereafter	7,060,889
	\$ 8,208,096

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 \$440,797 (2012 - \$450,379).

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

December 31, 2013

6. Tangible Capital Assets

	2013								
	Land and Site Improvements	Buildings	Equipment	Roads and Bridges	Water systems	Sewer systems	Vehicles	Construction in progress	Total
Cost, beginning of year	\$ 8,347,082	\$ 8,968,282	\$ 1,450,480	\$ 31,144,758	\$ 21,953,685	\$ 28,516,876	\$ 5,148,177	\$ 234,410	\$ 105,763,750
Additions	218,867	396,116	169,704	1,902,226	214,349	80,444	385,255	(228,450)	3,138,511
Disposals	-	-	(151,822)	(154,129)	-	-	(379,258)	-	(685,209)
Cost, end of year	8,565,949	9,364,398	1,468,362	32,892,855	22,168,034	28,597,320	5,154,174	5,960	108,217,052
Accumulated amortization, beginning of year	355,678	3,883,010	766,195	17,349,126	3,901,751	3,703,671	2,505,648	-	32,465,079
Amortization	25,907	229,914	128,160	679,835	403,427	413,429	323,211	-	2,203,883
Disposals	-	-	(148,895)	(154,126)	-	-	(334,728)	-	(637,749)
Accumulated amortization, end of year	381,585	4,112,924	745,460	17,874,835	4,305,178	4,117,100	2,494,131	-	34,031,213
Net carrying amount, end of year	\$ 8,184,364	\$ 5,251,474	\$ 722,902	\$ 15,018,020	\$ 17,862,856	\$ 24,480,220	\$ 2,660,043	\$ 5,960	\$ 74,185,839

(Note 18)

	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	\$ 8,956,276	\$ 1,384,337	\$ 29,475,313	\$ 21,547,270	\$ 28,149,640	\$ 5,306,189	\$ 1,478,454	\$ 104,164,149
Additions	511,906	12,006	138,888	1,904,512	406,415	367,236	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	8,968,282	1,450,480	31,144,758	21,953,685	28,516,876	5,148,177	234,410	105,763,750
Accumulated amortization, beginning of year	333,993	3,655,342	708,445	16,889,241	3,503,703	3,297,645	2,584,892	-	30,973,261
Amortization	21,685	227,668	123,657	599,608	398,048	406,026	356,078	-	2,132,770
Disposals	-	-	(65,907)	(139,723)	-	-	(435,322)	-	(640,952)
Accumulated amortization, end of year	355,678	3,883,010	766,195	17,349,126	3,901,751	3,703,671	2,505,648	-	32,465,079
Net carrying amount, end of year	\$ 7,991,404	\$ 5,085,272	\$ 684,285	\$ 13,795,632	\$ 18,051,934	\$ 24,813,205	\$ 2,642,529	\$ 234,410	\$ 73,298,671

Included in additions are \$270,564 (2012 - \$148,602) 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 \$7,320,586 (2012 - \$7,143,554) and is not being amortized.

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

December 31, 2013

7. Accumulated Surplus

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

	2013	2012
Investment in tangible capital assets		
Tangible capital assets - net book value	\$ 74,185,839	\$ 73,298,671
Long Term Debt - amounts to be recovered	(8,191,903)	(8,370,704)
	65,993,936	64,927,967
Current Fund		
General area taxation	2,500	2,500
Police	188,919	197,333
Waste management	-	20,507
Waterworks and sewer systems	879,597	723,516
Coldwater Business Improvement Area (Schedule 1)	15,887	11,321
Libraries	95,534	89,444
	1,182,437	1,044,621
Reserves set aside for specific purposes by Council:		
Working funds	3,570,228	3,562,844
Election	85,500	68,000
Emergency planning	40,000	40,000
Parkland	105,298	100,298
Capital purposes	7,896,399	7,719,100
Severn Sound	50,000	50,000
Taxation	500,000	400,000
Administration	1,408,841	1,356,644
Fire protection	1,248,052	890,385
Water and sewer systems	644,036	479,171
Environment	312,033	288,233
Building department	24,777	24,497
Gravel pit restoration	117,140	115,817
Westshore	1,389,346	1,487,102
	17,391,650	16,582,091
	\$ 84,568,023	\$ 82,554,679

The balance available to offset future revenue requirements for the fiscal year ending December 31, 2013 has been decreased by an amount of \$607,384, transferred to reserves as authorized by by-law #2013-42 dated May 2, 2013. Had this decrease not been made the current fund balance would have shown a surplus of \$1,789,821.

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

December 31, 2013

8. Other Revenue

	(Note 16) 2013	2013	2012
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 410,000	\$ 390,268	\$ 396,271
Other fines and penalties	75,000	108,454	100,638
Licences, permits and fines	312,450	370,667	415,706
Donations	100	110	100
Gain on disposal of tangible capital assets	-	64,656	72,946
Other	11,000	11,198	17,599
	\$ 808,550	\$ 945,353	\$ 1,003,260

Losses on disposal of tangible capital assets amounted to \$4,452 (2012 - \$146,662) and are included in the other expense line in respect to the department they pertain to, resulting in a total net gain/(loss) of \$60,205 (2012 - (\$73,716)).

9. Expenses by Object

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	(Note 16) Budget 2013	Actual 2013	Actual 2012
Expenses			
Salaries and wages	\$ 4,672,794	\$ 4,417,637	\$ 4,200,999
Materials and supplies	3,016,135	2,627,303	2,608,725
Contracted services	2,474,719	2,489,396	3,714,830
Rents and financial	15,950	9,544	12,050
Interest	618,524	437,297	447,530
Other	50,000	39,977	193,136
Amortization	2,143,000	2,203,883	2,132,771
	\$ 12,991,122	\$ 12,225,037	\$ 13,310,041

10. 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.

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

December 31, 2013

11. 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 2013 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, 2013, indicates the following:

	2013 Debt Charges	Total Outstanding Long-term Liabilities
Sewage system, 9.97%, due 2015	\$ 12,116	\$ 18,995

The above is not reflected in these consolidated financial statements.

12. 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 2013 operations and maintenance charges are as follows:

Coldwater sewer	\$ 215,051
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Effective January 1, 2010 the Township took over the operations of the Westshore water and sewer systems. 2014 operations and maintenance charges for the Coldwater sewer system are expected to be \$217,416 along with debt charges of \$12,116.

13. Post Retirement Benefits

OMERS provides pension services to almost 440,000 active and retired members and 982 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, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,005 (2012 - \$69,122) million in respect of benefits accrued for service with actuarial assets at that date of \$64,363 (2012 - \$59,198) million indicating an actuarial deficit of \$8,641 (2012 - \$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 2013 were \$282,312 (2012 - \$247,599).

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

December 31, 2013

14. Taxation

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

	2013	2012
Taxation revenue	\$ 21,117,506	\$ 20,878,972
Amount levied and remitted to School Boards	(6,251,496)	(6,300,684)
Amount levied and remitted to the County of Simcoe	(6,953,762)	(5,703,459)
Available for general municipal purposes	7,912,248	8,874,829
Amounts written off during the year	(49,317)	(59,898)
	\$ 7,862,931	\$ 8,814,931

15. Trust Funds

The trust funds administered by the municipality amounting to \$109,675 (2012 - \$108,513) 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, 2013, the trusts fund balances are as follows:

	2013	2012
Cemetery Care and Maintenance funds	\$ 99,859	\$ 97,809
Cemetery pre-need	6,102	7,036
Other	3,714	3,668
	\$ 109,675	\$ 108,513

16. Budget Figures

The budget, approved by the Township, for 2013 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.

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

December 31, 2013

17. 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 activities of Council and the general financial and administrative management of the Municipality.

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, streetlight systems and cemeteries.

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.

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

December 31, 2013

17. 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, 2013

17. Segmented Information (continued)

For the year ended December 31, 2013	Protective inspection and control										2013 Total
	General government	Fire department	Police services	Transportation services	Water and sewer	Environmental services	Parks and recreation	Library and cultural	Planning and development	Unallocated	
Revenue											
Taxation (Note 14)	\$ 24,782	\$ -	\$ 1,305,625	\$ -	\$ 84,102	\$ 1,426	\$ 21,229	\$ 46,625	\$ -	\$ 6,555,880	\$ 7,862,931
Grants				189,138					7,385	989,600	1,362,861
User fees and service charges	33,754	87,644	-	51,084	2,927,726	11,095	172,844	3,181	259,667	-	3,546,995
Investment income	227,534	10,170	-	1,323	5,473	3,292	-	1,885	-	-	249,677
Contributed assets							270,564				270,564
Other (Note 8)	394,274	-	-	64,656	-	-	9,652	110	-	-	945,353
	680,344	97,814	1,305,625	306,201	3,017,301	15,813	474,289	51,801	267,052	7,545,480	14,238,381
Expenses											
Salaries and wages	1,027,180	633,832	-	1,189,148	625,982	-	273,569	86,010	149,375	-	4,417,637
Materials and supplies	313,409	257,025	26,117	772,651	870,807	14,269	307,763	27,231	7,306	-	2,627,303
Contracted services	146,482	21,701	1,287,921	271,213	474,501	-	43,824	103,811	79,363	-	2,489,396
Rents and financial	9,544	-	-	-	-	-	-	-	-	-	9,544
Interest	-	-	-	-	429,690	-	-	-	7,607	-	437,297
Other	35,525	1,525	-	-	2,927	-	-	-	-	-	39,977
Amortization	92,464	181,840	-	6,113	846,390	-	130,249	14,207	-	-	2,203,883
	1,624,604	1,095,923	1,314,038	529,959	3,250,297	14,269	755,405	231,259	243,651	-	12,225,037
Net surplus (deficit)	\$ (944,260)	\$ (998,109)	\$ (8,413)	\$ (53,298)	\$ (232,996)	\$ 1,544	\$ (281,116)	\$ (179,458)	\$ 23,401	\$ 7,545,480	\$ 2,013,344

For the year ended December 31, 2012	Protective inspection and control										(Note 18) 2012 Total
	General government	Fire department	Police services	Transportation services	Water and sewer	Environmental services	Parks and recreation	Library and cultural	Planning and development	Unallocated	
Revenue											
Taxation (Note 14)	\$ -	\$ -	\$ 1,124,891	\$ -	\$ 44,455	\$ 1,325,938	\$ 101,449	\$ 48,667	\$ -	\$ 6,364,102	\$ 8,814,931
Grants				403,114						1,077,900	1,675,585
User fees and service charges	36,847	67,265	-	124,998	2,891,934	11,645	152,154	3,875	237,932	-	3,526,650
Investment income	194,354	7,967	-	1,447	5,985	3,600	-	1,251	-	-	214,604
Contributed assets							148,602				148,602
Other (Note 8)	469,740	4,540	-	517,315	-	-	11,565	100	-	-	1,003,260
	700,941	79,772	1,124,891	529,559	2,942,374	1,341,183	413,770	53,893	237,932	7,442,002	15,383,632
Expenses											
Salaries and benefits	974,261	582,002	-	1,095,532	633,413	-	266,986	74,550	159,124	-	4,200,999
Materials and supplies	322,707	223,891	6,470	835,213	812,863	17,088	305,647	28,840	9,306	-	2,608,725
Contracted services	157,626	22,020	1,240,180	240,157	453,885	1,324,110	22,579	101,441	94,596	-	3,714,830
Rents and financial	12,050	-	-	-	-	-	-	-	-	-	12,050
Interest	-	-	-	-	438,848	-	-	-	8,682	-	447,530
Other	53,312	198,224	-	139,824	833,204	-	-	-	-	-	193,136
Amortization	84,494	1,026,137	1,246,650	867,662	3,172,233	1,341,198	751,781	220,413	271,708	-	13,310,041
	1,604,450	1,026,137	1,246,650	527,083	3,172,233	1,341,198	751,781	220,413	271,708	-	13,310,041
Net surplus (deficit)	\$ (903,509)	\$ (946,365)	\$ (121,759)	\$ (9,788)	\$ (229,859)	\$ (15)	\$ (308,011)	\$ (166,520)	\$ (33,776)	\$ 7,442,002	\$ 2,073,591

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

December 31, 2013

18. 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.

AUDITORS' COMMENTS ON SUPPLEMENTARY FINANCIAL INFORMATION

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

The audited consolidated financial statements of the Corporation of the Township of Severn as at December 31, 2013 and our report thereon dated June 5, 2014 are presented in the preceding section. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the consolidated financial statements and, in our opinion, it is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

We have audited the consolidated financial statements of the Corporation of the Township of Severn, which comprise the statement of financial position as at December 31, 2013, the consolidated statement 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, and have issued our report thereon dated June 5, 2014. The audit was performed to form an opinion on the consolidated financial statements as a whole. The supplementary information 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 prepared 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 consolidated financial statements or to the consolidated financial statements themselves.

Other Matters

The consolidated financial statements of the Corporation of the Township of Severn for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2013.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants

Peterborough, Ontario
June 5, 2014

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

For the year ended December 31	Budget 2013	2013	2012
Revenue			
BIA Coldwater taxation	\$ 25,000	\$ 25,000	25,000
Other revenue	-	1,640	400
	<u>25,000</u>	<u>26,640</u>	<u>25,400</u>
Expenses			
Advertising	9,500	7,566	8,120
Beautification	8,420	9,593	4,418
Contingency	280	434	978
Insurance	1,000	953	-
Professional fees	2,000	-	2,000
Promotion and public relations	3,800	3,271	2,588
Taxes written off	-	257	239
	<u>25,000</u>	<u>22,074</u>	<u>18,343</u>
Annual surplus (deficit)	-	4,566	7,057
Accumulated surplus, beginning of year	-	11,321	4,264
Accumulated surplus, end of the year	\$ -	\$ 15,887	\$ 11,321

INDEPENDENT AUDITORS' REPORT**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Severn***Report on the Financial Statements*

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, 2013, 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls 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 controls. 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, these 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, 2013 and the results of its financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

The financial statements of the Trust Funds of the Corporation of the Township of Severn for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2013.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants

Peterborough, Ontario
June 5, 2014

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

December 31	2013	2012
Assets		
Cash	\$ 109,664	\$ 108,584
Due from Township	11	-
	<u>\$ 109,675</u>	<u>\$ 108,584</u>
Liabilities		
Due to Township	\$	\$ 71
	-	71
Fund Balance	<u>109,675</u>	<u>108,513</u>
	<u>\$ 109,675</u>	<u>\$ 108,584</u>

Statement of Financial Activities

For the year ended December 31	2013	2012
Fund balance, beginning of the year	<u>\$ 108,513</u>	<u>\$ 105,011</u>
Revenue		
Sale of plots	1,500	3,450
Monuments placed	400	-
Interments	150	-
Bank interest	132	134
	<u>2,182</u>	<u>3,584</u>
Expenses		
Interments used	732	66
Transfer to general fund	288	16
	<u>1,020</u>	<u>82</u>
Fund balance, end of the year	<u>\$ 109,675</u>	<u>\$ 108,513</u>

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

December 31, 2013

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, 2013**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Library Board of the Corporation of the Township of Severn, which comprise the statement of financial position as at December 31, 2013, the statements of operations and accumulated surplus, change in net financial assets 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 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls 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 controls. 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, these financial statements present fairly, in all material respects, the financial position of the Library Board as at December 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

The financial statements of the Library Board for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2013.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants

Peterborough, Ontario
June 5, 2014

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

December 31	2013	2012
Financial assets		
Cash	\$ 189,314	\$ 113,975
Grants receivable	-	25,342
	<u>189,314</u>	<u>139,317</u>
Liabilities		
Due to the Corporation of the Township of Severn	<u>93,780</u>	<u>49,873</u>
Net financial assets	95,534	89,444
Non-financial assets		
Tangible capital assets (Note 2)	<u>197,821</u>	<u>108,039</u>
Accumulated surplus (Note 3)	\$ 293,355	\$ 197,483

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

For the year ended December 31	(Note 4) Budget 2013	Actual 2013	Actual 2012
Revenue			
Township of Severn operating contribution	\$ 181,844	\$ 181,844	\$ 168,828
Township of Severn capital contribution	-	93,487	-
Province of Ontario grant	25,342	27,245	25,342
Township of Oro-Medonte contribution	19,380	19,380	19,000
Industry Canada Grant	-	-	4,325
Fines	1,500	1,014	1,660
Miscellaneous	1,400	2,167	2,215
Interest	600	1,885	1,251
Donations	100	110	100
	230,166	327,132	222,721
Expenses			
Amortization of tangible capital assets	14,000	14,207	15,582
Donations	-	2,000	-
Equipment	-	287	739
General and office	7,825	5,760	8,370
Insurance	1,600	1,524	2,313
Library contract	102,325	102,320	99,825
Professional fees	700	700	700
Repairs and maintenance	4,175	3,931	4,120
Supplies	5,845	6,627	7,461
Telephone	1,750	1,702	1,637
Training	1,000	1,372	874
Utilities	5,300	4,820	4,244
Wages and benefits	88,646	86,010	74,550
	233,166	231,260	220,415
Annual surplus	(3,000)	95,872	2,306
Accumulated Annual surplus, beginning of year	197,483	197,483	195,177
Accumulated surplus, end of year	\$ 194,483	\$ 293,355	\$ 197,483

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 Change in Net Financial Assets

For the year ended December 31	(Note 4) Budget 2013	2013	2012
Annual surplus	\$ (3,000)	\$ 95,872	\$ 2,306
Acquisition of tangible capital assets	(11,000)	(103,989)	(13,041)
Amortization of tangible capital assets	14,000	14,207	15,582
Net change in net financial assets	-	6,090	4,847
Net financial assets, beginning of year	89,444	89,444	84,597
Net financial assets, end of year	\$ 89,444	\$ 95,534	\$ 89,444

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

For the year ended December 31	2013	2012
Operating transactions		
Annual surplus	\$ 95,872	\$ 2,306
Items not involving cash		
Amortization of tangible capital assets	14,207	15,582
Changes in non-cash operating balances		
Grants receivable	<u>25,342</u>	-
	<u>135,421</u>	<u>17,888</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(103,989)</u>	<u>(13,041)</u>
Investing transactions		
Due to the Corporation of the Township of Severn	<u>43,907</u>	<u>47,795</u>
Net change in cash	75,339	52,642
Cash, beginning of year	<u>113,975</u>	<u>61,333</u>
Cash, end of year	\$ 189,314	\$ 113,975

The Corporation of the Township of Severn Library Board Summary of Significant Accounting Policies

December 31, 2013

Nature of Business	The organization provides library services to the general public.								
Basis of Accounting	<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>								
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 change in net financial assets for the year.								
Tangible Capital Assets	<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								
Government Transfers	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.								

The Corporation of the Township of Severn Library Board Summary of Significant Accounting Policies

December 31, 2013

Revenue Recognition	User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.
Contributed Materials and Services	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.
Post Retirement Benefits	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.
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 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, 2013

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 the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. 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

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 5,067	\$ -	\$ 5,067	\$ -
Buildings	278,803	123,877	185,316	118,944
Books	70,442	38,618	69,361	39,356
Computer equipment	13,800	8,513	19,041	12,673
Furniture and equipment	1,651	934	1,651	1,424
	\$ 369,763	\$ 171,942	\$ 280,436	\$ 172,397
Net book value		\$ 197,821		\$ 108,039

3. Accumulated Surplus

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

	2013	2012
Investment in tangible capital assets	\$ 197,821	\$ 108,039
Surplus	95,534	89,444
	\$ 293,355	\$ 197,483

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

The Corporation of the Township of Severn Library Board Notes to Financial Statements

December 31, 2013

4. Budget

The Financial Plan (Budget) adopted by the Board 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 May 2, 2013 with adjustments as follows:

Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	11,000
Less:	
Amortization of tangible capital assets	<u>14,000</u>
Budgeted deficit per statement of operations	<u>\$ (3,000)</u>

Under Canadian public sector accounting standards (PSAB), budget amounts are to be reported on the statement of operations for comparative purposes. The 2013 budget amounts for the Corporation of the Township of Severn Library Board approved by the board have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.

5. Post Retirement Benefits

OMERS provides pension services to almost 440,000 active and retired members and 982 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 \$73,005 (2012 - \$69,122) million in respect of benefits accrued for service with actuarial assets at that date of \$64,363 (2012 - \$59,198) million indicating an actuarial deficit of \$8,641 (2012 - \$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 2013 were \$5,538 (2012 - \$4,086).
