

**The Corporation of the  
Township of Severn**  
Consolidated Financial Statements  
For the year ended December 31, 2018

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# TOWNSHIP OF SEVERN

THE CORPORATION OF THE TOWNSHIP OF SEVERN

## 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 Baker Tilly KDN LLP, independent external auditor 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.



Director of Corporate Services/Treasurer



Mayor



**Baker Tilly KDN LLP**  
272 Charlotte St.  
Peterborough, ON  
Canada K9J 2V4

## **INDEPENDENT AUDITOR'S REPORT**

**T: (705) 742-3418**  
**F: (705) 742-9775**

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

[www.bakertilly.ca](http://www.bakertilly.ca)

#### *Opinion*

We have audited the consolidated financial statements of the Corporation of the Township of Severn and its local boards (the Township), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Matter*

The financial statements of the Township as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Township's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township's financial reporting process.

ASSURANCE • TAX • ADVISORY

*Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.*

Peterborough

Courtice

Lindsay

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*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Township to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Baker Tilly KDN LLP***

Chartered Professional Accountants  
Licensed Public Accountants

Peterborough, Ontario  
August 14, 2019

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

<b>December 31</b>	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>		
Cash (Note 2)	\$ 31,065,587	\$ 28,967,115
Taxes receivable	1,796,452	1,996,533
Accounts receivable	1,388,494	1,025,608
Inventories for resale	8,343	3,003
Long-term receivables (Note 3)	61,313	73,941
	<u>34,320,189</u>	<u>32,066,200</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,866,377	1,799,939
Other liabilities	1,280,114	1,237,061
Deferred revenue (Note 5)	5,856,394	5,488,853
Long-term debt (Note 6)	7,094,809	7,337,117
	<u>17,097,694</u>	<u>15,862,970</u>
<b>Net financial assets</b>	<b>17,222,495</b>	<b>16,203,230</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	87,711,876	85,134,960
<b>Accumulated surplus (Note 8)</b>	<b>\$104,934,371</b>	<b>\$101,338,190</b>

**Contingencies (Note 11)**

**The Corporation of the  
Township of Severn**

**Consolidated Statement of Operations and Accumulated Surplus**

<b>For the year ended December 31</b>	(Note 15) Budget 2018	Actual 2018	Actual 2017
<b>Revenue</b>			
Taxation (Note 13)	\$ 10,340,992	\$ 10,445,979	\$ 10,067,785
Government grants - Federal	394,219	-	449,675
Government grants - Provincial	2,166,157	1,947,926	1,522,228
Government grants - Municipal	97,704	64,151	130,165
User fees and service charges	4,473,314	4,849,652	4,624,139
Investment income	260,500	551,833	318,021
Contributed assets	-	430,911	92,600
Other (Note 9)	852,800	1,033,633	996,486
	<u>18,585,686</u>	<u>19,324,085</u>	<u>18,201,099</u>
<b>Expenses</b>			
General government	2,036,395	1,879,477	1,919,575
Fire department	1,247,595	1,380,177	1,224,458
Police services	2,402,546	2,390,155	2,362,566
Protective inspection and control	652,586	638,888	573,862
Transportation services	5,088,352	4,276,665	4,046,836
Water and sewer	3,594,631	3,582,000	3,553,362
Parks and recreation	867,180	992,139	913,074
Library and culture	281,045	265,743	254,620
Planning and development	433,753	322,660	305,888
	<u>16,604,083</u>	<u>15,727,904</u>	<u>15,154,241</u>
<b>Annual surplus</b>	1,981,603	3,596,181	3,046,858
<b>Accumulated surplus, beginning of year</b>	101,338,190	101,338,190	98,291,332
<b>Accumulated surplus, end of year</b>	<u>\$103,319,793</u>	<u>\$104,934,371</u>	<u>\$101,338,190</u>

**The Corporation of the  
Township of Severn**

**Consolidated Statement of Change in Net Financial Assets**

<b>For the year ended December 31</b>	(Note 15) Budget 2018	<b>2018</b>	2017
<b>Annual surplus</b>	\$ 1,981,603	\$ 3,596,181	\$ 3,046,858
Acquisition of tangible capital assets	(14,181,300)	(5,932,877)	(4,795,393)
Amortization of tangible capital assets	3,060,900	3,061,041	2,899,195
Net loss on disposal of tangible capital assets	-	223,280	94,372
Proceeds on disposal of tangible capital assets	52,500	71,640	34,900
<b>Net change in net financial assets</b>	(9,086,297)	1,019,265	1,279,932
<b>Net financial assets, beginning of year</b>	16,203,230	16,203,230	14,923,298
<b>Net financial assets, end of year</b>	\$ 7,116,933	\$ 17,222,495	\$ 16,203,230

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

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Operating transactions</b>		
Annual surplus	\$ 3,596,181	\$ 3,046,858
Items not involving cash		
Amortization of tangible capital assets	3,061,041	2,899,195
Net loss on disposal of tangible capital assets	223,280	94,372
Contributed tangible capital assets	(430,911)	(92,600)
Changes in non-cash operating balances		
Taxes receivable	200,081	459,472
Accounts receivable	(362,886)	9,721
Inventories for resale	(5,340)	3,672
Long term receivables	12,628	(2,272)
Accounts payable and accrued liabilities	1,066,438	(442,105)
Other current liabilities	43,053	97,429
Deferred revenue	367,541	242,497
	<b>7,771,106</b>	<b>6,316,239</b>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(5,501,966)	(4,702,793)
Proceeds on disposal of tangible capital assets	71,640	34,900
	<b>(5,430,326)</b>	<b>(4,667,893)</b>
<b>Financing transactions</b>		
Proceeds from issuance of long-term debt	-	22,700
Repayment of long-term debt	(242,308)	(238,445)
	<b>(242,308)</b>	<b>(215,745)</b>
<b>Net change in cash</b>	<b>2,098,472</b>	<b>1,432,601</b>
<b>Cash, beginning of year</b>	<b>28,967,115</b>	<b>27,534,514</b>
<b>Cash, end of year (Note 2)</b>	<b>\$ 31,065,587</b>	<b>\$ 28,967,115</b>

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

**December 31, 2018**

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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 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 and accumulated surplus 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, 2018**

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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. Construction in progress (CIP) assets are not amortized until the asset is put into use. 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 27).

**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, 2018**

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**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**

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

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

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

**Use of Estimates**

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

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

**December 31, 2018**

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**1. Change in Accounting Policy**

The Municipality has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 InterEntity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the publicsector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any nondisclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the Municipality's consolidated financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the Municipality having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the Municipality's consolidated financial statements.

Section 3240 establishes the standards and requirements on how to account for and section 2200 establishes the standards and requirement on how to report transactions between public sector entities that comprise the government's reporting entity. This section has been applied retroactively with restatement of prior periods. The adoption of this standard did not have an impact on the Municipality's consolidated financial statements.

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**2. Cash**

	<u>2018</u>	<u>2017</u>
Unrestricted	<b>\$ 25,209,193</b>	\$ 23,478,262
Restricted	<b>5,856,394</b>	5,488,853
	<b><u>\$ 31,065,587</u></b>	<b><u>\$ 28,967,115</u></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 5).

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

**December 31, 2018**

**3. Long-Term Receivables**

	2018	2017
Tile drainage loans	\$ 61,313	\$ 73,941

The tile drainage loans have interest rates of 6% and are due from 2020 to 2027.

**4. 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, 2018 no amounts have been drawn relating to either credit facility.

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

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 690,414	\$ 394,219	\$ 9,349	-	\$ 1,093,982
Development charges	4,071,319	550,499	55,129	(657,826)	4,019,121
Recreational land	727,120	34,800	9,846	(28,475)	743,291
	\$ 5,488,853	\$ 979,518	\$ 74,324	\$ (686,301)	\$ 5,856,394

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, 2018**

**6. Long-term Debt**

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

	2018	2017
Ontario Strategic Infrastructure Financing Authority Debenture, 5.28%, repayable \$305,092 semi-annually, due August 2036	<b>\$ 7,033,496</b>	\$ 7,263,176
Tile drainage loans, interest rate of 6%, annual payments ranging from \$3,084 to \$3,981 per year, due 2020 to 2027	<b>61,313</b>	73,941
	<b>\$ 7,094,809</b>	\$ 7,337,117

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

2019	\$	255,353
2020		269,101
2021		276,796
2022		291,657
2023		304,111
Thereafter		5,697,791
	<b>\$</b>	<b>7,094,809</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 \$384,940 (2017 - \$396,467).

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

**December 31, 2018**

**7. Tangible Capital Assets**

	<b>2018</b>								
	Land and Site Improvements	Buildings	Equipment	Roads and Bridges	Water systems	Sewer systems	Vehicles	Construction in progress	Total
Cost, beginning of year	\$ 9,855,064	\$ 11,951,820	\$ 1,797,235	\$ 44,190,054	\$ 23,449,051	\$ 29,456,715	\$ 6,832,293	\$ 386,373	\$ 127,918,605
Additions	189,646	32,437	106,318	2,898,782	269,596	352,124	954,016	1,129,958	5,932,877
Disposals	-	(179,118)	(39,396)	(441,258)	(43,689)	(4,117)	(563,377)	(8,562)	(1,279,517)
Cost, end of year	10,044,710	11,805,139	1,864,157	46,647,578	23,674,958	29,804,722	7,222,932	1,507,769	132,571,965
Accumulated amortization, beginning of year	537,381	5,209,937	1,010,301	21,073,490	6,013,117	5,828,083	3,111,336	-	42,783,645
Amortization	65,859	281,861	148,280	1,168,783	466,936	450,391	478,931	-	3,061,041
Disposals	-	(158,658)	(39,396)	(231,471)	(9,977)	(1,467)	(543,628)	-	(984,597)
Accumulated amortization, end of year	603,240	5,333,140	1,119,185	22,010,802	6,470,076	6,277,007	3,046,639	-	44,860,089
Net carrying amount, end of year	\$ 9,441,470	\$ 6,471,999	\$ 744,972	\$ 24,636,776	\$ 17,204,882	\$ 23,527,715	\$ 4,176,293	\$ 1,507,769	\$ 87,711,876

(Note 17)

	<b>2017</b>								
	Land and Site Improvements	Buildings	Equipment	Roads and Bridges	Water systems	Sewer systems	Vehicles	Construction in Progress	Total
Cost, beginning of year	\$ 9,502,251	\$ 11,849,185	\$ 1,676,871	\$ 41,886,948	\$ 23,096,872	\$ 29,247,749	\$ 6,329,834	\$ 291,607	\$ 123,881,317
Additions	352,813	126,468	179,534	2,711,145	378,241	208,966	743,460	94,766	4,795,393
Disposals	-	(23,833)	(59,170)	(408,039)	(26,062)	-	(241,001)	-	(758,105)
Cost, end of year	9,855,064	11,951,820	1,797,235	44,190,054	23,449,051	29,456,715	6,832,293	386,373	127,918,605
Accumulated amortization, beginning of year	482,406	4,935,381	912,824	20,326,143	5,572,110	5,391,388	2,893,031	-	40,513,283
Amortization	54,975	298,389	149,496	1,071,273	447,365	436,695	441,002	-	2,899,195
Disposals	-	(23,833)	(52,019)	(323,926)	(6,358)	-	(222,697)	-	(628,833)
Accumulated amortization, end of year	537,381	5,209,937	1,010,301	21,073,490	6,013,117	5,828,083	3,111,336	-	42,783,645
Net carrying amount, end of year	\$ 9,317,683	\$ 6,741,883	\$ 786,934	\$ 23,116,564	\$ 17,435,934	\$ 23,628,632	\$ 3,720,957	\$ 386,373	\$ 85,134,960

Included in additions are \$430,911 (2017 - \$92,600) 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 \$7,695,590 (2017 - \$7,681,160) and is not being amortized.

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

**December 31, 2018**

**8. Accumulated Surplus**

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

	<b>2018</b>	<b>2017</b>
Investment in tangible capital assets		
Tangible capital assets - net book value	<b>\$ 87,711,876</b>	\$ 85,134,960
Long Term Debt - amounts to be recovered	<b>(7,063,296)</b>	(7,291,444)
	<b>80,648,580</b>	77,843,516
Current Fund		
General area taxation	<b>2,500</b>	2,500
Police	<b>149,490</b>	92,698
Waterworks and sewer systems	<b>694,116</b>	432,146
Coldwater Business Improvement Area (Schedule 1)	<b>18,431</b>	18,908
Severn Library Board	<b>241,071</b>	241,071
	<b>1,105,608</b>	787,323
Reserves set aside for specific purposes by Council:		
Working funds	<b>3,590,454</b>	3,583,112
Election	<b>26,494</b>	74,168
Emergency planning	<b>40,000</b>	40,000
Parkland	<b>260,254</b>	273,521
Capital purposes	<b>12,545,448</b>	11,633,032
Taxation	<b>500,000</b>	500,000
Administration	<b>1,781,600</b>	1,560,469
Fire protection	<b>1,552,375</b>	1,987,697
Water and sewer systems	<b>1,483,568</b>	1,559,014
Building department	<b>426,795</b>	421,093
Gravel pit restoration	<b>122,696</b>	121,056
Westshore	<b>850,499</b>	954,189
	<b>23,180,183</b>	22,707,351
	<b>\$104,934,371</b>	\$101,338,190

The balance available to offset future revenue requirements for the fiscal year ending December 31, 2018 has been decreased by an amount of \$1,367,338, transferred to reserves as authorized by by-law #2018-34 dated June 6, 2018. Had this decrease not been made the current fund balance would have shown a surplus of \$2,472,946.

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

**December 31, 2018**

**9. Other Revenue**

	(Note 15) Budget 2018	Actual 2018	Actual 2017
Penalties and interest on taxation	\$ 390,000	\$ 314,738	\$ 369,869
Other fines and penalties	100,000	222,826	91,737
Licences, permits and fines	356,700	440,969	468,062
Donations	5,600	2,455	45,871
Gain on disposal of tangible capital assets	-	51,891	14,597
Other	500	754	6,350
	<b>\$ 852,800</b>	<b>\$ 1,033,633</b>	<b>\$ 996,486</b>

Losses on disposal of tangible capital assets amounted to \$266,611 (2017 - \$109,800) and are included in the other expense line in respect to the department they pertain to, resulting in a total net loss of \$214,720 (2017 - \$94,372).

**10. Expenses by Object**

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

	(Note 15) Budget 2018	Actual 2018	Actual 2017
<b>Expenses</b>			
Salaries and wages	\$ 5,411,284	\$ 5,373,620	\$ 5,003,064
Materials and supplies	4,374,850	3,647,746	3,717,508
Contracted services	3,277,294	2,913,258	2,955,382
Rents and financial	14,950	16,215	13,372
Interest	398,485	380,389	392,147
Other	66,320	335,635	173,573
Amortization	3,060,900	3,061,041	2,899,195
	<b>\$ 16,604,083</b>	<b>\$ 15,727,904</b>	<b>\$ 15,154,241</b>

**11. 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.

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

**December 31, 2018**

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**12. Post Retirement Benefits**

OMERS provides pension services to approximately 496,000 active and retired members and almost 1,000 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 (2017 - \$94,431) million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 (2017 - \$89,028) million indicating an actuarial deficit of \$4,191 (2017 - \$5,403) 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 2018 were \$328,376 (2017 - \$307,314).

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**13. Taxation**

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

	2018	2017
Taxation revenue	<b>\$ 24,720,362</b>	\$ 24,142,198
Amount levied and remitted to School Boards	<b>(6,256,401)</b>	(6,195,191)
Amount levied and remitted to the County of Simcoe	<b>(7,954,516)</b>	(7,792,593)
Available for general municipal purposes	<b>10,509,445</b>	10,154,414
Amounts written off during the year	<b>(63,466)</b>	(86,629)
	<b><u>\$ 10,445,979</u></b>	<b><u>\$ 10,067,785</u></b>

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

**December 31, 2018**

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**14. Trust Funds**

The trust funds administered by the municipality amounting to \$119,005 (2017 - \$118,409) 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, 2018, the trusts fund balances are as follows:

	<u>2018</u>		<u>2017</u>
Cemetery Care and Maintenance funds	\$ 108,989	\$	108,479
Cemetery pre-need	6,063		6,050
Other	3,953		3,880
	<u>\$ 119,005</u>	<u>\$</u>	<u>118,409</u>

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**15. Budget Figures**

The budget, approved by the Township, for 2018 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.

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

**December 31, 2018**

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**16. Segmented Information**

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

**General Government**

This relates to the 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.

**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.

**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, 2018**

**16. Segmented Information (continued)**

For the year ended December 31, 2018	General government	Fire department	Police services	Protective inspection and control	Transportation services	Water and sewer	Parks and recreation	Library and cultural	Planning and development	Unallocated	2018 Total
<b>Revenue</b>											
Taxation (Note 13)	\$ -	\$ -	\$ 2,446,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,999,032	\$ 10,445,979
Grants	12,500	-	-	-	500,312	270,272	29,832	47,161	-	1,152,000	2,012,077
User fees and service charges	170,929	146,608	-	-	21,119	3,475,428	226,468	1,930	807,170	-	4,849,652
Investment income	513,816	13,274	-	890	845	17,627	-	5,381	-	-	551,833
Contributed assets	-	-	-	-	430,911	-	-	-	-	-	430,911
Other (Note 9)	316,737	31,171	-	661,795	13,350	7,900	2,065	615	-	-	1,033,633
	<u>1,013,982</u>	<u>191,053</u>	<u>2,446,947</u>	<u>662,685</u>	<u>966,537</u>	<u>3,771,227</u>	<u>258,365</u>	<u>55,087</u>	<u>807,170</u>	<u>9,151,032</u>	<u>19,324,085</u>
<b>Expenses</b>											
Salaries and wages	1,161,248	820,350	-	523,891	1,232,827	873,454	360,291	125,490	276,069	-	5,373,620
Materials and supplies	370,609	252,471	32,923	29,548	1,201,883	1,246,760	450,289	58,485	4,778	-	3,647,746
Contracted services	175,172	23,134	2,357,232	79,125	100,096	78,475	9,015	53,632	37,377	-	2,913,258
Rents and financial	16,189	-	-	-	-	-	-	26	-	-	16,215
Interest	-	-	-	-	-	375,953	-	-	4,436	-	380,389
Other	69,025	20,460	-	-	209,789	36,361	-	-	-	-	335,635
Amortization	87,234	263,762	-	6,324	1,532,070	970,997	172,544	28,110	-	-	3,061,041
	<u>1,879,477</u>	<u>1,380,177</u>	<u>2,390,155</u>	<u>638,888</u>	<u>4,276,665</u>	<u>3,582,000</u>	<u>992,139</u>	<u>265,743</u>	<u>322,660</u>	<u>-</u>	<u>15,727,904</u>
<b>Net surplus (deficit)</b>	<b>\$ (865,495)</b>	<b>\$ (1,189,124)</b>	<b>\$ 56,792</b>	<b>\$ 23,797</b>	<b>\$ (3,310,128)</b>	<b>\$ 189,227</b>	<b>\$ (733,774)</b>	<b>\$ (210,656)</b>	<b>\$ 484,510</b>	<b>\$ 9,151,032</b>	<b>\$ 3,596,181</b>

For the year ended December 31, 2017	General government	Fire department	Police services	Protective inspection and control	Transportation services	Water and sewer	Parks and recreation	Library and cultural	Planning and development	Unallocated	(Note 17) 2017 Total
<b>Revenue</b>											
Taxation (Note 13)	\$ -	\$ -	\$ 2,416,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,651,701	\$ 10,067,785
Grants	75,000	-	-	-	806,001	-	33,865	49,642	17,260	1,120,300	2,102,068
User fees and service charges	71,869	99,202	-	-	59,601	3,319,283	220,618	2,054	851,512	-	4,624,139
Investment income	271,479	17,353	-	2,830	953	22,289	-	3,117	-	-	318,021
Contributed assets	-	-	-	-	-	-	92,600	-	-	-	92,600
Other (Note 9)	388,463	1,242	-	557,108	36,697	-	11,271	1,705	-	-	996,486
	<u>806,811</u>	<u>117,797</u>	<u>2,416,084</u>	<u>559,938</u>	<u>903,252</u>	<u>3,341,572</u>	<u>358,354</u>	<u>56,518</u>	<u>868,772</u>	<u>8,772,001</u>	<u>18,201,099</u>
<b>Expenses</b>											
Salaries and benefits	1,142,780	752,841	-	474,057	1,120,472	823,400	338,313	117,743	233,458	-	5,003,064
Materials and supplies	410,976	216,230	37,512	28,865	1,280,544	1,291,097	392,763	51,729	7,792	-	3,717,508
Contracted services	187,348	23,403	2,325,054	63,059	133,912	95,252	9,027	57,989	60,338	-	2,955,382
Rents and financial	13,372	-	-	-	-	-	-	-	-	-	13,372
Interest	-	-	-	-	-	387,847	-	-	4,300	-	392,147
Other	68,924	-	-	-	84,112	20,537	-	-	-	-	173,573
Amortization	96,175	231,984	-	7,881	1,427,796	935,229	172,971	27,159	-	-	2,899,195
	<u>1,919,575</u>	<u>1,224,458</u>	<u>2,362,566</u>	<u>573,862</u>	<u>4,046,836</u>	<u>3,553,362</u>	<u>913,074</u>	<u>254,620</u>	<u>305,888</u>	<u>-</u>	<u>15,154,241</u>
<b>Net surplus (deficit)</b>	<b>\$ (1,112,764)</b>	<b>\$ (1,106,661)</b>	<b>\$ 53,518</b>	<b>\$ (13,924)</b>	<b>\$ (3,143,584)</b>	<b>\$ (211,790)</b>	<b>\$ (554,720)</b>	<b>\$ (198,102)</b>	<b>\$ 562,884</b>	<b>\$ 8,772,001</b>	<b>\$ 3,046,858</b>

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

**December 31, 2018**

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**17. 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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## **NOTICE TO READER**

We have compiled the statement of financial position as at December 31, 2018 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended from information provided by management.

We have not performed an audit or a review engagement on these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

***Baker Tilly KDN LLP***

Chartered Professional Accountants

Peterborough, Ontario  
August 14, 2019

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

<b>For the year ended December 31</b>	Budget 2018	2018	2017
<b>Revenue</b>			
BIA Coldwater taxation	\$ 25,000	\$ 25,000	25,000
Other revenue	-	-	9,903
	25,000	25,000	34,903
<b>Expenses</b>			
Advertising	11,600	8,074	6,936
Beautification	8,000	7,175	6,606
Special Events	-	-	12,962
Contingency	-	5,374	4,789
Insurance	1,000	996	980
Professional fees	2,000	1,000	2,000
Promotion and public relations	5,600	2,623	2,539
Taxes written off	-	234	230
	28,200	25,476	37,042
<b>Annual surplus</b>	(3,200)	(476)	(2,139)
<b>Accumulated surplus, beginning of year</b>	18,908	18,908	21,047
<b>Accumulated surplus, end of the year</b>	\$ 15,708	\$ 18,432	\$ 18,908



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## **INDEPENDENT AUDITOR'S REPORT**

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

#### *Opinion*

We have audited the financial statements of the Trust Funds of the Corporation of the Township of Severn (the Trust Funds), which comprise the statement of financial position as at December 31, 2018, the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2018, and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Matter*

The financial statements of the Trust Funds as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Trust Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds' financial reporting process.

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*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Baker Tilly KDN LLP***

Chartered Professional Accountants  
Licensed Public Accountants

Peterborough, Ontario  
August 14, 2019

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

<b>December 31</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash	\$ 118,476	\$ 115,567
Due from Township	529	2,842
	<u>\$ 119,005</u>	<u>\$ 118,409</u>
<b>Fund Balance</b>	<b>\$ 119,005</b>	<b>\$ 118,409</b>

**Statement of Financial Activities**

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Fund balance, beginning of the year</b>	<b>\$ 118,409</b>	<b>\$ 115,466</b>
<b>Revenue</b>		
Care and maintenance - plots	300	1,500
Care and maintenance - niches	210	930
Monuments placed	-	400
Bank interest	186	113
	<u>696</u>	<u>2,943</u>
<b>Expenses</b>		
Interments used	100	-
<b>Fund balance, end of the year</b>	<b>\$ 119,005</b>	<b>\$ 118,409</b>

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

**December 31, 2018**

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**1. Cemetery Perpetual Care**

The cemetery perpetual care trust funds represent a portion of the sale of cemetery plots and monument foundations at the Coldwater Cemetery. The capital amounts are to be kept intact in perpetuity, with investment income earned on these funds used to maintain the cemetery.

**2. 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, 2018**

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**Baker Tilly KDN LLP**  
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## **INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT**

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

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We have reviewed the accompanying financial statements of the Library Board of the Corporation of the Township of Severn (the Board), that comprise the statement of financial position as at December 31, 2018 and the 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 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.

### *Practitioner's Responsibility*

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, the financial position of the Board as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

The financial statements of the Board as at and for the year ended December 31, 2017 were reviewed by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

### ***Baker Tilly KDN LLP***

Chartered Professional Accountants  
Licensed Public Accountants

Peterborough, Ontario  
August 14, 2019

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

<b>December 31</b>	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>		
Cash	<u>\$ 290,777</u>	<u>\$ 306,623</u>
<b>Liabilities</b>		
Due to the Corporation of the Township of Severn	<u>49,706</u>	<u>65,552</u>
<b>Net financial assets</b>	<b>241,071</b>	<b>241,071</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 3)	<u>311,248</u>	<u>324,534</u>
<b>Accumulated surplus (Note 4)</b>	<u><b>\$ 552,319</b></u>	<u><b>\$ 565,605</b></u>

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 5) Budget 2018	Actual 2018	Actual 2017
<b>Revenue</b>			
Township of Severn operating contribution	\$ 221,434	\$ 197,369	\$ 190,371
Province of Ontario grant	25,342	25,342	28,342
Township of Oro-Medonte contribution	21,819	21,819	21,300
Fines	1,000	548	773
Miscellaneous	750	1,382	1,281
Interest	500	5,381	3,117
Donations	100	615	1,705
	<u>270,945</u>	<u>252,456</u>	<u>246,889</u>
<b>Expenses</b>			
Amortization of tangible capital assets	28,100	28,110	27,159
Equipment	-	1,508	1,412
General and office	12,250	6,326	6,608
Insurance	2,200	2,191	2,157
Library contract	60,000	53,424	55,445
Professional fees	1,000	1,000	700
Repairs and maintenance	8,775	13,835	9,833
Supplies	24,520	25,988	25,787
Telephone	2,000	2,027	1,700
Training	2,000	1,081	1,184
Utilities	5,500	4,762	4,893
Wages and benefits	129,700	125,490	117,743
	<u>276,045</u>	<u>265,742</u>	<u>254,621</u>
<b>Annual Deficit</b>	(5,100)	(13,286)	(7,732)
<b>Accumulated Annual surplus, beginning of year</b>	<u>565,605</u>	<u>565,605</u>	<u>573,337</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 560,505</u>	<u>\$ 552,319</u>	<u>\$ 565,605</u>

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**

<b>For the year ended December 31</b>	(Note 5) Budget 2018	<b>2018</b>	2017
<b>Annual Deficit</b>	\$ (5,100)	\$ (13,286)	\$ (7,732)
Acquisition of tangible capital assets	(78,000)	(14,824)	(19,427)
Amortization of tangible capital assets	28,100	28,110	27,159
<b>Net change in net financial assets</b>	(55,000)	-	-
<b>Net financial assets, beginning of year</b>	241,071	241,071	241,071
<b>Net financial assets, end of year</b>	\$ 186,071	\$ 241,071	\$ 241,071

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

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Operating transactions</b>		
Annual deficit	\$ (13,286)	\$ (7,732)
Items not involving cash		
Amortization of tangible capital assets	<u>28,110</u>	<u>27,159</u>
	<u>14,824</u>	<u>19,427</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<u>(14,824)</u>	<u>(19,427)</u>
<b>Financing transactions</b>		
Due to (from) the Corporation of the Township of Severn	<u>(15,846)</u>	<u>53,401</u>
<b>Net change in cash</b>	<b>(15,846)</b>	<b>53,401</b>
<b>Cash, beginning of year</b>	<u>306,623</u>	<u>253,222</u>
<b>Cash, end of year</b>	<u><b>\$ 290,777</b></u>	<u><b>\$ 306,623</b></u>

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

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# The Corporation of the Township of Severn Library Board

## Summary of Significant Accounting Policies

December 31, 2018

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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, 2018**

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**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.

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# The Corporation of the Township of Severn Library Board

## Notes to Financial Statements

**December 31, 2018**

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### **1. Changes in Accounting Policies**

The Board has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 InterEntity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the public sector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any nondisclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the Board's financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the board having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the Board's financial statements.

Section 3240 establishes the standards and requirements on how to account for and Section 2200 establishes the standards and requirements on how to report transactions between public sector entities that comprise the government's reporting entity. This section has been applied retroactively with restatement of prior periods. The adoption of this standard resulted in additional disclosure in note 7.

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### **2. 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.

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

**December 31, 2018**

**3. Tangible Capital Assets**

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 5,067	\$ -	\$ 5,067	\$ -
Buildings	424,361	182,576	424,361	169,470
Books	101,976	45,218	96,456	42,630
Computer equipment	18,684	13,307	18,684	10,587
Furniture and equipment	5,001	2,740	5,001	2,348
	<b>\$ 555,089</b>	<b>\$ 243,841</b>	<b>\$ 549,569</b>	<b>\$ 225,035</b>
Net book value		<b>\$ 311,248</b>		<b>\$ 324,534</b>

**4. Accumulated Surplus**

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

	2018	2017
Investment in tangible capital assets	\$ 311,248	\$ 324,534
Surplus	241,071	241,071
	<b>\$ 552,319</b>	<b>\$ 565,605</b>

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

**5. Budget**

The budget, approved by the Board, for 2018 is reflected on the Statement of Operations and Accumulated Surplus and the 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, many 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.

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# The Corporation of the Township of Severn Library Board

## Notes to Financial Statements

December 31, 2018

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### 6. Post Retirement Benefits

OMERS provides pension services to approximately 496,000 active and retired members and almost 1,000 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 (2017 - \$94,431) million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 (2017 - \$89,028) million indicating an actuarial deficit of \$4,191 (2017 - \$5,403) 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 2018 were \$7,624 (2017 - \$7,256).

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### 7. Related Party Transactions

During the year, the Board entered into transactions with the Township of Severn. As part of the budgeting process, the Township approves a contribution to the Board which is identified on the Statement of Operations and Accumulated Surplus.

Details of the related party expense transactions are as follows:

	<u>2018</u>	<u>2017</u>
Allocated costs:		
Audit	\$ 1,000	\$ 700
Insurance	<u>2,191</u>	<u>2,157</u>
	<u>\$ 3,191</u>	<u>\$ 2,857</u>

In addition, the Township provides accounting and administrative services to the Board at no cost.

All balances with the Township of Severn have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

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