

**The Corporation of the
Township of Severn**
Consolidated Financial Statements
For the year ended December 31, 2020

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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.

Andrew Plunkett

Director of Finance/Treasurer

Mike Burkett

Mayor

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 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, 2020, 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, 2020, 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.

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.

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
September 21, 2021

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

| December 31 | 2020 | 2019 |
|------------------------------------------|----------------------|---------------|
| Financial assets | | |
| Cash (Note 1) | \$ 32,939,062 | \$ 31,469,785 |
| Taxes receivable | 2,023,581 | 1,840,989 |
| Accounts receivable | 1,195,753 | 1,539,791 |
| Inventories for resale | 9,009 | 6,435 |
| Long-term receivables (Note 2) | 33,737 | 47,927 |
| | 36,201,142 | 34,904,927 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 3,555,661 | 2,967,752 |
| Other liabilities | 1,710,441 | 1,617,730 |
| Deferred revenue (Note 4) | 6,797,368 | 6,119,172 |
| Long-term debt (Note 5) | 6,570,354 | 6,839,456 |
| | 18,633,824 | 17,544,110 |
| Net financial assets | 17,567,318 | 17,360,817 |
| Non-financial assets | | |
| Tangible capital assets (Note 6) | 94,865,933 | 91,757,310 |
| Accumulated surplus (Note 7) | \$112,433,251 | \$109,118,127 |

Contingencies (Note 10)

**The Corporation of the
Township of Severn**

Consolidated Statement of Operations and Accumulated Surplus

| For the year ended December 31 | (Note 14) Budget 2020 | Actual 2020 | Actual 2019 |
|-----------------------------------------------|-----------------------------|-----------------------------|----------------------|
| Revenue | | | |
| Taxation (Note 12) | \$ 12,271,601 | \$ 12,290,199 | \$ 11,290,191 |
| Government grants - Federal | 3,264,881 | 16,639 | 245,066 |
| Government grants - Provincial | 3,986,338 | 2,474,056 | 2,592,635 |
| Government grants - Municipal | 149,656 | 26,199 | 40,481 |
| User fees and service charges | 4,736,223 | 4,155,646 | 5,205,144 |
| Investment income | 651,500 | 298,499 | 670,433 |
| Contributed assets | - | 815,396 | - |
| Other (Note 8) | 781,750 | 551,639 | 836,570 |
| | <u>25,841,949</u> | <u>20,628,273</u> | <u>20,880,520</u> |
| Expenses | | | |
| General government | 2,455,030 | 2,439,655 | 2,122,804 |
| Fire department | 1,486,597 | 1,381,958 | 1,373,233 |
| Police services | 2,366,361 | 2,325,242 | 2,330,685 |
| Protective inspection and control | 778,221 | 673,119 | 617,499 |
| Transportation services | 4,974,395 | 5,144,063 | 4,827,486 |
| Water and sewer | 3,827,127 | 3,671,062 | 3,632,931 |
| Parks and recreation | 1,178,597 | 1,005,961 | 1,051,672 |
| Library and culture | 299,090 | 280,448 | 343,219 |
| Planning and development | 460,147 | 391,641 | 397,235 |
| | <u>17,825,565</u> | <u>17,313,149</u> | <u>16,696,764</u> |
| Annual surplus | 8,016,384 | 3,315,124 | 4,183,756 |
| Accumulated surplus, beginning of year | <u>109,118,127</u> | <u>109,118,127</u> | <u>104,934,371</u> |
| Accumulated surplus, end of year | <u>\$117,134,511</u> | <u>\$112,433,251</u> | <u>\$109,118,127</u> |

**The Corporation of the
Township of Severn**

Consolidated Statement of Change in Net Financial Assets

| For the year ended December 31 | (Note 14) Budget 2020 | 2020 | 2019 |
|-------------------------------------------------|-----------------------------|----------------------|---------------|
| Annual surplus | \$ 8,016,384 | \$ 3,315,124 | \$ 4,183,756 |
| Acquisition of tangible capital assets | (16,569,420) | (6,852,324) | (7,542,866) |
| Amortization of tangible capital assets | 3,512,500 | 3,512,475 | 3,244,890 |
| Net loss on disposal of tangible capital assets | - | 221,226 | 173,011 |
| Proceeds on disposal of tangible capital assets | 85,000 | 10,000 | 79,531 |
| Net change in net financial assets | (4,955,536) | 206,501 | 138,322 |
| Net financial assets, beginning of year | 17,360,817 | 17,360,817 | 17,222,495 |
| Net financial assets, end of year | \$ 12,405,281 | \$ 17,567,318 | \$ 17,360,817 |

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

| For the year ended December 31 | 2020 | 2019 |
|-------------------------------------------------|----------------------|----------------------|
| Operating transactions | | |
| Annual surplus | \$ 3,315,124 | \$ 4,183,756 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 3,512,475 | 3,244,890 |
| Net loss on disposal of tangible capital assets | 221,226 | 173,011 |
| Contributed tangible capital assets | (815,396) | - |
| Changes in non-cash operating balances | | |
| Taxes receivable | (182,592) | (44,537) |
| Accounts receivable | 344,038 | (151,297) |
| Inventories for resale | (2,574) | 1,908 |
| Long term receivables | 14,190 | 13,386 |
| Accounts payable and accrued liabilities | 587,909 | 101,375 |
| Other current liabilities | 92,711 | 337,616 |
| Deferred revenue | 678,196 | 262,778 |
| | <u>7,765,307</u> | <u>8,122,886</u> |
| Capital transactions | | |
| Purchase of tangible capital assets | (6,036,928) | (7,542,866) |
| Proceeds on disposal of tangible capital assets | 10,000 | 79,531 |
| | <u>(6,026,928)</u> | <u>(7,463,335)</u> |
| Financing transactions | | |
| Repayment of long-term debt | (269,102) | (255,353) |
| | <u>1,469,277</u> | <u>404,198</u> |
| Net change in cash | 1,469,277 | 404,198 |
| Cash, beginning of year | 31,469,785 | 31,065,587 |
| Cash, end of year (Note 1) | \$ 32,939,062 | \$ 31,469,785 |

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

December 31, 2020

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.

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

December 31, 2020

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.

The Corporation of the Township of Severn

Summary of Significant Accounting Policies

December 31, 2020

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.

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

December 31, 2020

1. Cash

| | <u>2020</u> | <u>2019</u> |
|--------------|-----------------------------|-----------------------------|
| Unrestricted | \$ 26,141,694 | \$ 25,350,613 |
| Restricted | 6,797,368 | 6,119,172 |
| | <u>\$ 32,939,062</u> | <u>\$ 31,469,785</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>2020</u> | <u>2019</u> |
|---------------------|------------------|-------------|
| Tile drainage loans | \$ 33,737 | \$ 47,927 |

The tile drainage loans have interest rates of 6% and are due from 2021 to 2027.

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, 2020 no amounts have been drawn relating to either credit facility.

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

December 31, 2020

4. Deferred Revenue - Obligatory Reserve Funds

| | Opening balance | Contributions received | Externally restricted investment income | Revenue recognized | Ending balance |
|---------------------|---------------------|---------------------------|--------------------------------------------------|-----------------------|---------------------|
| Federal gas tax | \$ 1,804,286 | \$ 408,841 | \$ 14,715 | \$ (16,639) | \$ 2,211,203 |
| Development charges | 3,639,477 | 244,140 | 29,682 | (72,551) | 3,840,748 |
| Recreational land | 675,409 | 64,500 | 5,508 | - | 745,417 |
| | <u>\$ 6,119,172</u> | <u>\$ 717,481</u> | <u>\$ 49,905</u> | <u>\$ (89,190)</u> | <u>\$ 6,797,368</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, 2020

5. Long-term Debt

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

| | 2020 | 2019 |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------|
| Ontario Strategic Infrastructure Financing Authority Debenture, 5.28%, repayable \$305,092 semi-annually, due August 2036 | \$ 6,536,617 | \$ 6,791,529 |
| Tile drainage loans, interest rate of 6%, annual payments ranging from \$3,084 to \$3,981 per year, due 2021 to 2027 | 33,737 | 47,927 |
| | \$ 6,570,354 | \$ 6,839,456 |

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

| | |
|------------|---------------------|
| 2021 | \$ 276,796 |
| 2022 | 291,657 |
| 2023 | 304,111 |
| 2024 | 316,438 |
| 2025 | 333,382 |
| Thereafter | 5,047,970 |
| | \$ 6,570,354 |

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 \$358,147 (2019 - \$371,895).

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

December 31, 2020

6. Tangible Capital Assets

| | 2020 | | | | | | | | |
|---------------------------------------------|-------------------------------|---------------|--------------|----------------------|------------------|------------------|--------------|-----------------------------|----------------|
| | Land and Site Improvements | Buildings | Equipment | Roads and Bridges | Water systems | Sewer systems | Vehicles | Construction in progress | Total |
| Cost, beginning of year | \$ 10,250,014 | \$ 14,818,610 | \$ 2,100,986 | \$ 48,716,966 | \$ 23,800,964 | \$ 29,966,488 | \$ 7,472,573 | \$ 2,103,955 | \$ 139,230,556 |
| Additions | 198,642 | 91,883 | 116,417 | 7,031,284 | 220,793 | 276,738 | 182,994 | (1,266,427) | 6,852,324 |
| Disposals | - | - | (31,649) | (626,978) | (23,965) | - | (46,429) | - | (729,021) |
| Cost, end of year | 10,448,656 | 14,910,493 | 2,185,754 | 55,121,272 | 23,997,792 | 30,243,226 | 7,609,138 | 837,528 | 145,353,859 |
| Accumulated amortization, beginning of year | 644,233 | 5,622,672 | 1,208,689 | 23,122,989 | 6,897,854 | 6,715,865 | 3,260,944 | - | 47,473,246 |
| Amortization | 93,310 | 365,095 | 133,793 | 1,425,711 | 480,412 | 479,798 | 534,356 | - | 3,512,475 |
| Disposals | - | - | (31,649) | (411,485) | (8,438) | - | (46,223) | - | (497,795) |
| Accumulated amortization, end of year | 737,543 | 5,987,767 | 1,310,833 | 24,137,215 | 7,369,828 | 7,195,663 | 3,749,077 | - | 50,487,926 |
| Net carrying amount, end of year | \$ 9,711,113 | \$ 8,922,726 | \$ 874,921 | \$ 30,984,057 | \$ 16,627,964 | \$ 23,047,563 | \$ 3,860,061 | \$ 837,528 | \$ 94,865,933 |

| | 2019 | | | | | | | | |
|---------------------------------------------|-------------------------------|---------------|--------------|----------------------|------------------|------------------|--------------|-----------------------------|----------------|
| | Land and Site Improvements | Buildings | Equipment | Roads and Bridges | Water systems | Sewer systems | Vehicles | Construction in Progress | Total |
| Cost, beginning of year | \$ 10,044,710 | \$ 11,805,139 | \$ 1,917,244 | \$ 46,647,578 | \$ 23,674,958 | \$ 29,751,635 | \$ 7,222,932 | \$ 1,507,769 | \$ 132,571,965 |
| Additions | 241,557 | 3,082,007 | 251,952 | 2,292,747 | 192,055 | 229,557 | 649,614 | 603,377 | 7,542,866 |
| Disposals | (36,253) | (68,536) | (68,210) | (223,359) | (66,049) | (14,704) | (399,973) | (7,191) | (884,275) |
| Cost, end of year | 10,250,014 | 14,818,610 | 2,100,986 | 48,716,966 | 23,800,964 | 29,966,488 | 7,472,573 | 2,103,955 | 139,230,556 |
| Accumulated amortization, beginning of year | 603,240 | 5,333,140 | 1,134,521 | 22,010,802 | 6,470,076 | 6,261,671 | 3,046,639 | - | 44,860,089 |
| Amortization | 77,246 | 310,726 | 129,538 | 1,267,935 | 481,796 | 458,299 | 519,350 | - | 3,244,890 |
| Disposals | 36,253 | (21,194) | (55,370) | (155,748) | (54,018) | (4,105) | (305,045) | - | (631,733) |
| Accumulated amortization, end of year | 644,233 | 5,622,672 | 1,208,689 | 23,122,989 | 6,897,854 | 6,715,865 | 3,260,944 | - | 47,473,246 |
| Net carrying amount, end of year | \$ 9,605,781 | \$ 9,195,938 | \$ 892,297 | \$ 25,593,977 | \$ 16,903,110 | \$ 23,250,623 | \$ 4,211,629 | \$ 2,103,955 | \$ 91,757,310 |

Included in additions are \$815,396 (2019 - \$nil) 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 (2019 - \$7,695,590) and is not being amortized.

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

December 31, 2020

7. Accumulated Surplus

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

| | 2020 | 2019 |
|------------------------------------------------------|----------------------|---------------|
| Investment in tangible capital assets | | |
| Tangible capital assets - net book value | \$ 94,865,933 | \$ 91,757,310 |
| Long Term Debt - amounts to be recovered | (6,568,749) | (6,822,620) |
| | 88,297,184 | 84,934,690 |
| Current Fund | | |
| General area taxation | 2,500 | 2,500 |
| Police | 104,973 | 197,135 |
| Waterworks and sewer systems | 1,451,427 | 907,549 |
| Coldwater Business Improvement Area (Schedule 1) | 3,864 | 11,556 |
| Severn Library Board | 241,071 | 241,071 |
| | 1,803,835 | 1,359,811 |
| Reserves set aside for specific purposes by Council: | | |
| Working funds | 3,599,723 | 3,590,721 |
| Election | 61,494 | 43,994 |
| Emergency planning | 40,000 | 40,000 |
| Parkland | 64,795 | 45,808 |
| Capital purposes | 12,744,419 | 13,236,156 |
| Taxation | 500,000 | 500,000 |
| Administration | 1,642,403 | 1,452,117 |
| Fire protection | 1,007,264 | 999,120 |
| Water and sewer systems | 1,504,897 | 1,492,727 |
| Building department | 239,341 | 433,805 |
| Gravel pit restoration | 125,727 | 124,711 |
| Westshore | 802,169 | 864,467 |
| | 22,332,232 | 22,823,626 |
| | \$112,433,251 | \$109,118,127 |

The balance available to offset future revenue requirements for the fiscal year ending December 31, 2020 has been decreased by an amount of \$829,009, transferred to reserves as authorized by by-law #2020-26 dated June 3, 2020. Had this decrease not been made the current fund balance would have shown a surplus of \$2,632,844.

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

December 31, 2020

8. Other Revenue

| | (Note 14) Budget 2020 | Actual 2020 | Actual 2019 |
|---------------------------------------------|-----------------------------|-------------------|-------------------|
| Penalties and interest on taxation | \$ 300,000 | \$ 229,215 | \$ 295,049 |
| Other fines and penalties | 50,000 | 33,634 | 51,721 |
| Licences, permits and fines | 428,950 | 269,876 | 460,507 |
| Donations | 2,800 | 9,120 | 11,125 |
| Gain on disposal of tangible capital assets | - | 9,794 | 10,569 |
| Other | - | - | 7,599 |
| | \$ 781,750 | \$ 551,639 | \$ 836,570 |

Losses on disposal of tangible capital assets amounted to \$231,020 (2019 - \$183,580) and are included in the other expense line in respect to the department they pertain to, resulting in a total net loss of \$221,226 (2019 - \$173,011).

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 14) Budget 2020 | Actual 2020 | Actual 2019 |
|------------------------|-----------------------------|----------------------|----------------------|
| Expenses | | | |
| Salaries and wages | \$ 6,349,904 | \$ 6,081,520 | \$ 5,475,826 |
| Materials and supplies | 4,201,581 | 3,880,608 | 4,271,678 |
| Contracted services | 3,321,583 | 3,200,732 | 3,039,157 |
| Rents and financial | 21,850 | 15,536 | 17,290 |
| Interest | 358,147 | 353,108 | 367,105 |
| Other | 60,000 | 269,170 | 280,819 |
| Amortization | 3,512,500 | 3,512,475 | 3,244,889 |
| | \$ 17,825,565 | \$ 17,313,149 | \$ 16,696,764 |

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, 2020

11. Post Retirement Benefits

OMERS provides pension services to more than 500,000 active and retired members and 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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 (2019 - \$107,687) million in respect of benefits accrued for service with actuarial assets at that date of \$109,844 (2019 - \$104,290) million indicating an actuarial deficit of \$3,211 (2019 - \$3,397) 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 2020 were \$396,576 (2019 - \$352,800).

12. Taxation

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

| | <u>2020</u> | 2019 |
|-------------------------------------------------------|----------------------|---------------|
| Total taxes levied | \$ 27,100,862 | \$ 25,680,608 |
| Amount levied and remitted to School Boards | (6,357,410) | (6,122,098) |
| Amount levied and remitted to the County of Simcoe | (8,422,166) | (8,152,627) |
| Available for general municipal purposes | 12,321,286 | 11,405,883 |
| Amounts written off during the year | (31,087) | (115,692) |
| Taxation revenue | \$ 12,290,199 | \$ 11,290,191 |

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

December 31, 2020

13. Trust Funds

The trust funds administered by the municipality amounting to \$123,872 (2019 - \$119,694) 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, 2020, the trusts fund balances are as follows:

| | <u>2020</u> | | <u>2019</u> |
|-------------------------------------|-------------------|----|----------------|
| Cemetery Care and Maintenance funds | \$ 114,149 | \$ | 110,070 |
| Cemetery pre-need | 5,641 | | 5,584 |
| Other | 4,082 | | 4,040 |
| | \$ 123,872 | \$ | 119,694 |

14. Budget Figures

The budget, approved by the Township, for 2020 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, 2020

15. Segmented Information

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

General Government

This relates to the 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, 2020

15. Segmented Information (continued)

| For the year ended December 31, 2020 | 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 | 2020 Total |
|-------------------------------------------------|-----------------------|-----------------------|--------------------|-----------------------------------------|----------------------------|--------------------|-------------------------|-------------------------|-----------------------------|----------------------|-----------------------|
| Revenue | | | | | | | | | | | |
| Taxation (Note 12) | \$ - | \$ - | \$ 2,233,079 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,057,120 | \$ 12,290,199 |
| Grants | - | - | - | - | 820,153 | - | 7,500 | 44,041 | 50,000 | 1,595,200 | 2,516,894 |
| User fees and service charges | 22,009 | 59,753 | - | 39,300 | 56,937 | 3,646,368 | 103,838 | 549 | 226,892 | - | 4,155,646 |
| Investment income | 263,059 | 8,144 | - | 3,537 | 1,017 | 19,218 | - | 3,524 | - | - | 298,499 |
| Contributed assets | - | - | - | - | 815,396 | - | - | - | - | - | 815,396 |
| Other (Note 8) | 229,138 | - | - | 302,579 | - | 8,500 | 10,922 | 500 | - | - | 551,639 |
| | <u>514,206</u> | <u>67,897</u> | <u>2,233,079</u> | <u>345,416</u> | <u>1,693,503</u> | <u>3,674,086</u> | <u>122,260</u> | <u>48,614</u> | <u>276,892</u> | <u>11,652,320</u> | <u>20,628,273</u> |
| Expenses | | | | | | | | | | | |
| Salaries and wages | 1,358,771 | 765,326 | - | 557,922 | 1,617,066 | 967,927 | 395,623 | 115,301 | 303,584 | - | 6,081,520 |
| Materials and supplies | 550,245 | 254,066 | 21,916 | 30,425 | 1,222,026 | 1,303,051 | 383,120 | 106,336 | 9,423 | - | 3,880,608 |
| Contracted services | 400,894 | 28,302 | 2,303,326 | 74,939 | 279,473 | 1,855 | 6,809 | 29,376 | 75,758 | - | 3,200,732 |
| Rents and financial | 15,536 | - | - | - | - | - | - | - | - | - | 15,536 |
| Interest | - | - | - | - | - | 350,232 | - | - | 2,876 | - | 353,108 |
| Other | 38,150 | - | - | - | 215,493 | 15,527 | - | - | - | - | 269,170 |
| Amortization | 76,059 | 334,264 | - | 9,833 | 1,810,005 | 1,032,470 | 220,409 | 29,435 | - | - | 3,512,475 |
| | <u>2,439,655</u> | <u>1,381,958</u> | <u>2,325,242</u> | <u>673,119</u> | <u>5,144,063</u> | <u>3,671,062</u> | <u>1,005,961</u> | <u>280,448</u> | <u>391,641</u> | <u>-</u> | <u>17,313,149</u> |
| Net surplus (deficit) | \$ (1,925,449) | \$ (1,314,061) | \$ (92,163) | \$ (327,703) | \$ (3,450,560) | \$ 3,024 | \$ (883,701) | \$ (231,834) | \$ (114,749) | \$ 11,652,320 | \$ 3,315,124 |
| For the year ended December 31, 2019 | 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 | 2019 Total |
| Revenue | | | | | | | | | | | |
| Taxation (Note 12) | \$ - | \$ - | \$ 2,378,331 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,911,860 | \$ 11,290,191 |
| Grants | 14,052 | - | - | - | 879,209 | 563 | 145,116 | 47,707 | - | 1,791,535 | 2,878,182 |
| User fees and service charges | 87,192 | 130,306 | - | - | 156,816 | 3,535,158 | 237,304 | 1,031 | 1,057,337 | - | 5,205,144 |
| Investment income | 590,887 | 25,495 | - | 7,009 | 2,015 | 38,333 | - | 6,694 | - | - | 670,433 |
| Other (Note 8) | 314,565 | 100 | - | 509,911 | 3,283 | 7,286 | 500 | 925 | - | - | 836,570 |
| | <u>1,006,696</u> | <u>155,901</u> | <u>2,378,331</u> | <u>516,920</u> | <u>1,041,323</u> | <u>3,581,340</u> | <u>382,920</u> | <u>56,357</u> | <u>1,057,337</u> | <u>10,703,395</u> | <u>20,880,520</u> |
| Expenses | | | | | | | | | | | |
| Salaries and benefits | 1,178,647 | 781,974 | - | 505,020 | 1,302,291 | 903,958 | 370,617 | 127,939 | 305,380 | - | 5,475,826 |
| Materials and supplies | 543,424 | 258,064 | 36,035 | 40,493 | 1,574,454 | 1,252,540 | 432,840 | 126,371 | 7,457 | - | 4,271,678 |
| Contracted services | 205,218 | 28,064 | 2,294,650 | 65,612 | 207,183 | 88,293 | 9,220 | 60,198 | 80,719 | - | 3,039,157 |
| Rents and financial | 17,261 | - | - | - | - | - | - | 29 | - | - | 17,290 |
| Interest | - | - | - | - | - | 363,426 | - | - | 3,679 | - | 367,105 |
| Other | 97,240 | 9,082 | - | - | 104,525 | 22,630 | 47,342 | - | - | - | 280,819 |
| Amortization | 81,014 | 296,049 | - | 6,374 | 1,639,033 | 1,002,084 | 191,653 | 28,682 | - | - | 3,244,889 |
| | <u>2,122,804</u> | <u>1,373,233</u> | <u>2,330,685</u> | <u>617,499</u> | <u>4,827,486</u> | <u>3,632,931</u> | <u>1,051,672</u> | <u>343,219</u> | <u>397,235</u> | <u>-</u> | <u>16,696,764</u> |
| Net surplus (deficit) | \$ (1,116,108) | \$ (1,217,332) | \$ 47,646 | \$ (100,579) | \$ (3,786,163) | \$ (51,591) | \$ (668,752) | \$ (286,862) | \$ 660,102 | \$ 10,703,395 | \$ 4,183,756 |

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

December 31, 2020

16. Uncertainty Caused By COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Township's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Township's operations. The extent of the impact of this outbreak and related containment measures on the Township's operations cannot be reliably estimated at this time.



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NOTICE TO READER

We have compiled the statement of financial position as at December 31, 2020 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
September 21, 2021

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**The Corporation of the
Township of Severn**

**Unaudited see Notice to Reader
Schedule 1 - Coldwater Business Improvement Area**

| For the year ended December 31 | Budget 2020 | 2020 | 2019 |
|-----------------------------------------------|----------------|----------------------|---------------|
| Revenue | | | |
| BIA Coldwater taxation | \$ 25,000 | \$ 25,000 | 25,000 |
| Other revenue | - | - | 9,700 |
| | <u>25,000</u> | <u>25,000</u> | <u>34,700</u> |
| Expenses | | | |
| Advertising | 11,700 | 11,794 | 14,751 |
| Beautification | 6,000 | 1,062 | 6,684 |
| Special Events | - | - | 7,308 |
| Contingency | - | 15,450 | 7,637 |
| Insurance | 1,000 | 953 | 1,085 |
| Professional fees | 1,000 | 1,000 | 1,000 |
| Promotion and public relations | 6,000 | 2,250 | 2,917 |
| Taxes written off | - | 183 | 194 |
| | <u>25,700</u> | <u>32,692</u> | <u>41,576</u> |
| Annual deficit | (700) | (7,692) | (6,876) |
| Accumulated surplus, beginning of year | 11,556 | 11,556 | 18,432 |
| Accumulated surplus, end of the year | \$ 10,856 | \$ 3,864 | \$ 11,556 |

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, 2020, 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, 2020, 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.

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.

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
September 21, 2021

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

| December 31 | 2020 | 2019 |
|---------------------|-------------------|-------------------|
| Assets | | |
| Cash | \$ 119,787 | \$ 118,596 |
| Due from Township | 4,085 | 1,098 |
| | \$ 123,872 | \$ 119,694 |
| Fund Balance | \$ 123,872 | \$ 119,694 |

Statement of Financial Activities

| For the year ended December 31 | 2020 | 2019 |
|--------------------------------------------|-------------------|-------------------|
| Fund balance, beginning of the year | \$ 119,694 | \$ 119,005 |
| Revenue | | |
| Care and maintenance - plots | 3,300 | 600 |
| Care and maintenance - niches | 780 | 480 |
| Bank interest | 98 | 209 |
| | 4,178 | 1,289 |
| Expenses | | |
| Interments used | - | 600 |
| Fund balance, end of the year | \$ 123,872 | \$ 119,694 |

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

December 31, 2020

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, 2020**

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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****T: (705) 742-3418**
F: (705) 742-9775**www.bakertilly.ca**

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, 2020 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, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Baker Tilly KDN LLP**Chartered Professional Accountants**
Licensed Public Accountants**Peterborough, Ontario**
September 21, 2021

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

| December 31 | 2020 | 2019 |
|-----------------------------------------------------------|-------------------|-------------------|
| Financial assets | | |
| Cash | \$ 366,831 | \$ 340,441 |
| Grants receivable | <u>18,699</u> | <u>-</u> |
| Liabilities | | |
| Due to the Corporation of the Township of Severn (Note 6) | <u>144,459</u> | <u>99,370</u> |
| Net financial assets | 241,071 | 241,071 |
| Non-financial assets | | |
| Tangible capital assets (Note 2) | <u>292,789</u> | <u>303,456</u> |
| Accumulated surplus (Note 3) | \$ 533,860 | \$ 544,527 |

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 2020 | Actual 2020 | Actual 2019 |
|------------------------------------------------------|----------------------------|------------------------|----------------|
| Revenue | | | |
| Township of Severn contribution (Note 6) | \$ 237,699 | \$ 221,167 | \$ 279,070 |
| Province of Ontario grant | 25,342 | 25,342 | 25,342 |
| Township of Oro-Medonte contribution | 22,699 | 18,699 | 22,365 |
| Fines | 1,000 | 70 | 500 |
| Miscellaneous | 950 | 479 | 531 |
| Interest | 1,500 | 3,524 | 6,694 |
| Donations | 500 | 500 | 925 |
| | <u>289,690</u> | <u>269,781</u> | <u>335,427</u> |
| Expenses | | | |
| Amortization of tangible capital assets | 29,400 | 29,435 | 28,683 |
| Equipment | 3,000 | 2,127 | 2,835 |
| General and office | 12,420 | 4,639 | 8,149 |
| Insurance | 2,500 | 2,383 | 2,387 |
| Library contract | 60,000 | 26,434 | 55,018 |
| Professional fees | - | 1,000 | 1,000 |
| Repairs and maintenance | 13,850 | 68,752 | 84,035 |
| Supplies | 26,520 | 23,862 | 26,299 |
| Telephone | 2,000 | 2,058 | 1,870 |
| Training | 2,000 | 41 | 100 |
| Utilities | 5,500 | 4,416 | 4,904 |
| Wages and benefits | 141,900 | 115,301 | 127,939 |
| | <u>299,090</u> | <u>280,448</u> | <u>343,219</u> |
| Annual Deficit | (9,400) | (10,667) | (7,792) |
| Accumulated Annual surplus, beginning of year | <u>544,527</u> | <u>544,527</u> | <u>552,319</u> |
| Accumulated surplus, end of year | \$ 535,127 | \$ 533,860 | \$ 544,527 |

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 2020 | 2020 | 2019 |
|------------------------------------------------|----------------------------|--------------------|------------|
| Annual Deficit | \$ (9,400) | \$ (10,667) | \$ (7,792) |
| Acquisition of tangible capital assets | (20,000) | (18,768) | (20,891) |
| Amortization of tangible capital assets | 29,400 | 29,435 | 28,683 |
| Net change in net financial assets | - | - | - |
| Net financial assets, beginning of year | 241,071 | 241,071 | 241,071 |
| Net financial assets, end of year | \$ 241,071 | \$ 241,071 | \$ 241,071 |

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 | 2020 | 2019 |
|---------------------------------------------------------|--------------------------|-------------------|
| Operating transactions | | |
| Annual deficit | \$ (10,667) | \$ (7,792) |
| Items not involving cash | | |
| Amortization of tangible capital assets | 29,435 | 28,683 |
| Changes in non-cash operating balances | | |
| Grants receivable | (18,699) | - |
| | <u>69</u> | <u>20,891</u> |
| Capital transactions | | |
| Acquisition of tangible capital assets | (18,768) | (20,891) |
| Financing transactions | | |
| Due to (from) the Corporation of the Township of Severn | 45,089 | 49,664 |
| Net change in cash | 26,390 | 49,664 |
| Cash, beginning of year | <u>340,441</u> | <u>290,777</u> |
| Cash, end of year | <u>\$ 366,831</u> | <u>\$ 340,441</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

Summary of Significant Accounting Policies

December 31, 2020

| | | | | | | | | | |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------|-------|---------|--------------------|---------|-------------------------|----------|
| Nature of Business | The board 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 board. 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 board, and is the difference between its assets and liabilities. This provides information about the board'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, 2020

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. Interest revenue is recognized as it is earned.

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the board'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 board has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The board 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.

Inter-Entity Transactions

The Library Board is a Board of the Township of Severn and is consolidated with the Township's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Township.

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, 2020

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 ("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 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

| | 2020 | | 2019 | |
|-------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 5,067 | \$ - | \$ 5,067 | \$ - |
| Buildings | 424,361 | 208,787 | 424,361 | 195,682 |
| Books | 123,933 | 55,170 | 115,059 | 50,157 |
| Computer equipment | 14,432 | 12,638 | 14,432 | 11,550 |
| Furniture and equipment | 5,001 | 3,410 | 5,001 | 3,075 |
| | \$ 572,794 | \$ 280,005 | \$ 563,920 | \$ 260,464 |
| Net book value | | \$ 292,789 | | \$ 303,456 |

3. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

| | 2020 | 2019 |
|---------------------------------------|-------------------|-------------------|
| Investment in tangible capital assets | \$ 292,789 | \$ 303,456 |
| Operating Surplus | 241,071 | 241,071 |
| | \$ 533,860 | \$ 544,527 |

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, 2020

4. Budget

The budget, approved by the Board, for 2020 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 or review.

5. Post Retirement Benefits

OMERS provides pension services to more than 500,000 active and retired members and 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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 (2019 - \$107,687) million in respect of benefits accrued for service with actuarial assets at that date of \$109,844 (2019 - \$104,290) million indicating an actuarial deficit of \$3,211 (2019 - \$3,397) 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 Board does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the Board to OMERS for 2020 were \$8,289 (2019 - \$7,945).

6. Inter-entity 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 inter-entity transactions are as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------|-----------------|-----------------|
| Allocated costs: | | |
| Audit | \$ 1,000 | \$ 1,000 |
| Insurance | 2,383 | 2,387 |
| | <u>\$ 3,383</u> | <u>\$ 3,387</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.

The Corporation of the Township of Severn Library Board

Notes to Financial Statements

December 31, 2020

7. Uncertainty Caused By COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Board's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Board's operations. The extent of the impact of this outbreak and related containment measures on the Board's operations cannot be reliably estimated at this time.
