

Severn Sound Environmental Association
Financial Statements
For the year ended December 31, 2013

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Independent Auditor's Report

To the Board Members of Severn Sound Environmental Association

We have audited the accompanying financial statements of the Severn Sound Environmental Association, which comprise the statement of financial position as at December 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many non-profit organizations, the Association derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association. We were unable to determine whether any adjustments might be necessary to revenue, annual surplus, financial assets and accumulated surplus.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Accountants, Licensed Public Accountants

Alliston, Ontario
July 18, 2014

Severn Sound Environmental Association Statement of Financial Position

December 31	2013	2012
Financial assets		
Accounts receivable	\$ 163,080	\$ 81,861
Due from related parties (Note 5)	55,781	67,394
	218,861	149,255
Liabilities		
Accounts payable and accrued liabilities	42,644	29,013
Due to related parties (Note 5)	241,318	301,563
Deferred revenue	64,652	86,172
Employee future benefits (Note 9)	84,021	77,905
	432,635	494,653
Net financial debt	(213,774)	(345,398)
Non-financial assets		
Tangible capital assets (Note 3)	15,275	14,107
Prepaid expense	1,947	1,905
	17,222	16,012
Accumulated deficit	\$ (196,552)	\$ (329,386)

Contingencies (Note 6)

On behalf of the Board:


 _____ Director


 _____ Director

Severn Sound Environmental Association Statement of Operations

For the year ended December 31	Budget (Note 4)	2013	2012 (Note 10)
Revenue			
Federal grants (Notes 6 and 7)	\$ -	\$ 12,447	\$ 4,209
Municipal grants (Notes 6 and 7)	507,721	494,418	360,012
Province of Ontario grants (Notes 6 and 7)	30,000	17,022	36,177
Community and private donations	16,942	19,007	20,432
Projects and recoveries	121,000	87,871	45,538
Funding from Conservation Authority	158,817	228,754	228,061
Interest earned	-	713	606
Total revenues	834,480	860,232	695,035
Expenditures			
Salaries and benefits	671,780	542,735	486,923
Materials and office expenses	25,000	37,419	50,957
Contracted services	24,000	103,750	119,563
Rents and financial expenses	33,914	35,521	30,504
Amortization of tangible capital assets	-	7,973	9,810
Total expenditures	754,694	727,398	697,757
Annual surplus (deficit)	79,786	132,834	(2,722)
Accumulated deficit, beginning of year	(329,386)	(329,386)	(326,664)
Accumulated deficit, end of year	\$ (249,600)	\$ (196,552)	\$ (329,386)

The accompanying notes are an integral part of these financial statements.

Severn Sound Environmental Association Statement of Cash Flows

For the year ended December 31	2013	2012
Operating transactions		
Annual surplus (deficit)	\$ 132,834	\$ (2,722)
Items not involving cash:		
Amortization of tangible capital assets	7,973	9,810
Employee future benefits	6,115	8,485
	<u>146,922</u>	<u>15,573</u>
Changes in non-cash operating balances:		
Accounts receivable	(81,219)	57,552
Prepaid expenses	(42)	(1,905)
Accounts payable and accrued liabilities	13,631	(101)
Amounts due to/from related parties	(48,632)	14,616
Deferred revenue	(21,519)	(85,735)
	<u>9,141</u>	<u>-</u>
Cash provided by operating transactions	9,141	-
Capital transactions		
Purchase of tangible capital assets	(9,141)	-
	<u>-</u>	<u>-</u>
Change in cash during the year	-	-
Cash, beginning of year	-	-
	<u>-</u>	<u>-</u>
Cash, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Severn Sound Environmental Association Notes to Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies

Nature and Purpose of the Association

The Severn Sound Environmental Association is a water management agency established by a letter of agreement among local municipalities, Environment Canada and the Ontario Ministry of the Environment.

In March 2009, a joint municipal service board was created by a letter of agreement among the local municipalities. The local municipalities are the Town of Midland, Town of Penetanguishene, Township of Tay, Township of Tiny, Township of Oro-Medonte, Township of Severn, Township of Georgian Bay, the Township of Springwater and the City of Orillia.

Management Responsibility

The financial statements of Severn Sound Environmental Association are the representation of management prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The statement of financial position includes all the assets and liabilities of the Severn Sound Environmental Association. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Association position represents the financial position and is the difference between assets and liabilities. This provides information about the Severn Sound Environmental Association's overall future revenue requirements and its ability to finance activities and meet its obligations.

Accrual Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenditures are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Tangible Capital Assets

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

Equipment	4-10 years
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Severn Sound Environmental Association Notes to Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies (continued)

Pension Agreements	The Association is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension 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. As such, the Association's contributions due during the year are expensed as incurred.
Employee Future Benefits	Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued when they are vested and subject to pay out when an employee leaves the Association's employ. Non-vesting sick leave benefits are accrued and subject to pay out if employees chose to top up their salary under the short-term sick leave plans.
Revenue Recognition	<p>Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.</p> <p>All revenue other than government transfers and interest revenue, is recognized when received.</p> <p>Interest revenue is recorded when earned.</p>
Deferred Revenue	Deferred revenue represents funds which have been applied for and collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.
Government Transfers	Government transfers, which include entitlements and legislative grants, are recognized as revenue in the financial statements when the transfers are authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Government transfers consist of grants and subsidies received for various operating and capital programs.

Severn Sound Environmental Association

Notes to Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies (continued)

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 amounts reported in the financial statements and accompanying notes as well as the disclosure of contingent assets and liabilities at the financial statement date. These estimates and assumptions, including such areas as employee benefits and the useful life of tangible capital assets are based on the management's best information and judgment. Actual results could differ from management's best estimates as additional information becomes available in the future.

Collections

Collections, including works of art and historical treasures, are not capitalized in the statement of financial position. Purchases of collection items are expensed in the year in which the items are acquired. Contributions of collection items are reported as revenue and expense at their fair value. When fair value cannot be determined, the contribution is recognized at nominal value.

Severn Sound Environmental Association Notes to Financial Statements

December 31, 2013

2. Change in Accounting Policy

Effective January 1, 2013, the Association adopted the revised Public Sector Accounting Standard Section PS 3410 Government Transfers. This change in accounting policy has been made in accordance with the transitional provisions of the standards which are to be applied either retroactively or prospectively. The Association has chosen to apply these revised standards prospectively. For PS 3410, there has been no effect on the financial statements.

3. Tangible Capital Assets

	<u>2013</u>		<u>2012</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 78,518	\$ 63,243	\$ 69,377	\$ 55,270
Net book value		<u>\$ 15,275</u>		<u>\$ 14,107</u>

During the year, capital assets were acquired at an aggregate cost of \$9,141 (2012 - \$Nil) by means of cash.

4. Budget Figures

The budgeted figures are presented for comparative purposes and are those approved by the Board of Directors. They have been reclassified to conform with these financial statements.

Severn Sound Environmental Association Notes to Financial Statements

December 31, 2013

5. Due from Related Parties

The Association received \$340,865 (2012 - \$310,864) in funding from related parties.

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product or service.

At the end of the year, the amounts due from related parties are as follows:

	2013	2012
Township of Georgian Bay	\$ 12,317	\$ 20,295
Township of Oro Medonte	3,066	11,810
Township of Tiny	7,955	6,058
Township of Severn	11,972	1,862
Township of Tay	3,824	18,329
The Corporation of the Town of Midland	2,191	9,040
City of Orillia	5,072	-
Township of Penetanguishene	9,384	-
	\$ 55,781	\$ 67,394

There are no specific terms of repayment, the balances are unsecured and are non-interest bearing.

At the end of the year, the amount due to related party is as follows:

	2013	2012
The Corporation of the Town of Midland	\$ 241,318	\$ 301,563

For the amount due from the Corporation of the Town of Midland, the balance bears interest at prime less 1.725% and is calculated on a quarterly basis on the average balance during that period.

Severn Sound Environmental Association Notes to Financial Statements

December 31, 2013

6. Contingencies

The Association receives funding from Federal, Provincial and Municipal government organizations on a project by project basis. The amount of funding provided to the Association for each project is subject to final review and approval by these government organizations. As at the date of these financial statements, funding for the ongoing projects have not been subject to this review process. Any future adjustments required as a result of this review will be accounted for at that time.

7. Government Transfers

Government transfers include monetary transfers based on cost-sharing agreements between the levels of government. Some funds are transferred when the Association provides evidence that the qualifying expenditures have been incurred. The Association also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific programs or expenses (entitlements with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue.

The following kinds of transfers were included in revenue:

	<u>2013</u>	<u>2012</u>
Government transfers with stipulations	\$ 183,022	\$ 89,534
Other government transfers	340,865	310,864
Total government transfers	<u>\$ 523,887</u>	<u>\$ 400,398</u>

Severn Sound Environmental Association Notes to Financial Statements

December 31, 2013

8. Pension Agreements

The Association makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of full-time members of staff. The plan is a contributory defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 439,528 active and retired members and approximately 982 employers. The plan is financed by equal contributions from participating employers and employees, and the investment earnings of the fund.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2013. The results of this valuation disclosed total actuarial liabilities of \$73.0 billion (2012 - \$69.1 billion) in respect of benefits accrued for service with actuarial assets at that date of \$64.3 billion (2012 - \$59.2 billion) indicating an actuarial deficit of \$8.6 billion (2012 - \$9.9 billion). 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 Association does not recognize any share to the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2013 was \$28,598 (2012 - \$22,701) for current service and is included as an expenditure on the Statement of Operations.

Severn Sound Environmental Association Notes to Financial Statements

December 31, 2013

9. Employee Future Benefits Payable

The Association provides certain employee benefits which will require funding in future periods.

	2013	2012
Accumulated sick leave entitlements	\$ 40,343	\$ 36,353
Vacation payable	19,784	20,352
Accrued health and dental benefit liability	23,894	21,200
	\$ 84,021	\$ 77,905

The Association pays certain health and dental benefits on behalf of its retired employees and recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued health and dental benefit liability and the expense were determined by an actuarial valuation using a discount rate of 4.50% (2012 - 3.75%).

Information about the defined benefit plan is as follows:

	2013	2012
Accrued health and dental benefit liability, beginning of year	\$ 21,200	\$ 17,683
Expense for the year	2,694	3,517
Accrued health and dental benefit liability, end of year	\$ 23,894	\$ 21,200

The main actuarial assumptions employed for the valuation is as follows:

(a) Salary levels

Future general salary and wage levels were assumed to increase 4% per annum.

(b) Dental costs

Dental costs were assumed to increase 4% per annum.

(c) Extended health care trend rates

Extended health care trend rates were assumed to be 8.5% in 2013, decreasing by 0.25% per annum.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.
