

Financial Statements

**SEVERN SOUND  
ENVIRONMENTAL ASSOCIATION**

Year ended December 31, 2015



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## INDEPENDENT AUDITORS' REPORT

To the Board Members of Severn Sound Environmental Association

We have audited the accompanying financial statements of **Severn Sound Environmental Association**, which comprise the statement of financial position as at December 31, 2015, the statements of operations and accumulated deficit, change in net debt and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

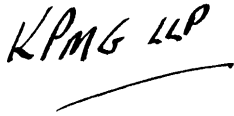
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, these financial statements present fairly, in all material respects the financial position of Severn Sound Environmental Association as at December 31, 2015, and its results of operations, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Professional Accountants, Licensed Public Accountants

April 15, 2016  
Sudbury, Canada

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

The accompanying financial statements of The Severn Sound Environmental Association (the "Association") are the responsibility of the Association's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the 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 Association'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 financial statements. These systems are monitored and evaluated by Management.

The Board meets with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Association. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Association's financial statements.



Keith Sherman  
Executive Director

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

## Financial Statements

Year ended December 31, 2015

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### Financial Statements

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# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

## Statement of Financial Position


December 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial assets:</b>		
Accounts receivable	\$ 85,769	\$ 23,800
Due from related parties (note 2)	31,422	66,408
	<u>117,191</u>	<u>90,208</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	33,251	33,472
Due to related party (note 2)	25,890	-
Deferred revenue	86,950	81,442
Employee future benefits (note 3)	109,913	91,151
	<u>256,004</u>	<u>206,065</u>
Net debt	(138,813)	(115,857)
<b>Non-financial assets:</b>		
Tangible capital assets (note 4)	9,667	15,411
Prepaid expenses	1,846	2,094
	<u>11,513</u>	<u>17,505</u>
Contingencies (note 8)		
Accumulated deficit (note 5)	\$ (127,300)	\$ (98,352)

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

On behalf of the Board:

 Director

 Director

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

## Statement of Operations and Accumulated Deficit

Year ended December 31, 2015, with comparative information for 2014

	2015 Budget	2015 Actual	2014 Actual
<b>Revenues:</b>			
Municipal grants	\$ 517,783	\$ 511,975	\$ 509,000
Lake Simcoe Region Conservation Authority	169,000	162,876	163,142
Province of Ontario grants	70,000	83,434	133,566
Projects and recoveries	98,361	40,522	81,605
Community and private donations	32,650	30,784	28,645
Federal grants	-	88,507	4,000
Interest earned	-	655	840
<b>Total revenues</b>	<b>887,794</b>	<b>918,753</b>	<b>920,798</b>
<b>Expenses:</b>			
Salaries and benefits	674,534	719,507	665,424
Materials and office	47,288	39,874	29,904
Contracted services	58,359	127,827	67,926
Rent and financial	57,613	54,749	54,776
Amortization of tangible capital assets	-	5,744	4,568
<b>Total expenses</b>	<b>837,794</b>	<b>947,701</b>	<b>822,598</b>
<b>Annual surplus (deficit)</b>	<b>50,000</b>	<b>(28,948)</b>	<b>98,200</b>
Accumulated deficit, beginning of year	(98,352)	(98,352)	(196,552)
<b>Accumulated deficit, end of year</b>	<b>\$ (48,352)</b>	<b>\$ (127,300)</b>	<b>\$ (98,352)</b>

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

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

## Statement of Change in Net Debt

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Annual surplus (deficit)	\$ (28,948)	\$ 98,200
Acquisition of tangible capital assets	-	(4,704)
Amortization of tangible capital assets	5,744	4,568
Use of prepaid expenses	2,094	1,947
Acquisition of prepaid expenses	(1,846)	(2,094)
	5,992	(283)
<b>Change in net debt</b>	<b>(22,956)</b>	<b>97,917</b>
Net debt, beginning of the year	(115,857)	(213,774)
<b>Net debt, end of the year</b>	<b>\$ (138,813)</b>	<b>\$ (115,857)</b>

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



# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

## Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (28,948)	\$ 98,200
Items not involving cash:		
Amortization of tangible capital assets	5,744	4,568
Increase in employee future benefits	18,762	7,130
	(4,442)	109,898
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable	(61,969)	139,280
Decrease (increase) in prepaid expenses	248	(147)
Decrease in accounts payable and accrued liabilities	(221)	(9,172)
Increase (decrease) in due to/from related parties	60,876	(251,945)
Increase in deferred revenue	5,508	16,790
Net change in cash from operating activities	-	4,704
Capital activities:		
Cash used to acquire tangible capital assets	-	(4,704)
<b>Net change in cash and cash equivalents</b>	<b>-</b>	<b>(4,704)</b>
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

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

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2015

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Severn Sound Environmental Association (the "Association") is a water management agency established in 2009 by a letter agreement among local Municipalities, Environment Canada and the Ontario Ministry of the Environment.

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.

## 1. Significant accounting policies:

The financial statements of the Association are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Association are as follows:

### (a) Accrual basis of accounting

Revenues and expenses 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; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

### (b) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over the estimated useful lives as follows:

Assets	Useful Life - Years
Equipment	4 - 10

Annual amortization is not charged in the year of acquisition.

### (c) 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 Association 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.

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2015

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## 1. Significant accounting policies (continued):

### (d) 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. 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.

### (e) Revenue recognition:

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when funding is receivable.

All revenue other than government transfers and interest revenue, is recognized when received.

Interest revenue is recorded when earned.

### (f) 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.

### (g) Government transfers:

Government transfers, which include entitlements and legislative grants, are recognized as revenue in the financial statements when the transfers is 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.

### (h) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. The principal estimates used in the preparation of these financial statements are the useful lives of tangible capital assets and the allowance for doubtful accounts. Actual results could differ from management's best estimates as additional information becomes available in the future.

In addition, the Association's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimate of historical cost and useful lives of tangible capital assets.

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2015

## 1. Significant accounting policies (continued):

### (i) 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.

## 2. Due to/from related parties:

The Association received \$ 422,224 (2014 - \$407,909) in Municipal grants 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 (to) related parties are as follows:

	2015	2014
Township of Georgian Bay	\$ 6,010	\$ -
Township of Oro Medonte	5,085	-
Township of Tiny	6,797	25,866
Township of Severn	972	13,560
Township of Tay	12,558	9,000
The Corporation of the Town of Midland	-	17,982
	<u>\$ 31,422</u>	<u>\$ 66,408</u>

There are no specific terms of repayment, the balances are unsecured and are non-interest bearing, with the exception of the amount due from the Corporation of the Town of Midland. This balance bears interest at prime less 1.725% and is calculated on a quarterly basis on the average balance owing that period.

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

	2015	2014
The Corporation of the Town of Midland	\$ 25,890	\$ -

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2015

### 3. Employee future benefits:

An actuarial estimate of future liabilities has been completed using the most recent actuarial valuation in March 2016 and forms the basis for the estimated liability reported in these financial statements.

The following table sets out the continuity of the accrued benefit obligation.

	2015	2014
Accumulated sick leave entitlements	\$ 49,900	\$ 45,027
Vacation payable	30,413	19,784
Accrued health and dental benefit liability	29,600	26,340
	<u>\$ 109,913</u>	<u>\$ 91,151</u>

Information about the accumulated sick leave entitlements and accrued health and dental benefit liabilities are as follows:

	2015	2014
Accrued benefit obligation, beginning of year	\$ 71,367	\$ 64,237
Add: Benefit/service cost	5,433	4,725
Add: Interest	2,700	2,814
Less: Amortization of actuarial loss	—	(409)
Accrued benefit obligation, end of year	<u>\$ 79,500</u>	<u>\$ 71,367</u>

The significant actuarial assumptions adopted in measuring the Association's accrued benefit obligations are as follows:

	2015	2014
Discount rate	3.50%	3.50%
Salary escalation	3.00%	4.00%
Dental premium rates	4.00%	4.00%
Health premium care rates	7.75% for 2015 reducing by 0.25% in each year to an ultimate rate of 5%	

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2015

## 4. Tangible capital assets:

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 83,222	\$ 73,555	\$ 83,222	\$ 67,811
Net book value		\$ 9,677	\$	\$ 15,411

## 5. Accumulated surplus:

The Association segregates its accumulated surplus in the following categories

	2015	2014
Invested in tangible capital assets	\$ 9,677	\$ 15,411
Operating	(117,623)	(113,763)
Accumulated surplus (deficit)	\$ (127,300)	\$ (98,352)

## 6. Pension agreements:

The Association makes contributions to the Ontario Municipal Employees Retirement System ("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.

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 of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2015 is \$32,491 (2014 - \$28,057) for current service and is included as an expense on the Statement of Operations and Accumulated Deficit.

# SEVERN SOUND ENVIRONMENTAL ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2015

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## 7. Government transfers:

Government transfers include monetary transfers based on cost-sharing agreements between the levels of government. Specific funds are also 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:

	2015	2014
Government transfers with stipulations	\$ 173,185	\$ 238,657
Other government transfers	422,224	407,909
	<u>\$ 595,409</u>	<u>\$ 646,566</u>

## 8. 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.