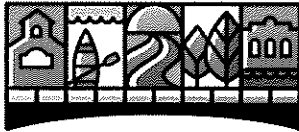


**The Corporation of the
Township of Severn**
Consolidated Financial Statements
For the year ended December 31, 2025

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— Township of —

SEVERN

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705-325-2315

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



Baker Tilly KDN LLP
272 Charlotte Street
Peterborough, ON
Canada K9J 2V4

INDEPENDENT AUDITOR'S REPORT

D: 705.742-3418
F: 705.742-9775

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

www.bakertilly.ca

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, 2025, 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, 2025, 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.

ASSURANCE • TAX • ADVISORY

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

Peterborough

Courice

Lindsay

Cobourg

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 KIN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
October 9, 2026



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

December 31	2025	2024
Financial assets		
Cash (Note 1)	\$ 43,958,677	\$ 44,744,574
Taxes receivable	3,590,363	3,314,267
Accounts receivable	3,186,286	1,731,667
Inventories for resale	43,606	44,528
Long-term receivables (Note 2)	175,271	192,844
	<u>50,954,203</u>	<u>50,027,880</u>
Liabilities		
Accounts payable and accrued liabilities	3,767,923	3,891,120
Other liabilities	3,738,863	3,220,266
Deferred revenue - Obligatory reserve funds (Note 5)	9,615,095	10,016,294
Deferred revenue - Other	282,042	295,814
Long-term debt (Note 6)	5,217,586	5,565,952
Asset retirement obligation (Note 12)	25,500	25,500
	<u>22,647,009</u>	<u>23,014,946</u>
Net financial assets	28,307,194	27,012,934
Non-financial assets		
Tangible capital assets (Note 7)	<u>118,097,731</u>	<u>113,718,800</u>
Accumulated surplus (Note 8)	\$146,404,925	\$140,731,734

Contingencies (Note 11)

**The Corporation of the
Township of Severn**

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	(Note 16) Budget 2025	Actual 2025	Actual 2024
Revenue			
Taxation (Note 14)	\$ 17,098,950	\$ 17,427,414	\$ 15,916,803
Government grants - Federal	477,366	637,592	1,377,166
Government grants - Provincial	10,708,127	4,021,008	2,775,905
Government grants - Municipal	33,699	39,989	38,934
User fees and service charges	6,271,393	5,694,176	5,247,371
Investment income	1,960,000	1,094,304	1,843,843
Other (Note 9)	1,006,100	4,422,274	3,810,498
	<u>37,555,635</u>	<u>33,336,757</u>	<u>31,010,520</u>
Expenses			
General government	4,147,033	4,179,717	3,605,744
Fire department	2,090,449	2,330,703	1,959,637
Police services	2,367,801	2,341,255	2,204,803
Protective inspection and control	1,317,771	1,657,230	1,231,758
Transportation services	7,448,712	8,797,109	6,933,664
Water and sewer	4,571,019	5,207,477	4,418,298
Parks and recreation	1,971,210	2,005,944	1,623,689
Library and culture	397,601	360,333	343,636
Planning and development	854,332	783,798	848,181
	<u>25,165,928</u>	<u>27,663,566</u>	<u>23,169,410</u>
Annual surplus	<u>12,389,707</u>	<u>5,673,191</u>	<u>7,841,110</u>
Accumulated surplus, beginning of year	140,731,734	140,731,734	133,030,397
Adjustment on adoption of the revenue recognition standard	<u>-</u>	<u>-</u>	<u>(139,773)</u>
Accumulated surplus, beginning of year, restated	<u>140,731,734</u>	<u>140,731,734</u>	<u>132,890,624</u>
Accumulated surplus, end of year	<u>\$153,121,441</u>	<u>\$146,404,925</u>	<u>\$140,731,734</u>

**The Corporation of the
Township of Severn**

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	(Note 16) Budget 2025	2025	2024
Annual surplus	\$ 12,389,707	\$ 5,673,191	\$ 7,841,110
Acquisition of tangible capital assets	(22,356,820)	(9,815,591)	(10,906,584)
Amortization of tangible capital assets	4,932,500	4,932,348	4,588,571
Net loss on disposal of tangible capital assets	-	453,615	69,426
Proceeds on disposal of tangible capital assets	28,000	50,697	91,100
Net change in net financial assets	(5,006,613)	1,294,260	1,683,623
Net financial assets, beginning of year	27,012,934	27,012,934	25,469,084
Adjustment on adoption of the revenue recognition standard	-	-	(139,773)
Net financial assets, beginning of year, as restated	27,012,934	27,012,934	25,329,311
Net financial assets, end of year	\$ 22,006,321	\$ 28,307,194	\$ 27,012,934

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

For the year ended December 31	2025	2024
Operating transactions		
Annual surplus	\$ 5,673,191	\$ 7,841,110
Items not involving cash		
Amortization of tangible capital assets	4,932,348	4,588,571
Net loss on disposal of tangible capital assets	453,615	69,426
Changes in non-cash operating balances		
Taxes receivable	(276,096)	(798,279)
Accounts receivable	(1,454,619)	(255,072)
Inventories for resale	922	(34,508)
Long term receivables	17,573	(87,257)
Accounts payable and accrued liabilities	(123,197)	1,602,629
Other current liabilities	518,597	193,805
Deferred revenue - obligatory reserve funds	(401,199)	(2,019,555)
Deferred revenue - other	(13,772)	156,041
	<u>9,327,363</u>	<u>11,256,911</u>
Capital transactions		
Purchase of tangible capital assets	(9,815,591)	(10,906,584)
Proceeds on disposal of tangible capital assets	50,697	91,100
	<u>(9,764,894)</u>	<u>(10,815,484)</u>
Financing transactions		
Proceeds from issuance of long-term debt	-	96,900
Repayment of long-term debt	(348,366)	(323,638)
	<u>(348,366)</u>	<u>(226,738)</u>
Net change in cash	(785,897)	214,689
Cash, beginning of year	<u>44,744,574</u>	<u>44,529,885</u>
Cash, end of year (Note 1)	<u>\$ 43,958,677</u>	<u>\$ 44,744,574</u>

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

December 31, 2025

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, 2025

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

Asset Retirement Obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

1. There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
2. The past transaction or event giving rise to the liability has occurred;
3. It is expected that future economic benefits will be given up; and
4. A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in several buildings owned by the Township has been recognized based on estimated future expenses for remediation or disposal.

The liability is discounted using a present value calculation, and adjusted yearly for accretion expense and any amounts paid. The recognition of a liability resulted in an accompanying increase in the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the account policies outlined for tangible capital assets.

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

December 31, 2025

Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

<u>Financial Instrument</u>	<u>Measurement Method</u>
Cash	Amortized Cost
Accounts receivable	Amortized Cost
Taxes receivable	Amortized Cost
Long-term receivables	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Other liabilities	Amortized Cost
Long-term debt	Amortized Cost

Fair value category: The Township manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

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

December 31, 2025

Financial Instruments cont.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are not significant to fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

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 30).

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, 2025

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, 2025

1. Cash

	<u>2025</u>	<u>2024</u>
Unrestricted	\$ 34,343,582	\$ 34,728,280
Restricted	<u>9,615,095</u>	<u>10,016,294</u>
	<u>\$ 43,958,677</u>	<u>\$ 44,744,574</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 5).

2. Long-Term Receivables

	<u>2025</u>	<u>2024</u>
Tile drainage loans	\$ 175,271	\$ 192,844

The tile drainage loans have interest rates of 6% and are due from 2025 to 2034.

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, 2025 no amounts have been drawn relating to either credit facility. (2024 - \$Nil)

4. Financial Instruments

Transactions in financial instruments may result in the Township assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The Township is exposed to the following risks in respect of certain of the financial instruments held.

a. Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Township reduces its exposure to credit risk by creating an allowance for bad debts when applicable. The Township monitors and assesses the collectibility of accounts receivable based on past experience to derive a net realizable value.

b. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Township has exposure to interest rate risk on its long-term debt.

In the opinion of management, the Township is not exposed to any significant liquidity, market or currency risk.

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

December 31, 2025

5. Deferred Revenue - Obligatory Reserve Funds

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Canada Community- Building Fund	\$ 2,246,665	\$ 477,366	\$ 70,694	\$ (276,589)	\$ 2,518,136
Development charges (Note 9)	7,092,894	1,483,941	223,186	(2,462,842)	6,337,179
Recreational land	676,735	61,751	21,294	-	759,780
	<u>\$ 10,016,294</u>	<u>\$ 2,023,058</u>	<u>\$ 315,174</u>	<u>\$ (2,739,431)</u>	<u>\$ 9,615,095</u>

Canada Community-Building Fund (CCBF)

The Association of Municipalities of Ontario (AMO) 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, 2025

6. Long-term Debt

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

	<u>2025</u>	<u>2024</u>
Ontario Strategic Infrastructure Financing Authority Debenture, 5.28%, repayable \$305,092 semi-annually, due August 2036	\$ 5,042,315	\$ 5,373,108
Tile drainage loans, interest rate of 6%, annual payments ranging from \$3,084 to \$6,793 per year, due 2027 to 2034	<u>175,271</u>	<u>192,844</u>
	<u>\$ 5,217,586</u>	<u>\$ 5,565,952</u>

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

2026	\$ 367,117
2027	386,877
2028	404,618
2029	426,380
2030	449,313
Thereafter	<u>3,183,281</u>
	<u>\$ 5,217,586</u>

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 \$290,961 (2024 - \$313,138).

December 31, 2025

7. Tangible Capital Assets

Included in additions are \$Nil (2024-\$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 \$9,764,344 (2024 - \$9,764,345) and is not being amortized.

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

December 31, 2025

8. Accumulated Surplus

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

	<u>2025</u>	<u>2024</u>
Investment in tangible capital assets		
Tangible capital assets - net book value	\$ 118,097,731	\$ 113,718,800
Long Term Debt - amounts to be recovered	(5,075,263)	(5,406,524)
Unfunded asset retirement obligation	(25,500)	(25,500)
	<u>112,996,968</u>	<u>108,286,776</u>
Current Fund		
General area taxation	2,500	2,500
Police	254,971	167,266
Waterworks and sewer systems	1,627,814	1,219,047
Coldwater Business Improvement Area (Schedule 1)	26,827	10,957
Severn Library Board	241,071	241,071
	<u>2,153,183</u>	<u>1,640,841</u>
Reserves set aside for specific purposes by Council:		
Working funds	3,618,928	3,615,655
Election	115,688	85,688
Emergency planning	40,000	40,000
Parkland	350,052	348,538
Capital purposes	18,312,794	17,900,284
Taxation	500,000	400,000
Administration	3,813,021	3,495,142
Fire protection	897,565	1,028,424
Water and sewer systems	2,702,928	2,836,588
Building department	336,469	486,469
Gravel pit restoration	194,549	194,549
Westshore	372,780	372,780
	<u>31,254,774</u>	<u>30,804,117</u>
	<u>\$ 146,404,925</u>	<u>\$ 140,731,734</u>

The balance available to offset future revenue requirements for the fiscal year ending December 31, 2025 has been decreased by an amount of \$1,119,386, transferred to reserves as authorized by by-law #2025-35 dated May 7, 2025. Had this decrease not been made the current fund balance would have shown a surplus of \$3,272,569.

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

December 31, 2025

9. Other Revenue

	(Note 16) Budget 2025	Actual 2025	Actual 2024
Penalties and interest on taxation	\$ 400,000	\$ 509,592	\$ 421,413
Other fines and penalties	21,000	731,173	57,860
Licences, permits and fines	582,100	643,748	560,390
Donations	3,000	24,935	15,733
Gain on disposal of tangible capital assets	-	49,022	52,569
Other	-	962	88,885
Earned Development Charges and Parkland Levies (Note 5)	-	2,462,842	2,613,648
	\$ 1,006,100	\$ 4,422,274	\$ 3,810,498

Losses on disposal of tangible capital assets amounted to \$502,637 (2024 - \$119,297) and are included in the other expense line in respect to the department they pertain to, resulting in a total net (gain)loss of \$453,615 (2024 - \$66,728).

10. Expenses by Object

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

	(Note 16) Budget 2025	Actual 2025	Actual 2024
Expenses			
Salaries and wages	\$ 10,384,766	\$ 9,872,029	\$ 8,920,200
Materials and supplies	5,734,697	8,055,969	5,622,521
Contracted services	3,819,087	3,956,680	3,586,874
Rents and financial	21,050	59,491	35,635
Interest	273,828	284,412	296,313
Other	-	502,637	119,296
Amortization	4,932,500	4,932,348	4,588,571
	\$ 25,165,928	\$ 27,663,566	\$ 23,169,410

11. Contingencies

Claims have been filed against the Township requesting damages. The ultimate outcome of these claims is not determinable at the time of issue of these financial statements. No provision for these claims has been recorded in these financial statements. Settlements in excess of insurance, if any, will be reflected in the periods in which settlement occurs.

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

December 31, 2025

12. Asset Retirement Obligation

The Township's asset retirement obligation consists of the following:

(a) Asbestos obligation

The Township owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS3280 - Asset Retirement Obligations, the Township recognized an obligation relating to the removal of the asbestos in these buildings as estimated at January 1, 2023. The buildings had an estimated useful life of 40 years when they were purchased, but are currently fully amortized and still in use by the Township with an estimated 20 years of useful life remaining. Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues.

Changes in the asset retirement obligation in the year are as follows:

	Asbestos Removal
Opening balance - January 1, 2025	\$ 25,500
In year adjustment	\$ -
Closing balance	<u>\$ 25,500</u>

13. Post Retirement Benefits

OMERS provides pension services to almost 665,000 active and retired members and over 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, 2025. The results of this valuation disclosed total actuarial liabilities of \$149,575 (2024 - \$140,766) million in respect of benefits accrued for service with actuarial assets at that date of \$148,253 (2024 - \$137,853) million indicating an actuarial deficit of \$1,322 (2024 - \$2,913) 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.

The Township's total contributions to OMERS in 2025 were \$1,295,244 (2024 - \$1,180,588) of which \$647,622 (2024 - \$590,294) was contributed by employees.

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

December 31, 2025

14. Taxation

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

	<u>2025</u>	<u>2024</u>
Total taxes levied	\$ 34,551,778	\$ 32,204,299
Amount levied and remitted to School Boards	(6,558,531)	(6,368,715)
Amount levied and remitted to the County of Simcoe	<u>(10,489,454)</u>	<u>(9,873,342)</u>
Available for general municipal purposes	17,503,793	15,962,242
Amounts written off during the year	<u>(76,379)</u>	<u>(45,439)</u>
Taxation revenue	<u>\$ 17,427,414</u>	<u>\$ 15,916,803</u>

15. Trust Funds

The trust funds administered by the municipality amounting to \$140,136 (2024 - \$138,066) 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, 2025, the trusts fund balances are as follows:

	<u>2025</u>	<u>2024</u>
Cemetery Care and Maintenance funds	\$ 128,783	\$ 127,043
Cemetery pre-need	6,587	6,396
Other	<u>4,766</u>	<u>4,627</u>
	<u>\$ 140,136</u>	<u>\$ 138,066</u>

16. Budget Figures

The budget, approved by the Township, for 2025 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.

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

December 31, 2025

17. Segmented Information

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

General Government

This relates to the activities of Council and the general financial and administrative management of the Municipality.

Fire Department

The fire department is responsible for providing fire suppression service, fire prevention programs, training and education. The members of the fire department consist of full-time employees and volunteers.

Police Services

The police services work to ensure the safety and protection of the citizens and their property.

Protective Inspection and Control

Protective inspection is comprised of the building department and animal control. The building department provides a number of services including maintenance and enforcement of building and construction codes.

Transportation Services

Transportation is responsible for maintaining the municipality's roadway, streetlight systems and cemeteries.

Water and Sewer

This service provides the municipality's drinking water. They process and clean sewage and ensure the Municipality's water system meets all Provincial standards.

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, 2025

17. Segmented Information (continued)

For the year ended December 31, 2025	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	2025 Total
Revenue											
Taxation (Note 14)	\$	- \$	2,428,960	\$	- \$	- \$	- \$	- \$	- \$	14,998,454	\$ 17,427,414
Grants	1,320,636	51,946	-	-	1,696,988	-	378,878	44,041	-	1,206,100	4,698,589
User fees and service charges	60,730	92,119	-	43,350	137,077	4,776,589	286,379	197	297,735	-	5,694,176
Investment income	1,077,390	-	-	-	-	-	-	16,914	-	-	1,094,304
Other (Note 9)	536,522	631	-	1,337,421	1,924,242	530,804	47,064	45,590	-	-	4,422,274
	2,995,278	144,696	2,428,960	1,380,771	3,758,307	5,307,393	712,321	106,742	297,735	16,204,554	33,336,757
Expenses											
Salaries and wages	2,074,395	1,191,783	459	1,102,160	2,358,342	1,440,631	834,582	208,859	660,818	-	9,872,029
Materials and supplies	982,152	624,566	32,244	493,040	2,809,809	2,319,526	732,674	46,913	15,045	-	8,055,969
Contracted services	755,467	50,287	2,308,552	45,357	611,266	13,800	6,983	68,604	96,364	-	3,956,680
Rents and financial interest	58,510	-	-	-	-	-	-	981	-	-	59,491
Other	162,687	-	-	-	-	272,841	-	-	11,571	-	284,412
Amortization	146,506	464,067	-	-	278,626	-	61,324	-	-	-	502,637
	4,179,717	2,330,703	2,341,255	1,657,230	2,739,066	1,160,679	370,381	34,976	-	-	4,932,348
Net surplus (deficit)	\$ (1,184,439)	\$ (2,186,007)	\$ 87,705	\$ (276,459)	\$ (5,038,802)	\$ 99,916	\$ (1,293,623)	\$ (253,591)	\$ (486,063)	\$ 16,204,554	\$ 5,673,191
For the year ended December 31, 2024											
Revenue											
Taxation (Note 14)	\$	- \$	2,252,811	\$	- \$	- \$	- \$	- \$	- \$	13,663,992	\$ 15,916,803
Grants	38,860	2,802	-	-	2,937,681	-	25,821	44,041	-	1,142,800	4,192,005
User fees and service charges	68,336	62,896	-	58,350	85,085	4,442,430	266,159	1,140	262,975	-	5,247,371
Investment income	1,818,096	-	-	-	-	-	-	25,747	-	-	1,843,843
Other (Note 9)	530,662	3,714	-	584,075	2,156,864	58,324	368,814	47,874	60,171	-	3,810,498
	2,455,954	69,412	2,252,811	642,425	5,179,630	4,500,754	660,794	118,802	323,146	14,806,792	31,010,520
Expenses											
Salaries and benefits	1,932,345	1,039,812	-	1,039,116	2,070,547	1,247,630	761,092	186,198	643,460	-	8,920,200
Materials and supplies	883,773	452,288	32,033	128,275	1,829,976	1,700,877	522,129	55,804	17,366	-	5,622,521
Contracted services	614,321	52,457	2,172,770	51,686	425,430	14,428	6,715	68,047	181,020	-	3,586,874
Rents and financial interest	35,635	-	-	-	-	-	-	-	-	-	35,635
Other	5,312	-	-	-	-	289,978	-	-	6,335	-	296,313
Amortization	134,358	415,080	-	12,681	84,481	28,984	-	519	-	-	119,296
	3,605,744	1,959,637	2,204,803	1,231,758	2,523,230	1,136,401	333,753	33,068	-	-	4,588,571
Net surplus (deficit)	\$ (1,149,790)	\$ (1,890,225)	\$ 48,008	\$ (589,333)	\$ (1,754,034)	\$ 82,456	\$ (962,895)	\$ (224,834)	\$ (525,035)	\$ 14,806,792	\$ 7,841,110

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

December 31, 2025

18. Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to the current year financial statement presentation. Such reclassifications had no effect on the annual surplus or the accumulated surplus.



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COMPILATION ENGAGEMENT REPORT

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To the Members of the Coldwater Business Improvement Area, the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Severn

On the basis of information provided by management, we have compiled the statement of financial position as at December 31, 2025 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and note 1, which describes the basis of accounting applied in the preparation of the compiled financial information and other explanatory information ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

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

A handwritten signature in black ink that reads "Baker Tilly KDN LLP".

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
October 9, 2026

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

For the year ended December 31	Budget 2025	2025	2024
Revenue			
BIA Coldwater taxation	\$ 33,075	\$ 33,075	31,292
Other revenue	-	23,610	14,453
	<u>33,075</u>	<u>56,685</u>	<u>45,745</u>
Expenses			
Advertising	8,000	9,277	8,651
Beautification	6,500	897	9,000
Administrative Fees	800	669	648
Insurance	500	632	500
Professional fees	1,000	1,000	1,000
Promotion and public relations	18,775	28,098	21,016
Taxes written off	-	241	-
	<u>35,575</u>	<u>40,814</u>	<u>40,815</u>
	(2,500)	15,871	4,930
Accumulated surplus, beginning of year	<u>10,956</u>	<u>10,956</u>	<u>6,026</u>
Accumulated surplus (deficit), end of the year	\$ 8,456	\$ 26,827	\$ 10,956

**The Corporation of the
Township of Severn**
Schedule 1 - Coldwater Business Improvement Area
Notes to the Financial Information

December 31, 2025

1. Significant Accounting Policies

This financial information has been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of 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.



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the Township of Severn (the Trust Funds), which comprise the statement of financial position as at December 31, 2025, 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 financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2025, and the continuity of the Trust Funds 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 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Baker Tilly KIN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
October 9, 2026

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

December 31	2025	2024
Assets		
Cash	\$ 137,747	\$ 131,483
Due from Township	2,389	6,583
	<u>\$ 140,136</u>	<u>\$ 138,066</u>
Fund Balance	\$ 140,136	\$ 138,066

Statement of Financial Activities

For the year ended December 31	2025	2024
Fund balance, beginning of the year	<u>\$ 138,066</u>	<u>\$ 131,001</u>
Revenue		
Care and maintenance - plots	1,000	4,000
Care and maintenance - niches	565	1,549
Monuments placed	800	1,000
Bank interest	330	516
	<u>2,695</u>	<u>7,065</u>
Expenses		
Transfer to general fund (administration fees)	<u>625</u>	<u>-</u>
Fund balance, end of the year	\$ 140,136	\$ 138,066

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

December 31, 2025

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.
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**The Corporation of the
Township of Severn
Library Board
Financial Statements
For the year ended December 31, 2025**

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

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

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, 2025 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 the financial statements do not present fairly, in all material respects, the financial position of the Board as at December 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
October 9, 2026

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The Corporation of the Township of Severn Library Board

Statement of Financial Position

December 31	2025	2024
Financial assets		
Cash	\$ 613,020	\$ 568,261
Liabilities		
Due to the Township of Severn (Note 7)	371,949	327,190
Net financial assets	241,071	241,071
Non-financial assets		
Tangible capital assets (Note 3)	268,917	270,194
Accumulated surplus (Note 4)	\$ 509,988	\$ 511,265

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 5) Budget 2025	Actual 2025	Actual 2024
Revenue			
Township of Severn contribution (Note 7)	\$ 298,630	\$ 252,315	\$ 274,419
Township of Severn capital contribution	47,000	44,190	-
Province of Ontario grant	25,342	25,342	25,342
Township of Oro-Medonte contribution	18,699	18,699	18,699
Miscellaneous	950	197	1,140
Interest	10,000	16,914	25,747
Donations	500	1,400	1,280
	<u>401,121</u>	<u>359,057</u>	<u>346,627</u>
Expenses			
Amortization of tangible capital assets	35,000	34,976	33,068
Equipment	3,000	2,058	2,299
General and office	16,850	12,606	8,290
Loss on Disposal of tangible capital assets	-	-	520
Insurance (Note 7)	4,100	5,424	4,046
Library contract	71,351	66,785	66,785
Professional fees (Note 7)	1,000	1,000	1,000
Repairs and maintenance	17,850	9,869	13,139
Collection supplies	10,000	10,490	20,341
Telephone	2,000	1,868	1,870
Training	2,000	102	-
Utilities	5,500	6,297	6,081
Wages and benefits	228,950	208,859	186,198
	<u>397,601</u>	<u>360,334</u>	<u>343,637</u>
Annual surplus (deficit)	3,520	(1,277)	2,990
Accumulated Annual surplus, beginning of year	<u>511,265</u>	<u>511,265</u>	<u>508,275</u>
Accumulated surplus, end of year	<u>\$ 514,785</u>	<u>\$ 509,988</u>	<u>\$ 511,265</u>

The Corporation of the Township of Severn Library Board
Statement of Change in Net Financial Assets

For the year ended December 31	(Note 5) Budget 2025	2025	2024
Annual surplus (deficit)	\$ 3,520	\$ (1,277)	\$ 2,990
Acquisition of tangible capital assets	(38,520)	(33,699)	(36,578)
Amortization of tangible capital assets	35,000	34,976	33,068
Net loss on disposal of tangible capital assets	-	-	520
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	2025	2024
Operating transactions		
Annual surplus (deficit)	\$ (1,277)	\$ 2,990
Items not involving cash		
Amortization of tangible capital assets	34,976	33,068
Loss on disposal of tangible capital assets	-	520
	<u>33,699</u>	<u>36,578</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(33,699)</u>	<u>(36,578)</u>
Financing transactions		
Due to (from) the Corporation of the Township of Severn	<u>44,759</u>	<u>46,461</u>
Net change in cash	44,759	46,461
Cash, beginning of year	<u>568,261</u>	<u>521,800</u>
Cash, end of year	<u>\$ 613,020</u>	<u>\$ 568,261</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, 2025

Nature of Business	The board provides library services to the general public.								
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 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 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. 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.								
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	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: <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, 2025

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

Summary of Significant Accounting Policies

December 31, 2025

Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

<u>Financial Instrument</u>	<u>Measurement Method</u>
Cash	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Due to Township of Severn	Amortized Cost

Fair value category: The Board manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are not significant to fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

The Corporation of the Township of Severn Library Board

Notes to Financial Statements

December 31, 2025

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. Financial Instruments

Transactions in financial instruments may result in the Board assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

In the opinion of management, the Board is not exposed to any significant credit, liquidity, interest rate, market or currency risk.

3. Tangible Capital Assets

	2025		2024	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 5,067	\$ -	\$ 5,067	\$ -
Buildings	428,015	269,467	428,015	256,117
Books	182,133	77,473	163,286	71,120
Computer equipment	5,772	5,130	7,433	6,621
Furniture and equipment	5,001	5,001	5,001	4,750
	<u>\$ 625,988</u>	<u>\$ 357,071</u>	<u>\$ 608,802</u>	<u>\$ 338,608</u>
Net book value		<u>\$ 268,917</u>		<u>\$ 270,194</u>

The Corporation of the Township of Severn Library Board

Notes to Financial Statements

December 31, 2025

4. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	2025	2024
Investment in tangible capital assets	\$ 268,917	\$ 270,194
Operating Surplus	241,071	241,071
	<u>\$ 509,988</u>	<u>\$ 511,265</u>

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

5. Budget

The budget, approved by the Board, for 2025 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.

6. Post Retirement Benefits

OMERS provides pension services to almost 665,000 active and retired members and over 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, 2025. The results of this valuation disclosed total actuarial liabilities of \$149,575 (2024 - \$140,766) million in respect of benefits accrued for service with actuarial assets at that date of \$148,253 (2024 - \$137,853) million indicating an actuarial deficit of \$1,322 (2024 - \$2,913) 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.

The Board's total contributions to OMERS in 2025 were \$25,862 (2024 - \$23,418) of which \$12,931 (2024 - \$11,708) was contributed by employees.

The Corporation of the Township of Severn Library Board

Notes to Financial Statements

December 31, 2025

7. 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>2025</u>	<u>2024</u>
Allocated costs:		
Professional Fees	\$ 1,000	\$ 1,000
Insurance	<u>5,424</u>	<u>4,046</u>
	<u>\$ 6,424</u>	<u>\$ 5,046</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.
