

**THE CORPORATION OF THE**  
**MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

# Michael D. Turner

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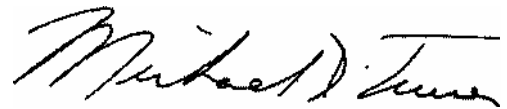
**THE CORPORATION OF THE**  
**MUNICIPALITY OF MAGNETAWAN**  
**AUDITOR'S REPORT**

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Magnetawan:

I have audited the consolidated statement of financial position of the Corporation of the Municipality of Magnetawan as at December 31, 2004 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Municipality of Magnetawan as at December 31, 2004 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.



Michael D. Turner  
Chartered Accountant

Burk's Falls, Ontario February 21, 2005  
Licence No: 1106

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments	\$ 545,997	\$ 467,871
Taxes and grants-in-lieu receivable	366,635	336,370
Trade and other receivables	88,456	66,409
Other	2,230	1,142
Long-term investment (Note 1(a)(ii), 10)	<u>248,536</u>	<u>228,903</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,251,854</u></b>	<b><u>\$ 1,100,695</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 98,916	\$ 126,384
Deferred revenue-other	2,581	2,581
Deferred revenue-obligatory reserve funds (Note 5)	25,718	23,493
Landfill closure and post-closure liability (Note 6)	512,750	503,750
Municipal debt (Note 7)	<u>166,186</u>	<u>260,497</u>
	<u>806,151</u>	<u>916,705</u>
<b>MUNICIPAL POSITION</b>		
Current fund (see Schedule page 6)	299,981	86,043
Capital fund (see Schedule page 7)	255,731	257,999
Reserves (see Schedule page 8)	254,793	329,113
Reserve funds (see Schedule page 8)	65,598	46,179
Lakeland Holding Ltd. (Note 1(a)(ii), 10)	<u>248,536</u>	<u>228,903</u>
Fund balances (Note 9)	1,124,639	948,237
Amounts to be recovered (Note 1(b)(iv))	<u>(678,936)</u>	<u>(764,247)</u>
Municipal position	<u>445,703</u>	<u>183,990</u>
<b>TOTAL LIABILITIES AND MUNICIPAL POSITION</b>	<b><u>\$ 1,251,854</u></b>	<b><u>\$ 1,100,695</u></b>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget <u>2004</u>	Actual <u>2004</u>	Actual <u>2003</u>
<b>Revenues</b>			
Net taxation/user charges	\$ 2,390,774	\$ 2,417,299	\$ 2,101,557
Transfer payments	145,662	160,428	390,638
Other	<u>142,765</u>	<u>196,328</u>	<u>197,204</u>
<b>Total Revenues</b>	<u>2,679,201</u>	<u>2,774,109</u>	<u>2,689,399</u>
<b>Expenditures</b>			
Current			
General Government	407,727	423,608	391,975
Protection to persons and property	269,934	251,480	219,675
Transportation services	883,599	697,604	649,756
Environmental services	221,716	119,501	237,230
Health services	182,751	176,816	160,594
Social and family services	397,023	395,071	387,074
Recreation and culture	141,745	155,412	141,608
Planning and development	<u>7,500</u>	<u>8,386</u>	<u>7,000</u>
Total Current	<u>2,511,995</u>	<u>2,227,878</u>	<u>2,194,912</u>
Capital			
General Government	43,330	43,323	-
Protection to persons and property	5,000	19,597	194,504
Transportation services	421,848	181,506	101,661
Environmental services	6,142	13,630	1,406
Health services	-	-	9,872
Social and family services	-	-	5,136
Recreation and culture	<u>62,2961</u>	<u>46,095</u>	<u>123,606</u>
Total Capital	<u>538,616</u>	<u>304,151</u>	<u>436,185</u>
<b>Total Expenditures</b>	<u>3,050,611</u>	<u>2,532,029</u>	<u>2,631,097</u>
<b>Net Revenues (Expenditures)</b>	<u>(371,410)</u>	<u>242,080</u>	<u>58,302</u>
Add: increase in landfill closure and post-closure liability	68,250	9,000	104,000
Add: increase (decrease) in municipal debt	<u>(93,284)</u>	<u>(94,311)</u>	<u>(124,047)</u>
<b>Increase (decrease) in amounts to be recovered</b>	<u>(25,034)</u>	<u>(85,311)</u>	<u>(20,047)</u>
<b>Lakeland Holding Ltd. Net income (Note 11)</b>	<u>-</u>	<u>19,633</u>	<u>21,318</u>
<b>Change in fund balance</b>	<u>\$ (396,444)</u>	<u>\$ 176,402</u>	<u>\$ 59,573</u>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

Operations	<u>2004</u>	<u>2003</u>
Net revenues	\$ 242,080	\$ 58,302
Sources:		
Decrease in accounts receivable	-	28,554
Decrease in other assets	-	504
Increase in deferred revenue-obligatory reserve funds	2,225	-
Increase in landfill closure and post closure liability	<u>9,000</u>	<u>104,000</u>
	<u>11,225</u>	<u>133,058</u>
Uses:		
Increase in taxes receivable	(30,265)	(59,816)
Increase in accounts receivable	(22,047)	-
Increase in other assets	(1,088)	-
Decrease in accounts payable	(27,468)	(206,581)
Decrease in deferred revenue-obligatory reserve funds	<u>-</u>	<u>(22,484)</u>
	<u>(80,686)</u>	<u>(288,881)</u>
Net increase (decrease) in cash from operations	<u>172,437</u>	<u>(97,521)</u>
<b>Investing</b>		
Net increase in cash from investing	<u>-</u>	<u>-</u>
<b>Financing</b>		
Decrease in municipal debt	<u>(94,311)</u>	<u>(124,074)</u>
Net decrease in cash from financing	<u>(94,311)</u>	<u>(124,074)</u>
Net change in cash and cash equivalents	<u>78,126</u>	<u>(221,568)</u>
Opening cash and cash equivalents	<u>467,871</u>	<u>689,439</u>
<b>Closing cash and cash equivalents</b>	<b><u>\$ 545,997</u></b>	<b><u>\$ 467,871</u></b>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED SCHEDULE OF CURRENT, CAPITAL, RESERVES AND RESERVE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Current <u>Fund</u>	Capital <u>Fund</u>	Reserves and <u>Reserve Funds</u>
Balance at the beginning of the year	\$ 86,043	\$ 257,999	\$ 375,292
Change during the year	<u>213,938</u>	<u>(2,268)</u>	<u>(54,901)</u>
Balance at the end of the year	<b><u>\$ 299,981</u></b>	<b><u>\$ 255,731</u></b>	<b><u>\$ 320,391</u></b>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED SCHEDULE OF CURRENT FUND OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
	<b><u>2004</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Revenues</b>			
Net taxation/user charges	\$ 2,390,774	\$ 2,417,299	\$ 2,101,557
Transfer payments	143,062	153,255	377,590
Other	<u>112,712</u>	<u>150,906</u>	<u>149,288</u>
<b>Total Revenues</b>	<b><u>2,646,548</u></b>	<b><u>2,721,460</u></b>	<b><u>2,628,435</u></b>
<b>Expenditures</b>			
General government	407,727	423,608	391,975
Protection to persons and property	269,934	251,480	219,675
Transportation services	883,599	697,604	649,756
Environmental services	221,716	119,501	237,230
Health services	182,751	176,816	160,594
Social and family services	397,023	395,071	387,074
Recreation and culture	141,745	155,412	141,608
Planning and development	<u>7,500</u>	<u>8,386</u>	<u>7,000</u>
<b>Total Expenditures</b>	<b><u>2,511,995</u></b>	<b><u>2,227,878</u></b>	<b><u>2,194,912</u></b>
<b>Net Revenues</b>	<b><u>134,553</u></b>	<b><u>493,582</u></b>	<b><u>433,523</u></b>
<b>Financing and transfers</b>			
Increase in landfill closure and post-closure liability	68,250	9,000	104,000
Debt principal repayments	(93,284)	(94,311)	(262,047)
Transfers to reserve and reserve funds	(120,832)	(119,419)	(25,211)
Transfers to capital fund	<u>(74,730)</u>	<u>(74,914)</u>	<u>(182,458)</u>
<b>Net financing and transfers</b>	<b><u>(220,596)</u></b>	<b><u>(279,644)</u></b>	<b><u>(365,716)</u></b>
<b>Change in current fund</b>	<b><u>(86,043)</u></b>	<b><u>213,938</u></b>	<b><u>67,807</u></b>
<b>Fund balance at the beginning of the year</b>	<b><u>86,043</u></b>	<b><u>86,043</u></b>	<b><u>18,236</u></b>
<b>Fund balance at the end of the year</b>	<b><u>\$ -</u></b>	<b><u>\$ 299,981</u></b>	<b><u>\$ 86,043</u></b>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget <u>2004</u>	Actual <u>2004</u>	Actual <u>2003</u>
<b>Revenues</b>			
Transfer payments	\$ 2,600	\$ 7,227	\$ 13,048
Other	<u>30,053</u>	<u>45,422</u>	<u>47,916</u>
<b>Total Revenues</b>	<u>32,653</u>	<u>52,649</u>	<u>60,564</u>
<b>Expenditures</b>			
General Government	43,330	43,323	-
Protection to persons and property	5,000	19,597	194,504
Transportation services	421,848	180,506	101,661
Environmental services	6,142	13,630	1,406
Health services	-	-	9,872
Social and family services	-	-	5,136
Recreation and culture	<u>62,296</u>	<u>46,095</u>	<u>123,606</u>
<b>Total Expenditures</b>	<u>538,616</u>	<u>304,151</u>	<u>436,185</u>
<b>Net Expenditures</b>	<u>(505,963)</u>	<u>(251,502)</u>	<u>(375,221)</u>
<b>Financing and transfers</b>			
Proceeds of municipal debt	-	-	138,000
Transfers from current fund	74,730	74,914	182,458
Transfers from reserves and reserve funds	<u>173,234</u>	<u>174,320</u>	<u>55,300</u>
<b>Net financing and transfers</b>	<u>247,964</u>	<u>249,234</u>	<u>375,758</u>
<b>Capital in capital fund</b>	(257,999)	(2,268)	537
<b>Fund balance at the beginning of year</b>	<u>257,999</u>	<u>257,999</u>	<u>257,462</u>
<b>Fund balance at the end of the year</b>	<u>\$ -</u>	<u>\$ 255,731</u>	<u>\$ 257,999</u>

The accompanying notes are an integral part of these financial statement



**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget <u>2004</u>	Actual <u>2004</u>	Actual <u>2003</u>
<b>Total Reserves</b>	\$ -	\$ -	\$ -
<b>Financing and transfers</b>			
Transfers from current funds	120,832	119,419	25,211
Transfer to capital fund	<u>(173,234)</u>	<u>(174,320)</u>	<u>(55,300)</u>
<b>Net financing and transfers</b>	<u>(52,402)</u>	<u>(54,901)</u>	<u>(30,089)</u>
<b>Change in reserves and reserve funds balance</b>	(52,402)	(54,901)	(30,089)
<b>Fund balance at the beginning of the year</b>	<u>375,292</u>	<u>375,292</u>	<u>405,381</u>
<b>Fund balance at the end of the year</b>	<b><u>\$ 322,890</u></b>	<b><u>\$ 320,391</u></b>	<b><u>\$ 375,292</u></b>
Analyzed as follows:			
Reserves set aside for specific purposes by Council:			
for working capital	\$ 188,174	\$ 238,968	
for roads	50,000	71,142	
for cemetery	9,500	9,500	
for library	<u>7,119</u>	<u>9,505</u>	
Total Reserves	<u>254,793</u>	<u>329,113</u>	
Reserve funds set aside for specific purposes by Council:			
for landfill closure	61,232	40,400	
for fire protection	<u>4,366</u>	<u>5,779</u>	
Total reserve Funds	<u>65,598</u>	<u>46,179</u>	
<b>Total Reserves and Reserve Funds</b>	<b><u>\$ 320,391</u></b>	<b><u>\$ 375,292</u></b>	

## **THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

### NOTES TO THE FINANCIAL STATEMENTS

The Corporation of the Municipality of Magnetawan is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation.

#### 1. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Municipality of Magnetawan (the "Municipality") are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments. Actual results could differ from these estimates.

##### (a) Basis of Consolidation

###### (i) Consolidated Statement of Financial Position

These consolidated statements reflect the assets, liabilities, revenues and expenditures of the current fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council: Museum Board and Library. All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

###### (ii) Non-consolidated Entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated: Health Unit, District Social Services Administration Board and Home for the Aged.

The Municipality's investment in Lakeland Holding Ltd. is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality and inter-organizational transactions and balances are not eliminated.

###### (iii) Accounting for School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards are not reflected in the municipal fund balances of these financial statements.

###### (iv) Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

##### (b) Basis of Accounting

###### (i) Sources of financing and expenditures are reported on the accrual basis of accounting.

###### (ii) 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.

###### (iii) Capital Assets

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

**THE CORPORATION OF THE MUNICIPALITY OF MAGNET A WAN**

NOTES TO THE FINANCIAL STATEMENTS

- (b) (iv) Amounts to be Recovered in Future Years  
 "Amounts to be recovered in future years", which represents the outstanding principal portion of unmatured municipal debt, the present value of future minimum capital lease payments, employee benefits payable, accrued interest on debt and accrued landfill closure and post-closure costs is reported on the Consolidated Statement of Financial Position.
- (v) Reserves and Reserve Funds  
 Certain amounts, as approved in the budget, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when budgeted.
- (vi) Government Transfers  
 Government transfers are recognized in the financial statements as revenues 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 amounts can be made.
- (vii) Taxation and Related Revenues  
 Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, and the amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.
- The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.
- (viii) Investment Income  
 Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

2. **OPERATIONS OF SCHOOL BOARDS**

Further to note 1(a)(iii), the School Boards require the Municipality to collect property taxes and payments-in-lieu of taxes on their behalf. The amounts collected, remitted and outstanding are as follows:

	2004	2003
Payable at the beginning of the year	\$ 6,089	\$ -
Taxation and payments-in-lieu, net of adjustments	971,935	948,510
Remitted during the year	(984,007)	(942,421)
<b>Payable (receivable) at the end of the year</b>	<b>\$ (6,053)</b>	<b>\$ 6,089</b>

## THE CORPORATION OF THE MUNICIPALITY OF MAGNET AW AN

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to note 1(a)(ii), the following contributions were made by the Municipality to these boards:

	<u>2004</u>	<u>2003</u>
Health Unit	\$ 51,862	\$ 45,288
District Social Services Administration Board	331,226	312,998
Home for the Aged	<u>55,650</u>	<u>54,064</u>
	<u>\$ 438,738</u>	<u>\$ 412,350</u>

The Municipality is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Municipality's share of accumulated surpluses (or deficits) of these joint boards has not been determined at this time.

The Municipality is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. The Municipality's share of long-term liabilities has not been determined at this time.

#### 4. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$105,819 (2003 \$104,038) have not been included in the Consolidated Statement of Financial Position nor have operations been included in the Consolidated Statement of Financial Activities. As such balances are held in trust by the Municipality for the benefit of others, they are presented as part of the Municipality's financial position or financial activities.

#### 5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be reported as revenue. The balances in the obligatory reserve funds of the Municipality are summarized below:

	<u>2004</u>	<u>2003</u>
Reserve funds set aside for specific purposes by legislation, regulation or agreement:		
for park purposes	\$ <u>25,718</u>	\$ <u>23,493</u>

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE FINANCIAL STATEMENTS

6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Commencing in 2001, the local government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants require that municipalities recognize a liability related to the closure of solid waste landfill sites. This liability encompasses all costs related to the closure and subsequent maintenance of such sites. The liability is *recognized* in the financial statements over the operating life of the solid waste disposal site, in proportion to its utilized capacity.

Capacity and cost studies for the two waste disposal sites the Municipality is currently responsible for were performed in 2003 and current utilization rates were measured in 2004. Based on this information, landfill liability estimates are as follows:

Croft Landfill

Total estimated expenditures for closure and post-closure care	\$665,000
Reported liability in current year	\$ 156,000
Total expenditures remaining to be recognized	\$509,000
Utilization/year	300 cu. metre
Remaining capacity of the site	66,230 cu. metre
Remaining landfill site life	89 years
Number of years required for post-closure care	25 years

Chapman Landfill

Total estimated expenditures for closure and post-closure care	\$580,000
Reported liability in current year	\$356,750
Total expenditures remaining to be recognized	\$223,250
Utilization/year	700 cu. metre
Remaining capacity of the site	22,970 cu. metre
Remaining landfill site life	11 years
Number of years required for post-closure care	25 years

The Municipality has established a reserve fund of \$61,232 (2003 \$40,400) to cover these estimated expenditures.

## THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

### NOTES TO THE FINANCIAL STATEMENTS

#### 7. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2004</u>	<u>2003</u>
Total debt incurred by the Municipality and municipal enterprises and outstanding at the end of the year amounts to	\$ 186,186	\$ 260,497

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	<u>Principal</u>	<u>Interest</u>	
2005	\$ 57,014	\$ 6,312	
2006	50,144	3,738	
2007	28,774	2,068	
2008	30,096	746	
2009	<u>158</u>	<u>1</u>	
	\$ 166,185	\$ 12,865	

(c) Total charges for the year for municipal debt which are reported on the Consolidated Statement of Financial Activities are as follows:

	<u>2004</u>	<u>2003</u>	
Principal payments	\$ 94,311	\$ 262,047	
Interest payments	<u>9,015</u>	<u>13,233</u>	
	\$ 103,326	\$ 275,280	

#### 8. CONTRACTUAL OBLIGATIONS

The Municipality has agreed to lease a portion of a municipal building to the Kawartha Credit Union for the period commencing on January 1, 2003 and ending on December 31, 2006. The 2003 annual lease amount is \$4,800, which is to be adjusted annually by the consumer price index.

#### 9. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

The municipal fund balances of \$1,124,639 (2003 \$948,237) at the end of the year is comprised of the following:

	<u>2004</u>	<u>2003</u>	
for general reduction (increase) in taxation	\$ 292,857	\$ 63,175	
for general reduction of user charges	<u>7,124</u>	<u>22,868</u>	
	<u>299,981</u>	<u>86,043</u>	
Lakeland Holding Ltd.	<u>248,536</u>	<u>228,903</u>	
for acquisition of fixed assets	<u>255,731</u>	<u>257,999</u>	
Reserves	254,793	329,113	
Reserve Funds	<u>65,598</u>	<u>46,179</u>	
	<u>320,391</u>	<u>375,292</u>	
	\$ 1,124,639	\$ 948,237	

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT IN LAKELAND HOLDING LTD.

Lakeland Holding Ltd. is a municipal owned government business enterprise. It's subsidiaries distribute hydro electric power to users in Bracebridge, Huntsville, Sundridge, Burk's Falls and Magnetawan. Condensed financial information in respect to Lakeland Holding Ltd. is provided below.

	2004	2003
Current assets	\$ 8,256,222	\$ 5,943,744
Capital and other assets	15,693,272	15,528,731
Regulatory assets	<u>2,234,773</u>	<u>1,667,585</u>
Total assets	<u>26,184,267</u>	<u>23,140,060</u>
Current liabilities	5,177,321	3,387,089
Long-term liabilities	<u>4,099,749</u>	<u>4,181,337</u>
Total liabilities	<u>9,277,070</u>	<u>7,568,426</u>
Net assets	<u>\$ 16,907,197</u>	<u>\$ 15,571,634</u>
Municipality's share of net assets (1.47% ownership)	<u>\$ 248,536</u>	<u>\$ 228,903</u>
Results of operations:		
Revenues	\$ 19,376,555	\$ 19,032,518
Operating expenses	17,367,911	16,857,383
Payments-in-lieu of income taxes	<u>673,081</u>	<u>724,915</u>
Net income	<u>\$ 1,335,563</u>	<u>\$ 1,450,220</u>
Municipality's share of net income (1.47% ownership)	<u>\$ 19,633</u>	<u>\$ 21,318</u>

EXPENDITURES BY OBJECT

The following is a summary of the current and capital expenditures reported on the Consolidated Statement of Financial Activities by the object of expenditures:

	<u>2004</u>	<u>2003</u>
Current expenditures consist of:		
Salaries, Wages and benefits	\$ 549,248	\$ 456,351
Net long-term debit charges (interest)	9,015	13,233
Materials and Supplies	648,450	624,740
Contracted services	934,706	941,459
Rents and financial expenses	41,459	47,799
Transfer payments	-	7,330
Amounts for unfunded liabilities	<u>9,000</u>	<u>104,000</u>
Total current expenditures	<u>\$ 2,227,878</u>	<u>\$ 2,194,912</u>
Capital expenditures consist of:		
Materials and supplies	\$ 275,455	\$ 436,185
Contracted services	27,176	-
Rents and financial expenses	<u>520</u>	<u>-</u>
Total Capital expenditures	<u>\$ 304,151</u>	<u>\$ 436,185</u>

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

NOTES TO THE FINANCIAL STATEMENTS

12. TAX RATES

The following table provides a comparison of the current and previous year tax rates:

	<u>2004</u>		<u>2003</u>	
	<u>Tax Rates (%)</u>	<u>Tax Rates (%)</u>	<u>Tax Rates (%)</u>	<u>Tax Rates (%)</u>
	<u>Municipality</u>	<u>School Board</u>	<u>Municipality</u>	<u>School Board</u>
	<u>purposes</u>	<u>purposes</u>	<u>purposes</u>	<u>purposes</u>
Residential/Farm:				
Area 1,3 & 4	0.744206	0.296000	0.764312	0.335000
Area 2	0.934532	0.296000	0.930158	0.335000
Multi-residential:				
Area 2	1.949783	0.296000	1.940587	0.335000
Commercial Occupied:				
Area 1,3 & 4	0.856275	0.988276	0.879340	1.080393
Area 2	1.075261	0.988276	1.070146	1.080393
Commercial Vacant:				
Area 1,3 & 4	0.599392	0.691793	0.615538	0.756275
Area 2	0.752682	0.691793	-	-
Industrial Occupied:				
Area 1,3 & 4	0.818578	0.787815	0.840666	0.768496
Industrial Vacant:				
Area 1,3 & 4	0.532076	0.512080	0.546433	0.499522
Farmland & Managed Forest:				
Area 1,3 & 4	0.186052	0.074000	0.519078	0.083750
Area 2	0.233633	0.074000	0.232539	0.083750

13. BUDGET FIGURES

The budget established for the Capital Fund is developed on a project-oriented basis, the costs of which may be carried out over one or more years. Although it is not directly comparable with current year actual amounts it has been reported on the Consolidated Statement of Financial Activities.

14. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2004 was \$16,385 (2003 \$10,157) for current service and is included as an expenditure on the Consolidated Statement of Financial Activities.

15. PUBLIC SECTOR SALARY DISCLOSURE ACT

For 2004 no employees were paid salaries, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.



# Michael D. Turner

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**THE CORPORATION OF THE**  
**MUNICIPALITY OF MAGNETAWAN**  
**AUDITOR'S REPORT**  
**TRUST FUNDS**

To the Members of Council, Inhabitants and  
Ratepayers of the Corporation of the  
Municipality of Magnetawan:

I have audited the balance sheet of the trust funds of the Corporation of the Municipality of Magnetawan as at December 31, 2004 and the statement of continuity of trust funds for the year then ended. These financial statements are the responsibility of the Municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The trust funds of the Corporation of the Municipality of Magnetawan derive receipts from the sale of cemetery interment rights, which are not susceptible to complete audit verification. Accordingly, my verification of such receipts was limited to accounting for the amounts recorded in the records of the trust funds.

In my opinion, except for the effect of adjustments which might have been required had receipts from the sale of cemetery interment rights been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Municipality of Magnetawan as at December 31, 2004 and the continuity of trust funds for the year then ended in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.



Michael D. Turner  
Chartered Accountant

Burk's Falls, Ontario  
February 21, 2005  
Licence No: 1106

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

**TRUST FUNDS**

Statement of Continuity  
For the year ended December 31, 2004

		Magnetawan Medical Trust	Emily Ross Langford Award	Capital Account Care and Maintenance	Total 2004	Total 2003
Balance at the beginning of the Year	\$	60,429	\$ 356	\$ 43,253	\$ 104,038	\$ 103,853
Capital receipts	-		-	1,800	1,800	1,150
Interest earned		3,089	1	-	3,090	3,105
Transfer to Medical Associates		(3,089)	-	-	(3,089)	(3,081)
Memorial awards	-		(20)	-	(20)	(28)
Administration			-	-	-	(30)
Ministry of Finance	-				(931)	(931)
<b>Balance at the end of the year</b>	<b>\$</b>	<b><u>60,429</u></b>	<b><u>\$ 337</u></b>	<b><u>\$ 45,053</u></b>	<b><u>\$ 105,819</u></b>	<b><u>\$ 104,038</u></b>

**Balance Sheet  
As at December 31, 2004**

		Magnetawan Medical Trust	Emily Ross Langford Award	Capital Account Care and Maintenance	Total 2004	Total 2003
<b>Assets</b>						
Cash and cash equivalents	\$	60,429	\$ 337	\$ 45,053	\$ 105,819	\$ 104,469
Accounts receivable		776	-	-	776	776
	<b>\$</b>	<b><u>61,205</u></b>	<b><u>\$ 337</u></b>	<b><u>\$ 45,053</u></b>	<b><u>\$ 106,595</u></b>	<b><u>\$ 105,245</u></b>
<b>Liabilities and Capital</b>						
Accounts payable	\$	776	\$ -	\$ -	\$ 776	\$ 1,207
Balance – capital	\$	60,429	\$ 337	\$ 45,053	\$ 105,819	\$ 104,0387
	<b>\$</b>	<b><u>61,205</u></b>	<b><u>\$ 337</u></b>	<b><u>\$ 45,053</u></b>	<b><u>\$ 106,595</u></b>	<b><u>\$ 105,245</u></b>

The accompanying notes are an integral part of these financial statements

# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## **TRUST FUNDS**

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. ACCOUNTING POLICIES

##### Basis of Accounting

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- (ii) 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.

#### 2. CARE AND MAINTENANCE FUND

The Care and Maintenance Fund administered by the Municipality is funded by the sale of cemetery interment rights and markers. These funds are invested and earnings derived therefrom are used to perform maintenance to the Municipality's cemeteries. The operations and investments of the Fund are undertaken by the Municipality in accordance with the regulations of the Funeral, Burial and Cremation Services Act, 2002.

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

**MAGNETAWAN HISTORICAL MUSEUM BOARD**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2004**

<b>Assets</b>	<u>2004</u>	<u>2003</u>
Cash	\$ 2,014	\$ 1,644
Shares in Credit Union	25	25
	<b><u>\$ 2,039</u></b>	<b><u>\$ 1,669</u></b>
<b>Liabilities</b>		
Accounts Payable	\$ 84	\$ 94
<b>Surplus</b>		
Accumulated Surplus	\$ 1,955	\$ 1,575
	<b><u>\$ 2,039</u></b>	<b><u>\$ 1,669</u></b>

**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget</u> <u>2004</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2003</u>
<b>Revenues</b>			
Municipal contributions	\$ 4,000	\$ 4,024	\$ 6,301
Admission fees	800	427	277
Interest and donations	300	649	158
Fundraising	400	1,183	983
<b>Total Revenue</b>	<b><u>5,500</u></b>	<b><u>6,283</u></b>	<b><u>7,719</u></b>
<b>Expenditures</b>			
Salaries	3,000	3,442	3,168
Insurance	-	470	556
Audit	-	118	103
Office and bank	-	184	23
Repairs, maintenance and utilities	2,000	835	1,246
Other	500	854	1,364
	<u>5,000</u>	<u>5,903</u>	<u>6,460</u>
<b>Net revenues</b>	<u>-</u>	<u>380</u>	<u>1,259</u>
<b>Accumulated surplus, beginning of the year</b>	<u>1,575</u>	<u>1,575</u>	<u>316</u>
<b>Accumulated surplus, end of the year</b>	<b><u>\$ 1,575</u></b>	<b><u>\$ 1,955</u></b>	<b><u>\$ 1,575</u></b>

**Basis of consolidation: Municipality of Magnetawan 100%**

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## THE CORPORATION OF THE

## MUNICIPALITY OF MAGNETAWAN

### LIBRARY BOARD

### AUDITOR'S REPORT

To the Members of Council, Inhabitants  
and Ratepayers of the Corporation of the  
Municipality of Magnetawan:

I have audited the statement of financial position of the Magnetawan Union Library as at December 31, 2004 and the statement of financial activities for the year then ended. These financial statements are the responsibility of the Municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Magnetawan Union Library as at December 31, 2004 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.



Michael D. Turner  
Chartered Accountant

Burk's Falls, Ontario  
February 21, 2005  
Licence No: 1106

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETWAN**  
**UNION LIBRARY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2004**

<b>Assets</b>		<u>2004</u>		<u>2003</u>
Cash	\$	14,971	\$	24,510
Accounts receivable – GST		1,182		523
Accounts receivable – other		1,194		1,400
		<u>\$ 17,347</u>		<u>\$ 26,433</u>
<b>Liabilities</b>				
Accounts Payable		3,048		3,523
Deferred revenue		2,581		2,581
		<u>\$ 5,629</u>		<u>\$ 6,104</u>
<b>Fund Balances</b>				
Reserve for working funds		4,000		4,000
Reserve-2002 donation		3,119		5,505
Unexpended Capital (Trillium Grant)		-		1,943
Surplus	\$	4,599	\$	8,881
		<u>11,718</u>		<u>20,329</u>
		<u>\$ 17,347</u>		<u>\$ 26,433</u>

**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<u>2004</u>	<u>2004</u>	<u>2003</u>
<b>Revenues</b>			
Municipal contribution	\$ 10,300	\$ 10,300	\$ 10,000
Provincial grants	12,266	12,266	16,280
Federal grants – Community Access Program	2,600	3,794	4,238
Donations	100	1,500	265
Bank Interest	100	127	144
Other – Library	2,030	2,338	1,988
Other – Community Access Program	-	-	203
	<u>27,396</u>	<u>30,325</u>	<u>33,112</u>
<b>Expenditures</b>			
Operating expenditures – Library	28,134	27,630	24,749
Operating expenditures – Community access program	2,600	3,707	5,010
Capital Expenditures – Library	4,243	4,328	7,075
Capital expenditures – Community access program	26,000	1,327	-
	<u>37,577</u>	<u>36,992</u>	<u>36,834</u>
<b>Net Expenditures</b>	(10,181)	(6,667)	(3,722)
<b>Transfer from (to) reserves</b>	<b>13,000</b>	<b>2,385</b>	<b>(5,505)</b>
<b>Surplus, beginning of the year</b>	<u>8,881</u>	<u>8,881</u>	<u>18,108</u>
<b>Surplus, end of year</b>	<u>\$ -</u>	<u>\$ 4,599</u>	<u>\$ 8,881</u>

Basis of consolidation: Municipality of Magnetawan 100%

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN UNION LIBRARY**

**NOTES TO THE FINANCIAL STATEMENTS**

1. **ACCOUNTING POLICIES**

Basis of Accounting

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- (ii) 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.

2. **CAPITAL ASSETS**

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Statement of Financial Activities in the year of acquisition.