

**THE CORPORATION OF THE  
MUNICIPALITY OF MAGNETAWAN  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of The Corporation of the Municipality of Magnetawan, which comprise of the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, the consolidated change in its net financial assets (debt) and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Municipality of Magnetawan as at December 31, 2013, and the consolidated results of its operations, the consolidated change in its net financial assets (debt) and its consolidated cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Huntsville, Ontario  
June 11, 2014

Pahapill and Associates Professional Corporation  
Chartered Accountants  
Authorized to practise public accounting by  
The Institute of Chartered Accountants of Ontario

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2013**

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>                               |                      |                      |
| Cash and cash equivalents                             | \$ 1,470,216         | \$ 1,719,688         |
| Accounts receivable                                   | 924,323              | 857,664              |
| Investment in Lakeland Holding Ltd. (Note 5)          | 432,704              | 380,999              |
| Inventories held for resale                           | 9,849                | 10,376               |
|   | <b>2,837,092</b>     | <b>2,968,727</b>     |
| <b>LIABILITIES</b>                                    |                      |                      |
| Bank loan (Note 8)                                    | 94,032               | 302,704              |
| Accounts payable and accrued liabilities              | 266,443              | 659,876              |
| Deferred revenue (Note 6)                             | 190,834              | 85,503               |
| Employee benefits payable (Note 9)                    | 2,114                | 1,615                |
| Landfill closure and post-closure liability (Note 10) | 676,000              | 647,000              |
|   | <b>1,229,423</b>     | <b>1,696,698</b>     |
| <b>NET FINANCIAL ASSETS</b>                           | <b>1,607,669</b>     | <b>1,272,029</b>     |
| <b>NON-FINANCIAL ASSETS</b>                           |                      |                      |
| Tangible capital assets - net (Note 11, Schedule 1)   | 12,486,427           | 12,601,860           |
| Inventories of supplies                               | 36,937               | 46,766               |
| Prepaid expenses                                      | 78,358               | 68,035               |
|   | <b>12,601,722</b>    | <b>12,716,661</b>    |
| <b>ACCUMULATED SURPLUS</b>                            | <b>\$ 14,209,391</b> | <b>\$ 13,988,690</b> |

APPROVED ON BEHALF OF COUNCIL:

\_\_\_\_\_  
 Mayor

The accompanying notes and schedules are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | Budget<br>2013<br>(Note 13) | Actual<br>2013       | Actual<br>2012       |
|---|-----------------------------|----------------------|----------------------|
| <b>REVENUE</b>                                |                             |                      |                      |
| Property taxes                                | \$ 3,247,119                | \$ 3,261,612         | \$ 3,122,605         |
| User fees                                     | 13,495                      | 9,188                | 13,801               |
| Government transfers                          | 908,095                     | 1,136,482            | 1,058,559            |
| Lakeland Holding Ltd. income (Note 5)         | -                           | 51,705               | 34,151               |
| Other   | 431,658                     | 492,602              | 602,015              |
| <b>TOTAL REVENUE</b>                          | <b>4,600,367</b>            | <b>4,951,589</b>     | <b>4,831,131</b>     |
| <b>EXPENSES</b>                               |                             |                      |                      |
| General government                            | 780,080                     | 772,871              | 711,847              |
| Protection to persons and property            | 608,052                     | 649,844              | 572,107              |
| Transportation services                       | 2,072,824                   | 1,738,764            | 2,495,800            |
| Environmental services                        | 322,536                     | 267,255              | 323,453              |
| Landfill                                      | -                           | 29,000               | 14,000               |
| Health services                               | 278,317                     | 266,086              | 259,647              |
| Social and family services                    | 454,661                     | 456,271              | 459,420              |
| Recreation and culture                        | 572,808                     | 534,683              | 509,664              |
| Planning and development                      | 18,000                      | 16,114               | 69,624               |
| <b>TOTAL EXPENSES</b>                         | <b>5,107,278</b>            | <b>4,730,888</b>     | <b>5,415,562</b>     |
| <b>ANNUAL SURPLUS (DEFICIT)</b>               | <b>(506,911)</b>            | <b>220,701</b>       | <b>(584,431)</b>     |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b> | <b>13,988,690</b>           | <b>13,988,690</b>    | <b>14,573,121</b>    |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>       | <b>\$ 13,481,779</b>        | <b>\$ 14,209,391</b> | <b>\$ 13,988,690</b> |

The accompanying notes and schedules are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | Budget<br>2013<br>(Note 13) | Actual<br>2013      | Actual<br>2012      |
|---|-----------------------------|---------------------|---------------------|
| <b>Annual surplus (deficit)</b>                       | <b>\$ (506,911)</b>         | <b>\$ 220,701</b>   | <b>\$ (584,431)</b> |
| Acquisition of tangible capital assets                | (1,172,028)                 | (1,172,028)         | (1,169,066)         |
| Amortization of tangible capital assets               | 883,084                     | 883,084             | 1,253,292           |
| Allocation from work in progress                      | 398,277                     | 398,277             | -                   |
| (Gain) loss on disposition of tangible capital assets | -                           | 6,100               | (4,889)             |
| Proceeds on disposition of tangible capital assets    | -                           | -                   | 22,116              |
| Change in supplies inventories                        | -                           | 9,829               | 12,274              |
| Change in prepaid expense                             | -                           | (10,323)            | (10,487)            |
| <b>Increase (decrease) in net financial assets</b>    | <b>(397,578)</b>            | <b>335,640</b>      | <b>(481,191)</b>    |
| <b>Net financial assets, beginning of year</b>        | <b>1,272,029</b>            | <b>1,272,029</b>    | <b>1,753,220</b>    |
| <b>Net financial assets, end of year</b>              | <b>\$ 874,451</b>           | <b>\$ 1,607,669</b> | <b>\$ 1,272,029</b> |

The accompanying notes and schedules are an integral part of these financial statements

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | 2013                | 2012                |
|---|---------------------|---------------------|
| <b>Operating transactions</b>                       |                     |                     |
| Annual surplus                                      | \$ 220,701          | \$ (584,431)        |
| Non-cash charges to operations:                     |                     |                     |
| Amortization  | 883,084             | 1,253,292           |
| (Gain)loss on disposal of tangible capital assets   | 6,100               | (4,889)             |
|   | <b>1,109,885</b>    | <b>663,972</b>      |
| Changes in non-cash items:                          |                     |                     |
| Accounts receivable                                 | (66,659)            | 1,358,745           |
| Inventories held for resale                         | 527                 | 577                 |
| Accounts payable and accrued liabilities            | (393,433)           | 347,836             |
| Deferred revenue                                    | 105,331             | (54,868)            |
| Employee benefits payable                           | 499                 | 444                 |
| Landfill closure and post closure liability         | 29,000              | 14,000              |
| Inventories of supplies                             | 9,829               | 12,274              |
| Prepaid expenses                                    | (10,323)            | (10,487)            |
|   | <b>(325,229)</b>    | <b>1,668,521</b>    |
| <b>Cash provided by operating transactions</b>      | <b>784,656</b>      | <b>2,332,493</b>    |
| <b>Capital transactions</b>                         |                     |                     |
| Acquisition of tangible capital assets              | (1,172,028)         | (1,169,066)         |
| Allocation from work in progress                    | 398,277             | -                   |
| Proceeds on disposal of tangible capital asset      | -                   | 22,116              |
| <b>Cash applied to capital transactions</b>         | <b>(773,751)</b>    | <b>(1,146,950)</b>  |
| <b>Investing transactions</b>                       |                     |                     |
| Lakeland Holding Ltd.                               | (51,705)            | (34,151)            |
| <b>Cash provided by investing transactions</b>      | <b>(51,705)</b>     | <b>(34,151)</b>     |
| <b>Financing transactions</b>                       |                     |                     |
| Temporary borrowing                                 | (208,672)           | (203,481)           |
| <b>Cash applied to financing transactions</b>       | <b>(208,672)</b>    | <b>(203,481)</b>    |
| <b>Net change in cash and cash equivalents</b>      | <b>(249,472)</b>    | <b>947,911</b>      |
| <b>Cash and cash equivalents, beginning of year</b> | <b>1,719,688</b>    | <b>771,777</b>      |
| <b>Cash and cash equivalents, end of year</b>       | <b>\$ 1,470,216</b> | <b>\$ 1,719,688</b> |

The accompanying notes and schedules are an integral part of these financial statements

# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

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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, Planning Act, Building Code Act and other related legislation.

### 1. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues, expenses and reserve and reserve fund balances of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

#### (i) Consolidated and Proportionally Consolidated entities

The following local boards are consolidated:

Heritage Centre  
Library

The following joint local boards and committees are proportionally consolidated:

Joint Building Committee

Inter-organizational transactions and balances between these organizations are eliminated.

#### (ii) Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the Municipality and interorganizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements: Lakeland Holding Ltd.

#### (iii) Non-consolidated entities

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit  
Parry Sound District Social Services Administration Board  
District of Parry Sound (East) Home for the Aged.

#### (iv) Accounting for school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

#### (v) Trust funds

Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

#### (b) Basis of Accounting



# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

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(i) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. This method 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.

(ii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of Municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

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

Land improvements - 20 years  
 Buildings - 40 years  
 Machinery, equipment and furniture - 5 to 20 years  
 Vehicles - 8 to 15 years  
 Roads - 8 to 75 years  
 Bridges - 30 to 60 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Estimated closure and post-closure expenses for active landfill sites as well as the land occupied by the sites are amortized annually on the basis of capacity used during the year as a percentage of the estimated total capacity of the landfill site.

The Municipality has a capitalization threshold of \$3,000; individual tangible capital assets, or pooled assets of lesser value are expensed in the year of purchase.

(b) Inventories of supplies

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(iii) 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.

## THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

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(iv) Deferred revenue

The Municipality receives gas tax revenue from the Federal Government and payments in lieu of parkland under the authority of provincial legislation and Municipal by-laws. These funds are restricted in their use and until applied to the applicable expenditures are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended. The Municipality also defers recognition of certain government grants which have been collected but for which the related expenditures have yet to be incurred. These amounts will be recognized as revenues in the fiscal year the services are performed.

(v) 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 amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. 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.

(vi) Pensions and employee benefits

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.

(vii) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include valuation allowances for accounts receivable, various employee matters and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates. The estimates are reviewed periodically and any resulting adjustments are reported in earnings in the year in which they become known.

# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

### 2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

|  | 2013              | 2012              |
|--|-------------------|-------------------|
| District of Parry Sound Social Services Administration Board | \$ 305,448        | \$ 312,275        |
| North Bay Parry Sound District Health Unit                   | 44,137            | 41,685            |
| District of Parry Sound (East) Home for the Aged             | 140,141           | 134,467           |
| Land Ambulance   | 172,303           | 170,771           |
| <b>Total contributions made</b>                              | <b>\$ 662,029</b> | <b>\$ 659,198</b> |

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 the accumulated surpluses (or deficits) of these 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 these long-term liabilities has not been determined at this time.

### 3. OPERATIONS OF SCHOOL BOARDS

Further to Note 1(a)(iv), the Municipality is required to collect property taxes and payments-in-lieu of taxes on the behalf of the school boards. The amounts collected, remitted and outstanding are as follows:

|  | 2013          | 2012              |
|--|---------------|-------------------|
| Payable at the beginning of the year               | \$ (1,004)    | \$ 9,193          |
| Taxation and payments-in-lieu, net of adjustments  | 1,315,480     | 1,342,918         |
| Remitted during the year                           | (1,314,485)   | (1,353,115)       |
| <b>Payable (Receivable) at the end of the year</b> | <b>\$ (9)</b> | <b>\$ (1,004)</b> |

### 4. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$155,810 (2012 \$153,558) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

### 5. INVESTMENT IN LAKELAND HOLDING LTD.

Lakeland Holding Ltd. is a municipally owned government business enterprise. It's subsidiaries produce and 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.

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| <b>Consolidated Balance Sheet</b>   |                      |                      |
| <b>Assets:</b>  |                      |                      |
| Current assets  | \$ 9,207,200         | \$ 8,315,498         |
| Capital and other assets  | 48,529,015           | 47,275,307           |
| Regulatory assets, net of liabilities   | 1,119,010            | 1,258,457            |
| <b>Total Assets</b>   | <b>\$ 58,855,225</b> | <b>\$ 56,849,262</b> |
| <b>Liabilities:</b>   |                      |                      |
| Current liabilities   | \$ 6,635,229         | \$ 7,632,328         |
| Long-term liabilities   | 22,784,368           | 23,298,666           |
| <b>Total Liabilities</b>  | <b>29,419,597</b>    | <b>30,930,994</b>    |
| <b>Equity</b>   |                      |                      |
| Share capital   | 12,609,650           | 12,609,650           |
| Retained earnings   | 16,825,978           | 13,308,618           |
| <b>Total Equity</b>   | <b>29,435,628</b>    | <b>25,918,268</b>    |
| <b>Total Liabilities and Equity</b>   | <b>\$ 58,855,225</b> | <b>\$ 56,849,262</b> |
| <b>Municipality's share of equity (1.47% ownership)</b>                                 | <b>\$ 432,704</b>    | <b>\$ 380,999</b>    |
| <b>Consolidated Statement of Operations, Retained Earnings and Comprehensive Income</b> |                      |                      |
| Total Revenues  | 36,277,328           | 32,527,118           |
| Total Expenses  | 31,884,968           | 29,703,905           |
| Net income and comprehensive income   | 4,392,360            | 2,823,213            |
| Less: dividends   | (875,000)            | (500,000)            |
| <b>Net income, net of dividends</b>   | <b>\$ 3,517,360</b>  | <b>\$ 2,323,213</b>  |
| <b>Municipality's share of net income, net of dividends (1.47% ownership)</b>           | <b>51,705</b>        | <b>34,151</b>        |

### 6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The 2013 continuity of transactions within the obligatory reserve funds are described below:

|                          | Balance<br>beginning of<br>year | Contributions<br>received | Interest<br>earned | Amounts<br>taken into<br>revenue | Balance<br>end of year |
|--------------------------|---------------------------------|---------------------------|--------------------|----------------------------------|------------------------|
| Cash in lieu of parkland | \$ 34,085                       | \$ 11,555                 | \$ 301             | \$ -                             | \$ 45,941              |
| Federal gas tax          | 28,484                          | 98,774                    | 1,054              | -                                | 128,312                |
| Other                    | 22,934                          | -                         | -                  | (6,353)                          | 16,581                 |
|                          | <b>\$ 85,503</b>                | <b>\$ 110,329</b>         | <b>\$ 1,355</b>    | <b>\$ (6,353)</b>                | <b>\$ 190,834</b>      |

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2013**

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**7. MUNICIPAL DEBT**

The annual principal and interest payments required to service the Municipality's debt were within the the annual debt repayment limit of \$1,201,278 prescribed by the Ministry of Municipal Affairs and Housing.

**8. CREDIT FACILITY AGREEMENT**

The Municipality has a credit facility agreement with the Royal Bank of Canada of \$1,639,000 (2012 \$1,639,000), of which \$94,032 (2012 \$302,704) was used at the end of the year. The loan is payable on demand and bears interest at the rate of prime.

**9. EMPLOYEE BENEFITS PAYABLE**

Under the sick leave benefits plan of the local Joint Building Committee, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Committee's employment. The liability for these accumulated days amounted to \$2,114 (2012 \$1,615) at the end of the year.

# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

### 10. 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.

The Municipality is currently responsible for the Croft and Chapman landfill sites, which have approved footprints of 25,000m<sup>2</sup> and 15,000m<sup>2</sup> respectively. An engineering study received in 2009 estimated that the maximum usable footprints are 15,000m<sup>2</sup> at the Croft site and 10,000m<sup>2</sup> at the Chapman site, with corresponding maximum waste and cover material capacities of 17,460m<sup>3</sup> and 38,712m<sup>3</sup> for Croft and Chapman respectively.

An engineering study received in 2011 has significantly increased waste capacities at both the Croft and Chapman landfill sites due to the prior study being based on existing waste footprints and did not account for the entire approved waste footprint and the calculated theoretical capacity of each site. The maximum waste and cover material capacities are 138,850m<sup>3</sup> at the Croft site and 46,650m<sup>3</sup> at the Chapman site.

Based on the above data, the landfill closure and post-closure estimates for the usable footprints are as follows:

#### Croft Landfill

|  |                       |
|--|-----------------------|
| Total estimated expenditures for closure and post-closure care | \$968,453             |
| Reported liability in current year                             | \$140,000             |
| Total expenditures remaining to be recognized                  | \$828,453             |
| Utilization/year   | 603m <sup>3</sup>     |
| Estimated remaining usable capacity                            | 119,373m <sup>3</sup> |
| Remaining landfill site life                                   | 83 years              |
| Number of year required for post-closure care                  | 25 years              |

#### Chapman Landfill

|  |                      |
|--|----------------------|
| Total estimated expenditures for closure and post-closure care | \$785,726            |
| Reported liability in current year                             | \$536,000            |
| Total expenditures remaining to be recognized                  | \$249,726            |
| Utilization/year   | 1,000m <sup>3</sup>  |
| Estimated remaining usable capacity                            | 15,833m <sup>3</sup> |
| Remaining landfill site life                                   | 15 years             |
| Number of year required for post-closure care                  | 25 years             |

### 11. TANGIBLE CAPITAL ASSETS

Schedule 1 provides information on the tangible capital assets of the Municipality by major asset class. Additional information relating to these assets is provided below.

#### (a) Capitalization of Interest

The Municipality has a policy of expensing borrowing costs related to the acquisition of tangible capital assets.

## THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

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#### 12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule and segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

##### General Government

This segment includes Council, Clerk's Department, and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

##### Protection to Persons and Property

This segment includes fire, police, building inspection, and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract.

##### Transportation Services

Transportation Services include roadway systems and winter control.

##### Environmental Services

This segment includes sanitary sewers, waterworks and solid waste management.

##### Health Services

This segment includes cemeteries, ambulance services as well as payments to the district health unit.

##### Social and Family Services

This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

##### Recreation and Culture

This segment includes parks, recreation programs, recreation facilities and library services.

##### Planning and Development

This segment includes activities related to planning, zoning and economic development.

##### Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and the municipality's annual Ontario Municipal Partnership Fund unconditional grant.

In preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of rent to specific segments.

# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

### 12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2013

|                                   | General<br>Government | Protection to<br>Persons and<br>Property | Transportation<br>Services | Environmental<br>Services | Health<br>Services  | Social and<br>Family<br>Services | Recreation<br>and<br>Culture | Planning<br>and<br>Development | Unallocated<br>Amounts | Consolidated      |
|-----------------------------------|-----------------------|--|----------------------------|---------------------------|---------------------|----------------------------------|------------------------------|--------------------------------|------------------------|-------------------|
| <b>REVENUE</b>                    |                       |  |                            |                           |                     |                                  |                              |                                |                        |                   |
| Property taxes                    | \$ -                  | \$ -                                     | \$ -                       | \$ -                      | \$ -                | \$ -                             | \$ -                         | \$ -                           | \$ 3,261,612           | \$ 3,261,612      |
| User fees                         | -                     | -  | -                          | -                         | 2,825               | -                                | 4,525                        | 1,838                          | -                      | 9,188             |
| Government transfers              | 40,140                | 29,396                                   | -                          | 31,365                    | -                   | -                                | 50,508                       | -                              | 985,073                | 1,136,482         |
| Lakeland Holding Ltd. income      | -                     | -  | -                          | -                         | -                   | -                                | -                            | -                              | 51,705                 | 51,705            |
| Other                             | 8,609                 | 7,033                                    | 245,383                    | 8,763                     | -                   | -                                | 33,385                       | 62,553                         | 126,876                | 492,602           |
| <b>TOTAL REVENUE</b>              | <b>48,749</b>         | <b>36,429</b>                            | <b>245,383</b>             | <b>40,128</b>             | <b>2,825</b>        | <b>-</b>                         | <b>88,418</b>                | <b>64,391</b>                  | <b>4,425,266</b>       | <b>4,951,589</b>  |
| <b>EXPENSES</b>                   |                       |  |                            |                           |                     |                                  |                              |                                |                        |                   |
| Salaries, wages and benefits      | 381,682               | 233,111                                  | 159,865                    | 102,399                   | 26,780              | -                                | 269,874                      | -                              | -                      | 1,173,711         |
| Long-term debt charges (interest) | 4,908                 | -  | -                          | -                         | -                   | -                                | -                            | -                              | -                      | 4,908             |
| Operating expenses                | 341,067               | 381,649                                  | 920,964                    | 114,500                   | 237,168             | 454,894                          | 173,829                      | 16,114                         | -                      | 2,640,185         |
| Landfill                          | -                     | -  | -                          | 29,000                    | -                   | -                                | -                            | -                              | -                      | 29,000            |
| Amortization                      | 45,214                | 35,084                                   | 657,935                    | 50,356                    | 2,138               | 1,377                            | 90,980                       | -                              | -                      | 883,084           |
| <b>TOTAL EXPENSES</b>             | <b>772,871</b>        | <b>649,844</b>                           | <b>1,738,764</b>           | <b>296,255</b>            | <b>266,086</b>      | <b>456,271</b>                   | <b>534,683</b>               | <b>16,114</b>                  | <b>-</b>               | <b>4,730,888</b>  |
| <b>ANNUAL SURPLUS (DEFICIT)</b>   | <b>\$ (724,122)</b>   | <b>\$ (613,415)</b>                      | <b>\$ (1,493,381)</b>      | <b>\$ (256,127)</b>       | <b>\$ (263,261)</b> | <b>\$ (456,271)</b>              | <b>\$ (446,265)</b>          | <b>\$ 48,277</b>               | <b>\$ 4,425,266</b>    | <b>\$ 220,701</b> |



# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

### SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2012

|                                   | General<br>Government | Protection to<br>Persons and<br>Property | Transportation<br>Services | Environmental<br>Services | Health<br>Services  | Social and<br>Family<br>Services | Recreation<br>and<br>Culture | Planning<br>and<br>Development | Unallocated<br>Amounts | Consolidated        |
|-----------------------------------|-----------------------|--|----------------------------|---------------------------|---------------------|----------------------------------|------------------------------|--------------------------------|------------------------|---------------------|
| <b>REVENUE</b>                    |                       |  |                            |                           |                     |                                  |                              |                                |                        |                     |
| Property taxes                    | \$ -                  | \$ -                                     | \$ -                       | \$ -                      | \$ -                | \$ -                             | \$ -                         | \$ -                           | \$ 3,122,605           | \$ 3,122,605        |
| User fees                         | -                     | -  | -                          | -                         | 7,295               | -                                | 4,693                        | 1,813                          | -                      | 13,801              |
| Government transfers              | 67,879                | 26,338                                   | 119,500                    | 33,087                    | -                   | -                                | 33,255                       | -                              | 778,500                | 1,058,559           |
| Lakeland Holding Ltd. income      | -                     | -  | -                          | -                         | -                   | -                                | -                            | -                              | 34,151                 | 34,151              |
| Other                             | 7,035                 | 7,179                                    | 291,581                    | 9,967                     | -                   | -                                | 29,306                       | 68,126                         | 188,821                | 602,015             |
| <b>TOTAL REVENUE</b>              | <b>74,914</b>         | <b>33,517</b>                            | <b>411,081</b>             | <b>43,054</b>             | <b>7,295</b>        | <b>-</b>                         | <b>67,254</b>                | <b>69,939</b>                  | <b>4,124,077</b>       | <b>4,831,131</b>    |
| <b>EXPENSES</b>                   |                       |  |                            |                           |                     |                                  |                              |                                |                        |                     |
| Salaries, wages and benefits      | 351,243               | 170,396                                  | 577,111                    | 94,793                    | 27,076              | -                                | 259,858                      | -                              | -                      | 1,480,477           |
| Long-term debt charges (interest) | 10,108                | -  | -                          | -                         | -                   | -                                | -                            | -                              | -                      | 10,108              |
| Operating expenses                | 290,869               | 371,259                                  | 888,126                    | 193,304                   | 230,414             | 458,043                          | 155,695                      | 69,624                         | -                      | 2,657,334           |
| Landfill                          | -                     | -  | -                          | 14,000                    | -                   | -                                | -                            | -                              | -                      | 14,000              |
| Amortization                      | 59,627                | 30,452                                   | 1,030,563                  | 35,356                    | 2,157               | 1,377                            | 94,111                       | -                              | -                      | 1,253,643           |
| <b>TOTAL EXPENSES</b>             | <b>711,847</b>        | <b>572,107</b>                           | <b>2,495,800</b>           | <b>337,453</b>            | <b>259,647</b>      | <b>459,420</b>                   | <b>509,664</b>               | <b>69,624</b>                  | <b>-</b>               | <b>5,415,562</b>    |
| <b>ANNUAL SURPLUS (DEFICIT)</b>   | <b>\$ (636,933)</b>   | <b>\$ (538,590)</b>                      | <b>\$ (2,084,719)</b>      | <b>\$ (294,399)</b>       | <b>\$ (252,352)</b> | <b>\$ (459,420)</b>              | <b>\$ (442,410)</b>          | <b>\$ 315</b>                  | <b>\$ 4,124,077</b>    | <b>\$ (584,431)</b> |

## THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

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13. BUDGET FIGURES

The unaudited budget adopted for the current year was prepared on a fund basis, and has been restated to conform with the accounting and reporting standards adopted for the current year actual results.

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 2013 was \$74,092 (2012 \$58,983) for current service and is included as an expense on the Consolidated Statement of Operations.

15. CONTINGENT LIABILITY

In the normal course of business, the municipality is named to lawsuits related to its operations. Management is of the view that these lawsuits are without merit and any settlement would not be material to the financial position of the municipality.

16. COMPARATIVE FIGURES

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

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Schedule 1**

|                                    | Land<br>and<br>Land<br>Improvements | Buildings           | Machinery<br>and<br>Equipment | Vehicles            | Roads<br>and<br>Bridges | Assets<br>Under<br>Construction | TOTAL<br>2013        | TOTAL<br>2012        |
|------------------------------------|-------------------------------------|---------------------|-------------------------------|---------------------|-------------------------|---------------------------------|----------------------|----------------------|
| <b>COST</b>                        |                                     |                     |                               |                     |                         |                                 |                      |                      |
| Balance, beginning of year         | \$ 1,589,024                        | \$ 3,612,143        | \$ 643,260                    | \$ 2,117,727        | \$ 22,628,601           | \$ 407,098                      | \$ 30,997,853        | \$ 29,901,858        |
| Additions and betterments          | 52,681                              | 661,629             | 56,559                        | 23,086              | 360,406                 | 17,667                          | 1,172,028            | 1,169,066            |
| Disposals and writedowns           |                                     | (5,845)             | (4,118)                       | (4,524)             | (44,087)                | (398,277)                       | (456,851)            | (73,071)             |
| <b>BALANCE, END OF YEAR</b>        | <b>1,641,705</b>                    | <b>4,267,927</b>    | <b>695,701</b>                | <b>2,136,289</b>    | <b>22,944,920</b>       | <b>26,488</b>                   | <b>31,713,030</b>    | <b>30,997,853</b>    |
| <b>ACCUMULATED AMORTIZATION</b>    |                                     |                     |                               |                     |                         |                                 |                      |                      |
| Balance, beginning of year         | 791,871                             | 648,904             | 374,346                       | 612,205             | 15,968,667              |                                 | 18,395,993           | 17,198,545           |
| Annual amortization                | 50,222                              | 98,989              | 57,724                        | 140,396             | 535,753                 |                                 | 883,084              | 1,253,292            |
| Amortization disposals             |                                     | (3,637)             | (4,118)                       | (632)               | (44,087)                |                                 | (52,474)             | (55,844)             |
| <b>BALANCE, END OF YEAR</b>        | <b>842,093</b>                      | <b>744,256</b>      | <b>427,952</b>                | <b>751,969</b>      | <b>16,460,333</b>       |                                 | <b>19,226,603</b>    | <b>18,395,993</b>    |
| <b>TANGIBLE CAPITAL ASSETS-NET</b> | <b>\$ 799,612</b>                   | <b>\$ 3,523,671</b> | <b>\$ 267,749</b>             | <b>\$ 1,384,320</b> | <b>\$ 6,484,587</b>     | <b>\$ 26,488</b>                | <b>\$ 12,486,427</b> | <b>\$ 12,601,860</b> |

# THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

## SUPPLEMENTARY UNAUDITED SCHEDULE OF SURPLUS

2013

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| <b>RESERVES AND RESERVE FUNDS</b>       |                      |                      |
| Working capital                         | \$ 533,279           | \$ 503,279           |
| Fire                                    | 178,375              | 103,375              |
| Waste disposal                          | 263,117              | 239,879              |
| Community enhancement                   | 35,775               | 22,467               |
| Roads                                   | 527,948              | 366,048              |
| Cemetery                                | 9,500                | 9,500                |
| Parks                                   | 40,000               | 20,000               |
| Recreation                              | 25,000               | -                    |
| Other                                   | 4,876                | 4,876                |
| <b>TOTAL RESERVES AND RESERVE FUNDS</b> | <b>1,617,870</b>     | <b>1,269,424</b>     |
| <b>OTHER</b>                            |                      |                      |
| Tangible capital assets                 | 12,486,427           | 12,601,860           |
| General operating surplus(deficit)      | 442,422              | 730,352              |
| Unexpended capital                      | -                    | 213,759              |
| Amounts to be recovered                 | (770,032)            | (1,207,704)          |
| Equity in Lakeland Holding Ltd.         | 432,704              | 380,999              |
| <b>TOTAL OTHER</b>                      | <b>12,591,521</b>    | <b>12,719,266</b>    |
| <b>ACCUMULATED SURPLUS</b>              | <b>\$ 14,209,391</b> | <b>\$ 13,988,690</b> |