

**THE CORPORATION OF THE
MUNICIPALITY OF MAGNETAWAN**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Magnetawan, which comprise of the consolidated statement of financial position as at December 31, 2016 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Municipality of Magnetawan as at December 31, 2016, 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 28, 2017

Pahapill and Associates

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

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,334,964	\$ 1,618,287
Accounts receivable	1,043,687	959,909
Investment in Lakeland Holding Ltd. (Note 5)	558,024	523,838
Inventories held for resale	8,588	9,294
	2,945,263	3,111,328
LIABILITIES		
Accounts payable and accrued liabilities	469,301	280,700
Deferred revenue (Note 6)	105,420	176,395
Municipal debt (Note 7)	1,300,000	-
Employee benefits payable	-	1,875
Landfill closure and post-closure liability (Note 8)	1,309,500	1,270,500
	3,184,221	1,729,470
NET FINANCIAL ASSETS	(238,958)	1,381,858
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 9, Schedule 1)	14,844,226	12,597,309
Inventories of supplies	38,690	55,597
Prepaid expenses	116,842	96,245
	14,999,758	12,749,151
ACCUMULATED SURPLUS	\$ 14,760,800	\$ 14,131,009

CONTINGENT LIABILITIES (Note 13)

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, 2016

	Budget 2016 (Note 11)	Actual 2016	Actual 2015
REVENUE			
Property taxes	\$ 4,097,166	\$ 4,084,495	\$ 3,706,622
User fees	10,745	12,045	14,612
Government transfers	1,096,326	1,196,192	1,086,938
Lakeland Holding Ltd. income (Note 5)	-	34,186	31,190
Other	700,176	785,815	615,559
TOTAL REVENUE	5,904,413	6,112,733	5,454,921
EXPENSES			
General government	853,122	848,343	817,264
Protection to persons and property	818,470	863,254	684,455
Transportation services	2,453,555	2,019,063	1,780,055
Environmental services	405,818	328,629	348,599
Landfill	-	39,000	(150,000)
Health services	334,912	283,535	281,871
Social and family services	513,639	513,640	508,153
Recreation and culture	644,016	581,484	579,496
Planning and development	15,000	5,994	14,386
TOTAL EXPENSES	6,038,532	5,482,942	4,864,279
ANNUAL SURPLUS (DEFICIT)	(134,119)	629,791	590,642
ACCUMULATED SURPLUS, BEGINNING OF YEAR	14,131,009	14,131,009	13,540,367
ACCUMULATED SURPLUS, END OF YEAR	\$ 13,996,890	\$ 14,760,800	\$ 14,131,009

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, 2016

	Budget 2016 (Note 11)	Actual 2016	Actual 2015
Annual surplus (deficit)	\$ (134,119)	\$ 629,791	\$ 590,642
Acquisition of tangible capital assets	(3,047,017)	(3,047,017)	(824,995)
Amortization of tangible capital assets	717,612	717,612	563,748
(Gain) loss on disposition of tangible capital assets	-	82,488	(66,738)
Proceeds on disposition of tangible capital assets	-	-	85,897
Change in supplies inventories	-	16,907	(14,922)
Change in prepaid expense	-	(20,597)	(1,256)
Increase (decrease) in net financial assets	(2,463,524)	(1,620,816)	332,376
Net financial assets, beginning of year	1,381,858	1,381,858	1,049,482
Net financial assets, end of year	\$ (1,081,666)	\$ (238,958)	\$ 1,381,858

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, 2016

	2016	2015
Operating transactions		
Annual surplus	\$ 629,791	\$ 590,642
Non-cash charges to operations:		
Amortization	717,612	563,748
(Gain)loss on disposal of tangible capital assets	82,488	(66,738)
	1,429,891	1,087,652
Changes in non-cash items:		
Accounts receivable	(83,778)	149,613
Inventories held for resale	706	390
Accounts payable and accrued liabilities	188,601	(16,044)
Deferred revenue	(70,975)	(26,955)
Employee benefits payable	(1,875)	(1,186)
Landfill closure and post closure liability	39,000	(150,000)
Inventories of supplies	16,907	(14,922)
Prepaid expenses	(20,597)	(1,256)
	67,989	(60,360)
Cash provided by operating transactions	1,497,880	1,027,292
Capital transactions		
Acquisition of tangible capital assets	(3,047,017)	(824,995)
Proceeds on disposal of tangible capital asset	-	85,897
Cash applied to capital transactions	(3,047,017)	(739,098)
Investing transactions		
Lakeland Holding Ltd.	(34,186)	(31,190)
Cash provided by investing transactions	(34,186)	(31,190)
Financing transactions		
Proceeds of municipal debt	1,300,000	-
Cash applied to financing transactions	1,300,000	-
Net change in cash and cash equivalents	(283,323)	257,004
Cash and cash equivalents, beginning of year	1,618,287	1,361,283
Cash and cash equivalents, end of year	\$ 1,334,964	\$ 1,618,287

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, 2016

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 Chartered Professional Accountants Canada. 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

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

(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.

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

(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 less accumulated amortization, 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 10 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) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

(iv) 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, 2016

(v) 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.

(vi) 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.

(vii) 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.

(viii) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles established by PSAB 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 management's best estimates as additional information becomes available in the future. 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, 2016

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2016	2015
District of Parry Sound Social Services Administration Board	\$ 305,655	\$ 304,255
North Bay Parry Sound District Health Unit	42,934	42,449
District of Parry Sound (East) Home for the Aged	197,571	193,971
Land Ambulance	188,270	183,567
Total contributions made	\$ 734,430	\$ 724,242

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:

	2016	2015
Payable (Receivable) at the beginning of the year	\$ (2,154)	\$ (35)
Taxation and payments-in-lieu, net of adjustments	1,295,530	1,298,533
Remitted during the year	(1,294,936)	(1,300,652)
Payable (Receivable) at the end of the year	\$ (1,560)	\$ (2,154)

4. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$165,075 (2015 \$161,517) 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, 2016

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. On July 1, 2014, Lakeland Holding Ltd. amalgamated with Parry Sound Hydro Corporation which resulted in the Municipalities' share of equity to be reduced from 1.47% to 1.24%. Condensed financial information in respect to Lakeland Holding Ltd. is provided below:

	2016	2015
Consolidated Balance Sheet		
Assets:		
Current assets	\$ 20,074,000	\$ 14,485,000
Capital and other assets	84,595,000	68,144,000
Regulatory assets, net of liabilities	1,494,000	836,000
Total Assets	\$ 106,163,000	\$ 83,465,000
Liabilities:		
Current liabilities	\$ 20,315,000	\$ 9,487,000
Long-term liabilities	40,847,000	31,733,000
Total Liabilities	61,162,000	41,220,000
Equity		
Share capital	12,609,000	12,609,000
Retained earnings and Contributed surplus	32,469,000	29,865,000
Accumulated other comprehensive loss	(77,000)	(229,000)
Total Equity	45,001,000	42,245,000
Total Liabilities and Equity	\$ 106,163,000	\$ 83,465,000
Municipality's share of equity (1.24% ownership)	\$ 558,024	\$ 523,838
Consolidated Statement of Operations, Retained Earnings and Comprehensive Income		
Total Revenues	56,047,000	53,746,290
Total Expenses	51,116,000	48,630,000
Net income and comprehensive income	4,931,000	5,116,290
Less: dividends	(1,625,000)	(1,328,000)
Less: provision for payments in lieu of taxes	(1,035,000)	(1,386,000)
Add: Net movement in regulatory deferral account balances	333,000	80,000
Add: other comprehensive income	153,000	33,000
Net income, net of dividends	\$ 2,757,000	\$ 2,515,290
Municipality's share of net income, net of dividends (1.24% ownership)	34,186	31,190
Municipality's share of net income, net of dividends and loss on reduction of share equity (1.24% ownership)	\$ 34,186	\$ 31,190

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The 2016 continuity of transactions within the obligatory reserve funds are described below:

	Balance beginning of year	Contributions received	Interest earned	Amounts taken into revenue	Balance end of year
Cash in lieu of parkland	\$ 60,026	\$ 18,900	\$ 858	\$ (9,000)	\$ 70,784
Federal gas tax	102,660	88,412	1,565	(160,582)	32,055
Other	13,709	-	-	(11,128)	2,581
	\$ 176,395	\$ 107,312	\$ 2,423	\$ (180,710)	\$ 105,420

7. MUNICIPAL DEBT

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

	2016	2015
Infrastructure Ontario, due December 2026, repayable in semi-annual payments of \$65,000 including interest calculated at 2.47%	1,300,000	-
	\$ 1,300,000	\$ -

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

	Principal	Interest
2017	\$ 130,000	\$ 31,305
2018	130,000	28,094
2019	130,000	24,883
2020	130,000	21,734
2021	130,000	18,461
2022 onwards	650,000	44,166
	\$ 1,300,000	\$ 168,643

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2016	2015
Principal payments	\$ -	\$ -
	\$ -	\$ -

The annual principal and interest payments required to service the Municipality's debt were within the the annual debt repayment limit of \$1,254,927 prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

8. 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 25,000m² and 15,000m² respectively. An engineering study received in 2009 estimated that the maximum usable footprints are 15,000m² at the Croft site and 10,000m² at the Chapman site, with corresponding maximum waste and cover material capacities of 17,460m³ and 38,712m³ 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 138,850m³ at the Croft site and 46,650m³ at the Chapman site.

An engineering study received in 2016 has increased the amount of capacity remaining, overall capacity and remaining landfill site life at both the Croft and Chapman landfill sites due to calculations based on a 3:1 final slope design contour. Prior to 2015 used a 4:1 final slope design contour.

Based on an engineering report received in 2016 which increased the amount of capacity remaining, 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	\$1,013,688
Reported liability in current year	\$760,000
Total expenditures remaining to be recognized	\$253,688
Utilization/year	880m ³
Estimated remaining usable capacity	38,388m ³
Remaining landfill site life	31 years
Number of year required for post-closure care	25 years

Chapman Landfill

Total estimated expenditures for closure and post-closure care	\$822,426
Reported liability in current year	\$549,500
Total expenditures remaining to be recognized	\$272,926
Utilization/year	960m ³
Estimated remaining usable capacity	18,696m ³
Remaining landfill site life	19 years
Number of year required for post-closure care	25 years

9. 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.

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2016

(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, 2016

10. 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, 2016

10. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,084,495	\$ 4,084,495
User fees	-	-	-	-	2,289	-	7,706	2,050	-	12,045
Government transfers	32,078	27,218	160,582	28,523	-	-	29,691	-	918,100	1,196,192
Lakeland Holding Ltd. income	-	-	-	-	-	-	-	-	34,186	34,186
Other	15,288	193,372	266,505	14,901	-	-	141,659	74,899	79,191	785,815
TOTAL REVENUE	47,366	220,590	427,087	43,424	2,289	-	179,056	76,949	5,115,972	6,112,733
EXPENSES										
Salaries, wages and benefits	417,809	195,632	368,683	131,553	29,038	-	321,975	-	-	1,464,690
Operating expenses	402,407	632,840	1,152,410	130,208	252,133	512,263	173,385	5,994	-	3,261,640
Landfill	-	-	-	39,000	-	-	-	-	-	39,000
Amortization	28,127	34,782	497,970	66,868	2,364	1,377	86,124	-	-	717,612
TOTAL EXPENSES	848,343	863,254	2,019,063	367,629	283,535	513,640	581,484	5,994	-	5,482,942
ANNUAL SURPLUS (DEFICIT)	\$ (800,977)	\$ (642,664)	\$ (1,591,976)	\$ (324,205)	\$ (281,246)	\$ (513,640)	\$ (402,428)	\$ 70,955	\$ 5,115,972	\$ 629,791

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

10. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2015

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,706,622	\$ 3,706,622
User fees	-	-	-	-	2,178	-	10,549	1,885	-	14,612
Government transfers	29,197	25,500	112,332	25,933	-	-	50,076	-	843,900	1,086,938
Lakeland Holding Ltd. income	-	-	-	-	-	-	-	-	31,190	31,190
Other	18,744	7,389	242,593	27,991	-	-	30,685	69,961	218,196	615,559
TOTAL REVENUE	47,941	32,889	354,925	53,924	2,178	-	91,310	71,846	4,799,908	5,454,921
EXPENSES										
Salaries, wages and benefits	428,305	205,398	382,089	126,491	31,960	-	284,956	-	-	1,459,199
Operating expenses	358,928	446,051	1,009,990	197,770	247,547	506,776	209,885	14,386	-	2,991,333
Landfill	-	-	-	(150,000)	-	-	-	-	-	(150,000)
Amortization	30,031	33,006	387,976	24,338	2,364	1,377	84,655	-	-	563,747
TOTAL EXPENSES	817,264	684,455	1,780,055	198,599	281,871	508,153	579,496	14,386	-	4,864,279
ANNUAL SURPLUS (DEFICIT)	\$ (769,323)	\$ (651,566)	\$ (1,425,130)	\$ (144,675)	\$ (279,693)	\$ (508,153)	\$ (488,186)	\$ 57,460	\$ 4,799,908	\$ 590,642

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**Year Ended December 31, 2016

11. 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.

12. 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 2016 was \$83,018 (2015 \$79,871) for current service and is included as an expense on the Consolidated Statement of Operations.

13. 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.

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 1

	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL 2016	TOTAL 2015
COST								
Balance, beginning of year	\$ 2,353,545	\$ 4,307,190	\$ 735,141	\$ 2,473,764	\$ 23,214,422	\$ 202,401	\$ 33,286,463	\$ 32,702,451
Additions and betterments	251,990	148,367	35,526	296,752	2,279,350	35,032	3,047,017	824,995
Disposals and writedowns		(1,070)	(19,925)		(925,904)		(946,899)	(240,983)
Allocation from work in progress		437		144,381	33,478	(178,296)		
BALANCE, END OF YEAR	2,605,535	4,454,924	750,742	2,914,897	24,601,346	59,137	35,386,581	33,286,463
ACCUMULATED AMORTIZATION								
Balance, beginning of year	1,484,975	955,606	498,475	968,496	16,781,602		20,689,154	20,347,230
Annual amortization	66,278	109,397	38,293	190,699	312,945		717,612	563,748
Amortization disposals		(1,070)	(19,223)		(844,118)		(864,411)	(221,824)
BALANCE, END OF YEAR	1,551,253	1,063,933	517,545	1,159,195	16,250,429		20,542,355	20,689,154
TANGIBLE CAPITAL ASSETS-NET	\$ 1,054,282	\$ 3,390,991	\$ 233,197	\$ 1,755,702	\$ 8,350,917	\$ 59,137	\$ 14,844,226	\$ 12,597,309

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

SUPPLEMENTARY UNAUDITED SCHEDULE OF SURPLUS

2016

	2016	2015
RESERVES AND RESERVE FUNDS		
Working capital	\$ 1,019,407	\$ 1,027,334
Elections	10,000	-
CBO	20,000	15,000
Fire	273,116	263,116
Waste disposal	128,944	107,941
Recycling	-	30,000
Community enhancement	85,516	63,865
Roads	190,472	572,067
Cemetery	17,500	17,500
Parks	100,000	80,000
Recreation	115,000	75,000
Other	4,876	4,876
TOTAL RESERVES AND RESERVE FUNDS	1,964,831	2,256,699
OTHER		
Tangible capital assets	14,844,226	12,597,309
General operating surplus(deficit)	3,219	23,663
Amounts to be recovered	(2,609,500)	(1,270,500)
Equity in Lakeland Holding Ltd.	558,024	523,838
TOTAL OTHER	12,795,969	11,874,310
ACCUMULATED SURPLUS	\$ 14,760,800	\$ 14,131,009