

**THE CORPORATION OF THE
MUNICIPALITY OF MAGNETAWAN
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Magnetawan, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, the consolidated change in its net financial assets (debt) and its consolidated cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Magnetawan as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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



PAHAPILL and ASSOCIATES Chartered Accountants

Professional Corporation

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

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

Huntsville, Ontario
July 10, 2019

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, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,925,818	\$ 1,235,135
Accounts receivable, net of allowance of \$11,000 (2017 - \$11,000)	698,871	882,312
Investment in Lakeland Holding Ltd. (Note 5)	669,606	617,650
Inventories held for resale	7,489	8,049
	3,301,784	2,743,146
LIABILITIES		
Accounts payable and accrued liabilities	590,798	407,980
Deferred revenue (Note 6)	123,270	72,571
Municipal debt (Note 7)	1,040,000	1,170,000
Landfill closure and post-closure liability (Note 8)	1,377,000	1,336,000
	3,131,068	2,986,551
NET FINANCIAL ASSETS	170,716	(243,405)
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 9, Schedule 1)	15,427,992	15,203,056
Inventories of supplies	37,618	38,254
Prepaid expenses	117,931	110,877
	15,583,541	15,352,187
ACCUMULATED SURPLUS	\$ 15,754,257	\$ 15,108,782

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 AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 (Note 11)	Actual 2018	Actual 2017
REVENUE			
Property taxes	\$ 4,417,001	\$ 4,440,634	\$ 4,165,232
User fees	11,978	14,912	14,194
Government transfers	1,454,631	1,389,644	1,323,672
Lakeland Holding Ltd. income (Note 5)	-	51,956	59,626
Other	612,232	616,994	571,377
TOTAL REVENUE	6,495,842	6,514,140	6,134,101
EXPENSES			
General government	954,213	853,240	798,503
Protection to persons and property	1,152,981	1,081,533	1,030,276
Transportation services	2,105,470	2,048,596	2,210,960
Environmental services	396,476	412,803	336,847
Landfill	-	41,000	26,500
Health services	366,297	298,486	277,463
Social and family services	516,348	516,349	512,793
Recreation and culture	627,778	600,082	587,799
Planning and development	30,000	16,576	4,978
TOTAL EXPENSES	6,149,563	5,868,665	5,786,119
ANNUAL SURPLUS (DEFICIT)	346,279	645,475	347,982
ACCUMULATED SURPLUS, BEGINNING OF YEAR	15,108,782	15,108,782	14,760,800
ACCUMULATED SURPLUS, END OF YEAR	\$ 15,455,061	\$ 15,754,257	\$ 15,108,782

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, 2018

	Budget 2018 (Note 11)	Actual 2018	Actual 2017
Annual surplus (deficit)	\$ 346,279	\$ 645,475	\$ 347,982
Acquisition of tangible capital assets	(1,129,345)	(1,129,345)	(1,325,220)
Amortization of tangible capital assets	872,464	872,464	820,693
Allocation from work in progress	12,542	12,542	-
(Gain) loss on disposition of tangible capital assets	-	11,203	127,113
Proceeds on disposition of tangible capital assets	8,200	8,200	18,584
Change in supplies inventories	-	636	436
Change in prepaid expense	-	(7,054)	5,965
Increase (decrease) in net financial assets	110,140	414,121	(4,447)
Net financial assets (debt), beginning of year	(243,405)	(243,405)	(238,958)
Net financial assets (debt), end of year	\$ (133,265)	\$ 170,716	\$ (243,405)

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, 2018

	2018	2017
Operating transactions		
Annual surplus	\$ 645,475	\$ 347,982
Non-cash charges to operations:		
Amortization	872,464	820,693
(Gain)loss on disposal of tangible capital assets	11,203	127,113
	<u>1,529,142</u>	<u>1,295,788</u>
Changes in non-cash items:		
Accounts receivable	183,441	161,375
Inventories held for resale	560	539
Accounts payable and accrued liabilities	182,818	(61,321)
Deferred revenue	50,699	(32,849)
Landfill closure and post closure liability	41,000	26,500
Inventories of supplies	636	436
Prepaid expenses	(7,054)	5,965
	<u>452,100</u>	<u>100,645</u>
Cash provided by operating transactions	<u>1,981,242</u>	<u>1,396,433</u>
Capital transactions		
Acquisition of tangible capital assets	(1,129,345)	(1,325,220)
Allocation from work in progress	12,542	-
Proceeds on disposal of tangible capital asset	8,200	18,584
Cash applied to capital transactions	<u>(1,108,603)</u>	<u>(1,306,636)</u>
Investing transactions		
Lakeland Holding Ltd.	(51,956)	(59,626)
Cash provided by investing transactions	<u>(51,956)</u>	<u>(59,626)</u>
Financing transactions		
Debt principal repayments	(130,000)	(130,000)
Cash applied to financing transactions	<u>(130,000)</u>	<u>(130,000)</u>
Net change in cash and cash equivalents	<u>690,683</u>	<u>(99,829)</u>
Cash and cash equivalents, beginning of year	<u>1,235,135</u>	<u>1,334,964</u>
Cash and cash equivalents, end of year	<u>\$ 1,925,818</u>	<u>\$ 1,235,135</u>

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, 2018

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 public sector accounting standards for local governments as recommended in the Public Sector Accounting Board "PSAB" 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, 2018

(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, 2018

(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 public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the 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, 2018

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2018	2017
District of Parry Sound Social Services Administration Board	\$ 300,617	\$ 301,076
North Bay Parry Sound District Health Unit	43,298	43,298
District of Parry Sound (East) Home for the Aged	204,642	200,778
Land Ambulance	196,201	190,663
Total contributions made	\$ 744,758	\$ 735,815

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:

	2018	2017
Payable (Receivable) at the beginning of the year	\$ 874	\$ (1,560)
Taxation and payments-in-lieu, net of adjustments	1,178,457	1,215,845
Remitted during the year	(1,180,175)	(1,213,411)
Payable (Receivable) at the end of the year	\$ (844)	\$ 874

4. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$90,401 (2017 \$87,363) 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, 2018

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.

	2018	2017
Consolidated Balance Sheet		
Assets:		
Current assets	\$ 22,850,000	\$ 20,854,000
Capital and other assets	101,825,000	96,309,000
Regulatory assets, net of liabilities	806,000	867,000
Total Assets	\$ 125,481,000	\$ 118,030,000
Liabilities:		
Current liabilities	\$ 10,082,000	\$ 22,844,000
Long-term liabilities	61,398,000	45,375,000
Total Liabilities	71,480,000	68,219,000
Equity		
Share capital	12,610,000	12,610,000
Retained earnings and Contributed surplus	41,401,000	37,244,000
Accumulated other comprehensive loss	(10,000)	(43,000)
Total Equity	54,001,000	49,811,000
Total Liabilities and Equity	\$ 125,481,000	\$ 118,030,000
Municipality's share of equity (1.24% ownership)	\$ 669,606	\$ 617,650
Consolidated Statement of Operations, Retained Earnings and Comprehensive Income		
Total Revenues	56,528,000	56,651,000
Total Expenses	48,633,000	47,855,000
Net income and comprehensive income	7,895,000	8,796,000
Less: dividends	(1,896,000)	(1,750,000)
Less: provision for payments in lieu of taxes	(2,006,000)	(2,117,000)
Add: Net movement in regulatory deferral account balances	164,000	(153,000)
Add: other comprehensive income	33,000	33,000
Net income, net of dividends	\$ 4,190,000	\$ 4,809,000
Municipality's share of net income, net of dividends (1.24% ownership)	51,956	59,626
Municipality's share of net income, net of dividends and loss on reduction of share equity (1.24% ownership)	\$ 51,956	\$ 59,626

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The 2018 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	\$ 69,990	\$ 22,500	\$ 1,209	\$ (6,337)	\$ 87,362
Federal gas tax	-	92,623	87	(92,710)	-
Other	2,581	33,327	-	-	35,908
	\$ 72,571	\$ 148,450	\$ 1,296	\$ (99,047)	\$ 123,270

7. MUNICIPAL DEBT

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

	2018	2017
Infrastructure Ontario, due December 2026, repayable in semi-annual payments of \$65,000 including interest calculated at 2.47% and is secured by future funding.	1,040,000	1,170,000
	\$ 1,040,000	\$ 1,170,000

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

	Principal	Interest
2019	\$ 130,000	\$ 24,883
2020	130,000	21,734
2021	130,000	18,461
2022	130,000	15,250
2023	130,000	12,039
2024 onwards	390,000	16,877
	\$ 1,040,000	\$ 109,244

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

	2018	2017
Principal payments	\$ 130,000	\$ 130,000
Interest	28,094	31,305
	\$ 158,094	\$ 161,305

The annual principal and interest payments required to service the Municipality's debt were within the the annual debt repayment limit of \$1,243,685 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, 2018

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	\$1,053,607
Reported liability in current year	\$794,000
Total expenditures remaining to be recognized	\$259,607
Utilization/year	730m ³
Estimated remaining usable capacity	37,821m ³
Remaining landfill site life	42 years
Number of year required for post-closure care	25 years

Chapman Landfill

Total estimated expenditures for closure and post-closure care	\$854,814
Reported liability in current year	\$583,000
Total expenditures remaining to be recognized	\$271,814
Utilization/year	610m ³
Estimated remaining usable capacity	17,901m ³
Remaining landfill site life	29 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, 2018

(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, 2018

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, 2018

10. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,440,634	\$ 4,440,634
User fees	-	-	-	-	2,759	-	10,379	1,774	-	14,912
Government transfers	50,615	22,482	108,800	36,110	-	-	51,037	-	1,120,600	1,389,644
Lakeland Holding Ltd. income	-	-	-	-	-	-	-	-	51,956	51,956
Other	24,070	4,985	250,432	58,629	-	-	42,368	120,595	115,915	616,994
TOTAL REVENUE	74,685	27,467	359,232	94,739	2,759	-	103,784	122,369	5,729,105	6,514,140
EXPENSES										
Salaries, wages and benefits	500,651	248,501	425,902	137,108	19,587	-	320,324	-	-	1,652,073
Operating expenses	325,237	803,221	981,360	201,656	276,751	514,972	183,355	16,576	-	3,303,128
Landfill	-	-	-	41,000	-	-	-	-	-	41,000
Amortization	27,352	29,811	641,334	74,039	2,148	1,377	96,403	-	-	872,464
TOTAL EXPENSES	853,240	1,081,533	2,048,596	453,803	298,486	516,349	600,082	16,576	-	5,868,665
ANNUAL SURPLUS (DEFICIT)	\$ (778,555)	\$ (1,054,066)	\$ (1,689,364)	\$ (359,064)	\$ (295,727)	\$ (516,349)	\$ (496,298)	\$ 105,793	\$ 5,729,105	\$ 645,475

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

10. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,165,232	\$ 4,165,232
User fees	-	-	-	-	3,940	-	8,604	1,650	-	14,194
Government transfers	125,319	12,368	122,688	29,710	-	-	40,287	-	993,300	1,323,672
Lakeland Holding Ltd. income	-	-	-	-	-	-	-	-	59,626	59,626
Other	100,395	1,296	243,718	35,552	-	-	34,958	129,594	25,864	571,377
TOTAL REVENUE	225,714	13,664	366,406	65,262	3,940	-	83,849	131,244	5,244,022	6,134,101
EXPENSES										
Salaries, wages and benefits	443,482	238,398	397,227	122,867	20,299	-	306,466	-	-	1,528,739
Operating expenses	327,186	755,213	1,210,043	155,198	254,800	511,416	191,353	4,978	-	3,410,187
Landfill	-	-	-	26,500	-	-	-	-	-	26,500
Amortization	27,835	36,665	603,690	58,782	2,364	1,377	89,980	-	-	820,693
TOTAL EXPENSES	798,503	1,030,276	2,210,960	363,347	277,463	512,793	587,799	4,978	-	5,786,119
ANNUAL SURPLUS (DEFICIT)	\$ (572,789)	\$ (1,016,612)	\$ (1,844,554)	\$ (298,085)	\$ (273,523)	\$ (512,793)	\$ (503,950)	\$ 126,266	\$ 5,244,022	\$ 347,982

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

11. BUDGET FIGURES

The unaudited budget adopted for the current year was prepared on a fund basis, and has been amended 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. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2018. The results of this valuation disclosed total actuarial liabilities of \$99,058 million with respect to benefits accrued for service with actuarial assets at that date of \$94,867 million indicating an actuarial deficit of \$4,191 million. Because OMERS is a multi employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2018 was \$88,756 (2017 \$85,795) 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, 2018

Schedule 1

	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL 2018	TOTAL 2017
COST								
Balance, beginning of year	\$ 2,683,003	\$ 4,606,139	\$ 597,788	\$ 2,926,999	\$ 24,783,510	\$ 444,983	\$ 36,042,422	\$ 35,386,581
Additions and betterments	86,049	61,618	18,617	316,852	635,434	10,775	1,129,345	1,325,220
Disposals and writedowns		(40,495)	(18,345)	(170,957)	(259,636)		(489,433)	(669,379)
Allocation from work in progress						(12,542)	(12,542)	
BALANCE, END OF YEAR	2,769,052	4,627,262	598,060	3,072,894	25,159,308	443,216	36,669,792	36,042,422
ACCUMULATED AMORTIZATION								
Balance, beginning of year	1,606,059	1,174,624	366,142	1,212,080	16,480,461		20,839,366	20,542,355
Annual amortization	70,184	114,955	38,741	223,257	425,327		872,464	820,693
Amortization disposals		(22,833)	(18,345)	(170,957)	(257,895)		(470,030)	(523,682)
BALANCE, END OF YEAR	1,676,243	1,266,746	386,538	1,264,380	16,647,893		21,241,800	20,839,366
TANGIBLE CAPITAL ASSETS-NET	\$ 1,092,809	\$ 3,360,516	\$ 211,522	\$ 1,808,514	\$ 8,511,415	\$ 443,216	\$ 15,427,992	\$ 15,203,056

THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN

SUPPLEMENTARY UNAUDITED SCHEDULE OF SURPLUS

2018

	2018	2017
RESERVES AND RESERVE FUNDS		
Working capital	\$ 1,380,539	\$ 1,281,701
Asset management	381,577	237,326
Waste disposal	168,912	148,913
Community enhancement	111,611	97,222
Cemetery	9,500	9,500
Other	4,876	4,876
TOTAL RESERVES AND RESERVE FUNDS	2,057,015	1,779,538
OTHER		
Tangible capital assets	15,427,992	15,203,056
General operating surplus(deficit)	16,644	14,538
Amounts to be recovered	(2,417,000)	(2,506,000)
Equity in Lakeland Holding Ltd.	669,606	617,650
TOTAL OTHER	13,697,242	13,329,244
ACCUMULATED SURPLUS	\$ 15,754,257	\$ 15,108,782