

**The Corporation of the  
Municipality of Magnetawan**

**Independent Auditor's Report and  
Financial Report**

**December 31, 2021**

**The Corporation of the  
Municipality of Magnetawan**

**Financial Report**

**December 31, 2021**

Management Report

Independent Auditor's Report

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Cash Flows	3
Consolidated Statement of Change in Net Financial Assets	4
Notes to the Consolidated Financial Statements	5-22

**Cemetery Care and Maintenance Funds**

Independent Auditor's Report	
Statement of Continuity	26
Statement of Financial Position	27
Note to the Financial Statements	28

## Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Municipality of Magnetawan (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Baker Tilly SNT LLP, independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Chief Administrative Officer  
March 23, 2022



Treasurer  
March 23, 2022

**Baker Tilly SNT LLP / s.r.l.**

1850 Bond, Unit / Unité A

North Bay, ON, Canada P1B 4V6

**T:** +1 705.494.9336

**F:** +1 705.494.8783

**[www.bakertilly.ca](http://www.bakertilly.ca)**

## **Independent Auditor's Report**

### **To the Members of Council, Inhabitants and Ratepayers of the 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, 2021, and the consolidated statements of operations and accumulated surplus, cash flows, and change in net financial assets for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Municipality of Magnetawan as at December 31, 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

#### **Basis for Opinion**

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

ACCOUNTING • TAX • ADVISORY

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

COMPTABILITÉ • FISCALITÉ • SERVICES-CONSEILS

*Baker Tilly SNT s.r.l. est membre de la Coopérative Baker Tilly Canada, qui fait partie du réseau mondial Baker Tilly International Limited. Les membres de la Coopérative Baker Tilly Canada et de Baker Tilly International Limited sont tous des entités juridiques distinctes et indépendantes.*

## **Independent Auditor's Report (continued)**

### **Responsibilities of Management and Those Charged with Governance for the Consolidated 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.

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 related 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 Responsibilities for the Audit of the Consolidated Financial Statements**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.

## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)


- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

North Bay, Ontario  
March 23, 2022

*Baker Tilly SNT LLP*  
CHARTERED PROFESSIONAL ACCOUNTANTS,  
LICENSED PUBLIC ACCOUNTANTS



**The Corporation of the Municipality of Magnetawan**   
**Consolidated Statement of Operations and Accumulated Surplus**  
**For The Year Ended December 31, 2021**

	<u>2021</u>		<u>2020</u>
	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Net taxation	\$ 5,166,767	\$ 5,243,827	\$ 5,174,111
User charges	9,100	3,462	1,925
Government grants and transfers - Provincial	1,417,867	1,268,267	1,464,053
Government grants and transfers - Federal	26,000	30,166	12,688
Lakeland Holding Ltd. income	-	37,112	-
Other	690,484	1,152,550	1,072,009
<b>Total revenues</b>	<u>7,310,218</u>	<u>7,735,384</u>	<u>7,724,786</u>
<b>Expenses</b>			
General government	1,070,731	974,030	1,041,192
Protection services	1,287,620	1,118,670	1,125,392
Transportation services	2,755,603	2,795,295	2,474,566
Environmental services	651,680	683,197	605,902
Health services	310,761	290,782	286,593
Social and family services	567,196	546,517	525,823
Recreation and cultural services	652,129	650,011	594,680
Planning and development	80,000	88,452	37,404
<b>Total expenses</b>	<u>7,375,720</u>	<u>7,146,954</u>	<u>6,691,552</u>
<b>Annual surplus (deficit) before other</b>	<b>(65,502)</b>	<b>588,430</b>	<b>1,033,234</b>
<b>Other</b>			
Government grants and transfers related to capital - Provincial	<u>101,979</u>	<u>87,021</u>	<u>134,916</u>
<b>Annual surplus</b>	<b>36,477</b>	<b>675,451</b>	<b>1,168,150</b>
<b>Accumulated surplus, beginning of year</b>	<u>18,704,510</u>	<u>18,704,510</u>	<u>17,536,360</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 18,740,987</u>	<u>\$ 19,379,961</u>	<u>\$ 18,704,510</u>

The accompanying notes are an integral part of these consolidated financial statements.



**The Corporation of the Municipality of Magnetawan**   
**Consolidated Statement of Cash Flows**  
**For The Year Ended December 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>Operating transactions</b>		
Annual surplus	\$ 675,451	\$ 1,168,150
<b>Cash and cash equivalents provided by (applied to)</b>		
Non-cash items:		
Amortization of tangible capital assets	917,064	871,305
Loss on disposal of tangible capital assets	2,769	26,739
Change in non-cash working capital balances		
Decrease (increase) in taxes receivable	70,088	(22,741)
Decrease (increase) in accounts receivable	(4,296)	56,236
Decrease in other current assets	221	8,476
Increase (decrease) in accounts payable and accrued liabilities	4,645	(186,420)
Increase (decrease) in deferred revenues - other	5,000	(21,745)
Increase in deferred revenues - obligatory reserve funds	187,095	82,121
Decrease (increase) in prepaid expenses	(39,387)	48,783
Decrease (increase) in inventories of supplies	49,105	(149,324)
Decrease in assets held for sale	-	396,720
Increase in landfill closure and post-closure	<u>76,000</u>	<u>42,000</u>
Cash and cash equivalents provided by operating transactions	<u>1,943,755</u>	<u>2,320,300</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<u>(864,933)</u>	<u>(635,080)</u>
Cash and cash equivalents applied to capital transactions	<u>(864,933)</u>	<u>(635,080)</u>
<b>Investing transactions</b>		
Increase in Lakeland Holding Ltd.	<u>(37,112)</u>	<u>-</u>
Cash and equivalents applied to investing transactions	<u>(37,112)</u>	<u>-</u>
<b>Financing transactions</b>		
Municipal debt repaid	<u>(130,000)</u>	<u>(130,000)</u>
Cash and cash equivalents applied to financing transactions	<u>(130,000)</u>	<u>(130,000)</u>
<b>Increase in cash and cash equivalents</b>	<b>911,710</b>	<b>1,555,220</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>3,600,195</b></u>	<u><b>2,044,975</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><u><b>\$ 4,511,905</b></u></u>	<u><u><b>\$ 3,600,195</b></u></u>

**The Corporation of the Municipality of Magnetawan**   
**Consolidated Statement of Change in Net Financial Assets**  
**For The Year Ended December 31, 2021**

	<u>2021</u> <b>Budget</b> (Unaudited)	<u>2021</u> <b>Actual</b>	<u>2020</u> <b>Actual</b>
<b>Annual surplus</b>	\$ 36,477	\$ 675,451	\$ 1,168,150
Amortization of tangible capital assets	917,064	917,064	871,305
Loss on disposal of tangible capital assets	-	2,769	26,739
Acquisition of tangible capital assets	(1,436,479)	(864,933)	(635,080)
Change in prepaid expenses	-	(39,387)	48,783
Change in inventories of supplies	-	49,105	(149,324)
<b>Increase (decrease) in net financial assets</b>	<b>(482,938)</b>	<b>740,069</b>	<b>1,330,573</b>
<b>Net financial assets, beginning of year</b>	<u>2,921,636</u>	<u>2,921,636</u>	<u>1,591,063</u>
<b>Net financial assets, end of year</b>	<u><u>\$ 2,438,698</u></u>	<u><u>\$ 3,661,705</u></u>	<u><u>\$ 2,921,636</u></u>

## **1. Significant Accounting Policies**

These consolidated financial statements of the Municipality are the representation of management prepared in accordance with accounting policies recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic consolidated financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement.

### **(a) Basis of Consolidation**

- (i) These consolidated financial statements reflect the financial assets, liabilities, non-financial assets, accumulated surplus, revenues and expenses of the Municipality and include the activities of all committees of Council, the Heritage Board and of the Magnetawan Public Library.

All inter-fund assets and liabilities and revenues and expenses have been eliminated.

- (ii) Non-Consolidated Entities

The following joint local boards are not consolidated:

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

- (iii) Accounting for School Board Transactions

The Municipality is required to collect and remit education support levies in respect of residential and other properties on behalf of the area school boards. The Municipality has no jurisdiction or control over the school boards operations. Therefore, taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the accumulated surplus of these consolidated financial statements.

- (iv) Cemetery Care and Maintenance Fund

Cemetery Care and Maintenance Fund and their related operations administered by the Municipality are not consolidated, but are reported separately on the Cemetery Care and Maintenance Fund's Statement of Continuity and Statement of Financial Position.

**1. Significant Accounting Policies (Continued)**

(a) Basis of Consolidation (consolidated)

(v) Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprise' 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.

(b) Basis of Accounting

(i) Accrual Basis

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Cash and Cash Equivalents

The Municipality's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with maturities of three months from the date of acquisition or less or those that can be readily convertible to cash.

(iii) Deferred Revenues

Deferred revenues represent user charges and fees that have been collected for which the related services have yet to be performed. Revenue is recognized in the period when the services are performed.

(iv) Employee Future Benefits

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer contributory defined benefit program with contributions expensed as incurred. The costs of other retirement benefits are determined using the projected benefit method prorated on services and management's best estimate of retirement ages of employees and health benefits costs. The liabilities are discounted using current interest rates on long-term bonds.

**1. Significant Accounting Policies (Continued)**

(b) Basis of Accounting (Continued)

(v) Landfill Closure and Post-Closure

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to operations as the landfill site's capacity is used.

(vi) Segmented Information

The Municipality reports its segmented information on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return. These functional areas represent segments for the Municipality:

*General Government*

General government is comprised of Council, administration, and Ontario Property Assessment.

*Protection Services*

Protection is comprised of police, fire and other protective services.

*Transportation Services*

Transportation services are responsible for road maintenance, culverts, bridges, winter control and streetlights.

*Environmental Services*

Environmental services include waste and recycling services.

*Health Services*

Health services include public health services and cemetery services.

*Social and Family Services*

Social and family services include social assistance, long-term care, paramedic services, social housing and child care services.

*Recreation and Cultural Services*

Recreation and cultural services include parks and recreation, recreation facilities, culture and libraries.

*Planning and Development*

Planning and development manages development for residential and business interests as well as services related to the Municipality's economic development programs.

**1. Significant Accounting Policies (Continued)**

(b) Basis of Accounting (Continued)

(vii) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the Consolidated Change in Net Financial Assets for the year.

*i) 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. The costs, 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 and equipment	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.

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.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

**1. Significant Accounting Policies (Continued)**

(b) Basis of Accounting (Continued)

(vii) Non-Financial Assets (continued)

*ii) Inventories of supplies*

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

*iii) Prepaid Expenses*

Prepaid expenses represent amounts paid in advance for a good or service not yet received. The expense is recognized once the goods have been received or the services have been performed.

(viii) Taxation and Other Revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") and in accordance with the provisions of the Municipal Act, 2001. 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.

Assessment 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 or based on management's best estimates.

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.

Other income is recognized as revenue when earned. Fines and fees are recognized as revenue when collected.

**1. Significant Accounting Policies (Continued)**

(b) Basis of Accounting (Continued)

(ix) Government Grants and Transfers

Government grants and transfers are recognized in the financial statements in the period in which events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. The transfer revenue is recognized in the statement of operations as the stipulations giving rise to the liabilities are settled.

(x) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions. These estimates and assumptions are based on management's best information and judgment and may differ significantly from actual results.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and measures introduced at various levels of government to curtail the spread of the virus, such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing has adversely affected workforces, customers, economies and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many entities. This outbreak could adversely impact the results of the Municipality's operations. The extent of the impact of this outbreak and related containment measures on the Municipality's operations cannot be reliably estimated at this time.

**2. Measurement Uncertainty**

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Municipality's best information and judgment.

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs.
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.



## **2. Measurement Uncertainty (Continued)**

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

## **3. Future Accounting Pronouncements**

These standards and amendments were not effective in the year ended December 31, 2021, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

Section PS 3450 - Financial Instruments, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments for public sector entities. The standard requires fair value measurement of derivatives and portfolio investments that are equity instruments quoted in an active market. All other non-derivative financial instruments will be measured at cost or amortized cost. A government can elect to record other financial assets or liabilities on a fair value basis, if they manage and evaluate the asset and liability groups on that basis. Unrealized gains and losses are represented in the new statement of re-measurement gains and losses. New requirements clarify when financial liabilities can be de-recognized. Disclosure of the nature and extent of risks arising from holding financial instruments is also required. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Section PS 1201 - Financial Statement Presentation, was issued in June 2011. This standard requires entities to present a new statement of re-measurement gains and losses separate from the statement of operations. This new statement includes unrealized gains and losses arising from re-measurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 2601 and PS 3450 are adopted.

Section PS 2601 - Foreign Currency Translation, was issued in June 2011 and replaces the existing Section PS 2600. This standard has been revised to ensure consistency with the financial instruments standard. The standard requires that non-monetary items denominated in foreign currency that are included in the fair value category are adjusted to reflect the exchange rate at the financial statement date. Unrealized exchange gains and losses are presented in the new statement of re-measurement gains and losses. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

**3. Future Accounting Pronouncements (Continued)**

Section PS 3280 - Asset Retirement Obligations, was issued in August 2018. This standard establishes standards on how to account for and report a liability for asset retirement obligations. It defines which activities would be included in a liability for retirement of a tangible capital asset, establishes when to recognize and how to measure a liability for an asset retirement obligation and provides the related financial statement presentation and disclosure requirements. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

**4. Cash and Cash Equivalents**

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,168,227	\$ 1,487,401
Guaranteed Investment Certificates maturing between August 12, 2022 and November 29, 2022, bearing interest at rates between 0.30% and 1.00%	<u>3,343,678</u>	<u>2,112,794</u>
	<u>\$ 4,511,905</u>	<u>\$ 3,600,195</u>

The Municipality has authorized credit facilities totaling \$500,000, which is unsecured. As at December 31, 2021, the Municipality has utilized \$0 (2020 - \$0). The interest is calculated at 2.95%.

**5. Accounts Receivable**

	<u>2021</u>	<u>2020</u>
Federal	\$ 329,415	\$ 319,518
Province of Ontario	23,110	29,626
School Boards	<u>915</u>	<u>-</u>
	<u>\$ 353,440</u>	<u>\$ 349,144</u>

**6. Investment in Lakeland Holding Ltd.**

Lakeland Holding Ltd. is a municipally owned government business enterprise. Its 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.

	<u>2020</u>	<u>2019</u>
<b>Consolidated Balance Sheet:</b>		
Assets:		
Current assets	\$ 23,073,265	\$ 23,456,958
Capital and other assets	118,095,494	108,600,755
Regulatory assets	<u>347,619</u>	<u>176,009</u>
Total Assets	<u>\$ 141,516,378</u>	<u>\$ 132,233,722</u>
Liabilities:		
Current liabilities	\$ 12,112,348	\$ 11,918,082
Long-term liabilities	<u>70,276,722</u>	<u>64,181,254</u>
Total Liabilities	<u>82,389,070</u>	<u>76,099,336</u>
Equity:		
Share capital	12,609,650	12,609,650
Retained earnings and contributed surplus	46,512,154	43,570,043
Accumulated other comprehensive loss	<u>5,504</u>	<u>(45,307)</u>
Total Equity	<u>59,127,308</u>	<u>56,134,386</u>
Total Liabilities and Equity	<u>\$ 141,516,378</u>	<u>\$ 132,233,722</u>
Municipality's share of equity (1.24% ownership)	<u>\$ 733,178</u>	<u>\$ 696,066</u>
<b>Consolidated Statement of Operations, Retained Earnings and Comprehensive Income</b>		
Total Revenues	\$ 65,992,184	\$ 58,662,758
Total Expenses	<u>59,026,906</u>	<u>52,547,733</u>
Net income	6,965,278	6,115,025
Less: dividends	(2,000,000)	(2,000,000)
Less: provision for payment in lieu of taxes	(1,778,112)	(1,567,002)
Add: net movement in regulatory deferral account balances	(245,055)	(378,981)
Add: other comprehensive income (loss)	<u>50,811</u>	<u>(35,300)</u>
Comprehensive income, net of dividends	<u>\$ 2,992,922</u>	<u>\$ 2,133,742</u>
Municipality's share of comprehensive income, net of dividends (1.24% ownership)	<u>\$ 37,112</u>	<u>\$ 26,460</u>

**7. Accounts Payable and Accrued Liabilities**

	<u>2021</u>	<u>2020</u>
Federal government	\$ 12,007	\$ -
Trade payables	116,619	165,841
Other	<u>145,652</u>	<u>103,792</u>
	<u>\$ 274,278</u>	<u>\$ 269,633</u>

**8. Deferred Revenues - Other**

Deferred revenue set-aside for specific purposes are comprised of the following:

	Balance as at December 31, 2020	Amounts received during the year	Recognized as revenues during the year	Balance as at December 31, 2021
Ontario Cannabis Legalization Implementation Fund	<u>\$ 16,647</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 21,647</u>
<b>Total Deferred Revenues - Other</b>	<u>\$ 16,647</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 21,647</u>

**9. Deferred Revenues - Obligatory Reserve Funds**

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized below:

	Balance as at December 31, 2020	Amounts received during the year	Recognized as revenues during the year	Balance as at December 31, 2021
Federal gas tax	\$ 85,004	\$ 174,539	\$ -	\$ 259,543
Building code act	5,243	-	5,243	-
Parkland fees	57,526	20,410	-	77,936
Safe re-start	<u>29,382</u>	<u>62,725</u>	<u>65,336</u>	<u>26,771</u>
<b>Total Deferred Revenues - Obligatory Reserve Funds</b>	<u>\$ 177,155</u>	<u>\$ 257,674</u>	<u>\$ 70,579</u>	<u>\$ 364,250</u>

**10. Municipal Debt**

	<u>2021</u>	<u>2020</u>
Debenture loan, repayable in semi-annual instalments of \$65,000, including interest at the fixed rate of 2.47%, maturing December 1, 2026	<u>\$ 650,000</u>	<u>\$ 780,000</u>

Principal instalments required to be paid over the next five years are as follows:

2022	\$ 130,000
2023	130,000
2024	130,000
2025	130,000
2026	<u>130,000</u>
Total	<u>\$ 650,000</u>

**11. Landfill Closure and Post-Closure**

Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage. The reported liability is based on estimates and assumptions with respect to events extending over an extended period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The main components of the landfill closure plan are final capping and implementation of a drainage management plan. The post-closure care requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, inspections and annual reports. Post-closure care activities for these sites are expected to occur for approximately 25 years.

The estimated liability for this care is the present value of future cash flows associated with closure and post-closure costs discounted using the Municipality's estimated average borrowing rate of 2.47% (2020 - 2.47%). The change in liability is recorded based on the capacity of the landfill used to date. The liability is currently unfunded and is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill. The most recent waste capacity study for the Chapman landfill site was performed in a report dated September 2019 and the most recent waste capacity study for the Croft landfill site was performed in a report dated January 2016.

The Municipality operates the following landfill sites:

	<b>Estimated Remaining Capacity</b>	<b>Estimated Remaining Life</b>	<b>Recorded Liability</b>	<b>Total Estimated Undiscounted Outflow in the Future</b>	<b>Amounts to be Recognized in the Future</b>
<b>2021</b>					
Chapman	57% (32,008 m3)	13 years	\$ 324,000	\$ 750,820	\$ 426,820
Croft	23% (35,631 m3)	21 years	<u>676,500</u>	<u>881,102</u>	<u>204,602</u>
			<u>\$ 1,000,500</u>	<u>\$ 1,631,922</u>	<u>\$ 631,422</u>
<b>2020</b>			<u>\$ 924,500</u>	<u>\$ 1,571,925</u>	<u>\$ 647,425</u>

**The Corporation of the Municipality of Magnetawan**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**



**12. Tangible Capital Assets**

	Cost			Accumulated Amortization			Net Book Value			
	Balance, beginning of year	Additions	Transfers / Disposals	Balance, end of year	Balance, beginning of year	Amortization	Disposals	Balance, end of year	December 31, 2021	December 31, 2020
Land	\$ 741,152	\$ 45,094	\$ -	\$ 786,246	\$ -	\$ -	\$ -	\$ -	\$ 786,246	\$ 741,152
Land improvements	1,597,788	117,549	(8,160)	1,707,177	1,284,483	104,618	(5,391)	1,383,710	323,467	313,305
Buildings	4,619,626	73,161	(9,663)	4,683,124	1,477,048	116,171	(9,663)	1,583,556	3,099,568	3,142,578
Machinery and equipment	794,365	44,127	-	838,492	411,209	49,527	-	460,736	377,756	383,156
Vehicles	3,334,601	450,001	(79,699)	3,704,903	1,477,897	190,742	(79,699)	1,588,940	2,115,963	1,856,704
Roads and bridges	26,009,876	99,906	-	26,109,782	17,107,365	456,006	-	17,563,371	8,546,411	8,902,511
Work in progress	123,942	35,095	-	159,037	-	-	-	-	159,037	123,942
	<u>\$ 37,221,350</u>	<u>\$ 864,933</u>	<u>\$ (97,522)</u>	<u>\$ 37,988,761</u>	<u>\$ 21,758,002</u>	<u>\$ 917,064</u>	<u>\$ (94,753)</u>	<u>\$ 22,580,313</u>	<u>\$ 15,408,448</u>	<u>\$ 15,463,348</u>

13. Accumulated Surplus

	<u>2021</u>	<u>2020</u>
Surplus		
Invested in tangible capital assets	\$ 15,408,448	\$ 15,463,348
General (see note (a) below)	52,197	52,197
Unfunded liabilities		
Municipal debt	(650,000)	(780,000)
Landfill closure and post-closure liability	(1,000,500)	(924,500)
Equity in Lakeland Holding Ltd.	733,178	696,066
Total surplus	<u>14,543,323</u>	<u>14,507,111</u>
Reserves		
Special purpose reserves		
Working capital	301,245	1,419,366
Asset management	3,848,753	2,129,914
Waste disposal	233,879	213,240
Community enhancement	170,675	160,793
Cemetery	9,500	9,500
Election	24,000	16,000
Library	4,876	4,876
Landfill Rehabilitation	238,710	238,710
Museum Covid-19 relief grant	5,000	5,000
Total reserves	<u>4,836,638</u>	<u>4,197,399</u>
Accumulated Surplus	<u>\$ 19,379,961</u>	<u>\$ 18,704,510</u>

(a) General Surplus:

The general surplus of \$52,197 (2020 - \$52,197) at the end of the year is comprised of the following:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 52,197	\$ 14,858
Annual surplus	675,451	1,168,150
Transfer to reserves	(639,239)	(1,305,775)
Net change in tangible capital assets	54,900	262,964
Decrease in amounts to be recovered	(54,000)	(88,000)
Increase in equity in Lakeland Holding Ltd.	(37,112)	-
Closing balance	<u>\$ 52,197</u>	<u>\$ 52,197</u>



**14. Contingencies**

**Legal Matters**

The Municipality is involved in certain legal matters and litigations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.

Council is of the opinion that it is unlikely that any liability, to the extent not provided by insurance or otherwise, would be material in relation to the Municipality's consolidated financial position.

**15. Commitments**

The Municipality entered into a three-year contractual agreement from January 2, 2018 to December 21, 2020, extended to December 31, 2023 for solid waste and recycling collection. The minimum commitment for solid waste and recycling collection is \$41,998 per year.

The Municipality entered into a three-year contractual agreement from 2019 to 2022 for the creation of the Almaguin Community Economic Development (ACED) Department. The minimum commitment of the Municipality for the ACED Department partnership is \$30,000 over the term of the agreement. At December 31, 2021 the remaining commitment was \$10,000.

The Municipality has entered into an agreement to purchase a tandem snowplow for \$272,931. The Municipality will take delivery of the vehicle in 2022 at which time the Municipality must pay the full balance owing.

**16. Operations of School Boards**

Further to note 1(a)(iii), the taxation, other revenues, and expenses of the school boards are comprised of the following:

	<u>2021</u>	<u>2020</u>
Taxation and user charges	<u>\$ 1,141,169</u>	<u>\$ 1,126,395</u>
Total amounts received or receivable	1,141,169	1,126,395
Requisitions	<u>1,141,169</u>	<u>1,126,395</u>
	<u>\$ -</u>	<u>\$ -</u>

**17. Contributions to Unconsolidated Joint Local Boards**

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

	<u>2021</u>	<u>2020</u>
District of Parry Sound Social Services Administration Board	\$ 302,959	\$ 303,019
District of Parry Sound Land Ambulance	215,521	205,495
District of Parry Sound (East) Home for the Aged	232,028	211,589
North Bay Parry Sound District Health Unit	<u>41,918</u>	<u>41,918</u>
	<u>\$ 792,426</u>	<u>\$ 762,021</u>

**18. Cemetery Care and Maintenance Fund**

Cemetery Care and Maintenance Fund administered by the Municipality amounting to \$95,496 (2020 - \$93,246) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

**19. Pension Agreements**

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all qualifying 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 OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to approximately 541,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ('the Plan') by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2021, the estimated accrued pension obligation for all members of the Plan was \$119,342 million (2020 - \$111,820 million). The Plan had an actuarial value of net assets at that date of \$116,211 million (2020 - \$108,609 million) indicating an actuarial deficit of \$3,131 million (2020 - \$3,211 million). The Plan is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

**19. Pension Agreements (continued)**

The amount contributed by the Municipality to OMERS for 2021 was \$107,086 (2020 - \$101,810) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2021 the yearly maximum pension earnings increased to \$61,600 from \$58,700 in 2020. The contributions are calculated at a rate of 9.0% (2020 - 9.0%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2020 - 14.6%) for amounts above the yearly maximum pension earnings.

**20. Budget Figures**

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is based on a model used to manage departmental spending within the guidelines of the model. Given the differences between the model and generally accepted accounting principles established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting that is used to prepare the consolidated financial statements. The budget figures are unaudited.

**21. Comparative Figures**

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

**The Corporation of the Municipality of Magnetawan**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**



**22. Segmented Information**

	<u>General Government</u>	<u>Protection Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2021 Total</u>	<u>2020 Total</u>
<b>Revenues</b>										
Net taxation	\$ 714,660	\$ 820,785	\$ 2,050,949	\$ 501,272	\$ 213,351	\$ 400,988	\$ 476,923	\$ 64,899	\$ 5,243,827	\$ 5,174,111
User charges	-	-	-	-	1,475	-	1,987	-	3,462	1,925
Government grants and transfers - Provincial	218,208	190,262	445,943	160,711	45,638	85,775	107,848	13,882	1,268,267	1,464,053
Government grants and transfers - Federal	21,166	-	-	-	-	-	9,000	-	30,166	12,688
Lakeland Holding Ltd. income	37,112	-	-	-	-	-	-	-	37,112	-
Other	44,912	218,764	716,105	71,661	7,471	11,230	71,266	11,141	1,152,550	1,072,009
Total Revenues	<u>1,036,058</u>	<u>1,229,811</u>	<u>3,212,997</u>	<u>733,644</u>	<u>267,935</u>	<u>497,993</u>	<u>667,024</u>	<u>89,922</u>	<u>7,735,384</u>	<u>7,724,786</u>
<b>Expenses</b>										
Salary, wages and employee benefits	552,610	336,937	456,364	207,729	21,089	-	350,371	47,040	1,972,140	1,879,432
Interest on long-term debt	-	-	18,461	-	-	-	-	-	18,461	21,734
Materials, contracted services, rents, and financial expenses	388,580	714,666	1,701,015	367,385	267,761	545,239	213,231	41,412	4,239,289	3,919,081
Amortization	32,840	67,067	619,455	108,083	1,932	1,278	86,409	-	917,064	871,305
Total expenses	<u>974,030</u>	<u>1,118,670</u>	<u>2,795,295</u>	<u>683,197</u>	<u>290,782</u>	<u>546,517</u>	<u>650,011</u>	<u>88,452</u>	<u>7,146,954</u>	<u>6,691,552</u>
<b>Annual surplus (deficit) before other</b>	<b>62,028</b>	<b>111,141</b>	<b>417,702</b>	<b>50,447</b>	<b>(22,847)</b>	<b>(48,524)</b>	<b>17,013</b>	<b>1,470</b>	<b>588,430</b>	<b>1,033,234</b>
<b>Other</b>										
Government grants and transfers related to capital - Provincial	18,617	-	68,404	-	-	-	-	-	87,021	134,916
<b>Annual surplus (deficit)</b>	<u>\$ 80,645</u>	<u>\$ 111,141</u>	<u>\$ 486,106</u>	<u>\$ 50,447</u>	<u>\$ (22,847)</u>	<u>\$ (48,524)</u>	<u>\$ 17,013</u>	<u>\$ 1,470</u>	<u>\$ 675,451</u>	<u>\$ 1,168,150</u>

**Baker Tilly SNT LLP / s.r.l.**

1850 Bond, Unit / Unité A

North Bay, ON, Canada P1B 4V6

**T:** +1 705.494.9336

**F:** +1 705.494.8783

**[www.bakertilly.ca](http://www.bakertilly.ca)**

## **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 financial statements of the Cemetery Care and Maintenance Fund of The Corporation of the Municipality of Magnetawan, which comprise the statement of financial position as at December 31, 2021, and the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cemetery Care and Maintenance Fund of The Corporation of the Municipality of Magnetawan as at December 31, 2021, and the continuity of the Cemetery Care and Maintenance Fund 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 Cemetery in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ACCOUNTING • TAX • ADVISORY

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

COMPTABILITÉ • FISCALITÉ • SERVICES-CONSEILS

*Baker Tilly SNT s.r.l. est membre de la Coopérative Baker Tilly Canada, qui fait partie du réseau mondial Baker Tilly International Limited. Les membres de la Coopérative Baker Tilly Canada et de Baker Tilly International Limited sont tous des entités juridiques distinctes et indépendantes.*

## **Independent Auditor's Report (Continued)**

### **Responsibilities of Management and Those Charged with Governance 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.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cemetery's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## Independent Auditor's Report (Continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Cemetery'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 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 Cemetery to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

North Bay, Ontario  
March 23, 2022

*Baker Tilly SNT LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS,  
LICENSED PUBLIC ACCOUNTANTS

**The Corporation of the Municipality of Magnetawan**   
**Cemetery Care and Maintenance Fund - Statement of Continuity**  
**For The Year Ended December 31, 2021**

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 93,246	\$ 90,846
Investment income	1,504	1,557
Sale of plots and marker installations	<u>2,250</u>	<u>2,400</u>
	<b>97,000</b>	94,803
 Expenses		
Transfer to current fund of The Corporation of the Municipality of Magnetawan	<u>1,504</u>	<u>1,557</u>
 Balance, end of year	<u><u>\$ 95,496</u></u>	<u><u>\$ 93,246</u></u>



The Corporation of the Municipality of Magnetawan  
 Cemetery Care and Maintenance Fund - Statement of Financial Position  
 December 31, 2021



	<u>2021</u>	<u>2020</u>
<b>Financial Assets</b>		
Cash and term deposits	\$ 96,666	\$ 94,382
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<u>\$ 1,170</u>	<u>\$ 1,136</u>
<b>Net Financial Assets</b>	<b>95,496</b>	93,246
<b>Non-Financial Assets</b>	<u>-</u>	<u>-</u>
<b>Accumulated Surplus</b>	<u><u>\$ 95,496</u></u>	<u><u>\$ 93,246</u></u>

**1. Accounting Policies**

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenses are reported on the cash basis of accounting with the exception of administrative expenses and capital expenses which are reported on the accrual basis of accounting, which recognizes expenses as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.