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**THE CORPORATION OF THE TOWNSHIP
OF MCGARRY**

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2016 & 2015

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

INDEX TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 & 2015

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CORPORATION OF THE
TOWNSHIP OF McGARRY

PHONE: (705) 634-2145 FAX: (705) 634-2700
EMAIL: treasure@ntl.sympatico.ca WEBSITE: www.mcgarry.ca

27 WEBSTER STREET
P.O. BOX 99, VIRGINIATOWN, ONTARIO P0K 1X0



Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the The Corporation of the Township of McGarry (the "Municipality") for the year ended December 31, 2016 are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements. The preparation of 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 compliance with legislative and regulatory requirements, 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 auditors 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.

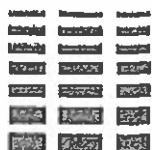
The consolidated financial statements have been audited by Ross Pope LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial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

Signature

Clement Squit

Signature

Sylvie Côté



Ross Pope LLP
Chartered Professional Accountants
6 Al Wende Avenue
P.O Box 785
Kirkland Lake, Ontario P2N 3K4

E-Mail: kl@rosspopekl.com
Telephone: (705) 567-5205 Toll Free: (855) 567-5205
Fax: (705) 567-6504

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Municipal Corporation of the Township of McGarry

We have audited the accompanying consolidated financial statements of the The Corporation of the Township of McGarry, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2016 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ross Pope LLP

Kirkland Lake, Ontario
September 25, 2017

ROSS POPE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

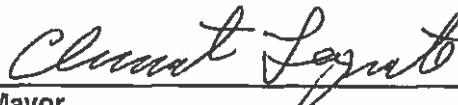
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2016	2015
FINANCIAL ASSETS		
Cash	\$ 1,438,398	\$ 786,875
Taxes receivable	821,802	848,031
Accounts receivable	208,509	163,752
TOTAL FINANCIAL ASSETS	\$ 2,468,709	\$ 1,798,658
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	\$ 216,049	\$ 115,815
Deferred revenue	73,920	73,920
Landfill closure and post-closure liability (Note 10)	208,673	196,861
Net long-term liabilities (Note 6)	1,233,425	1,354,978
TOTAL FINANCIAL LIABILITIES	1,732,067	1,741,574
NET FINANCIAL ASSETS	736,642	57,084
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	7,263,057	7,375,393
ACCUMULATED SURPLUS (Schedule 2)	\$ 7,999,699	\$ 7,432,477

COMMITMENTS (Note 8)

Approved by:


Mayor


Clerk / Treasurer

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31

	-----2016-----		2015
	Actual	Budget (unaudited)	Actual
REVENUES			
Municipal taxation	\$ 738,405	\$ 722,569	\$ 660,744
User charges (Schedule 4)	590,717	176,252	462,244
Government of Canada	36,880	-	35,257
Province of Ontario			
Non-specific	1,190,523	698,075	714,713
Other (Schedule 4)	167,629	-	241,385
TOTAL REVENUES	2,724,154	1,596,896	2,114,343
EXPENSES			
CURRENT OPERATIONS			
General government	478,768	491,181	463,151
Protection to persons and property	234,926	214,890	234,913
Transportation services	310,418	394,242	304,396
Environmental services	693,547	73,115	726,031
Health services	84,737	98,806	72,091
Social and family services	84,296	65,391	82,614
Recreation and cultural services	270,240	156,910	254,314
	2,156,932	1,494,535	2,137,510
TOTAL EXPENSES	2,156,932	1,494,535	2,137,510
ANNUAL SURPLUS (DEFICIT)	567,222	102,361	(23,167)
ACCUMULATED SURPLUS, beginning of year	7,432,477	7,432,477	7,455,644
ACCUMULATED SURPLUS, end of year	\$ 7,999,699	\$ 7,534,838	\$ 7,432,477

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEARS ENDED DECEMBER 31

	2016 Actual	2016 Budget (unaudited)	2015 Actual
ANNUAL SURPLUS (DEFICIT)	\$ 567,222	\$ 102,361	\$ (23,167)
Acquisition of tangible capital assets	(206,890)	(102,361)	(424,100)
Amortization of tangible capital assets	319,227	-	314,570
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	679,559	-	(132,697)
NET FINANCIAL ASSETS, beginning of year	57,083	57,083	189,780
NET FINANCIAL ASSETS, end of year	\$ 736,642	\$ 57,083	\$ 57,083

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31

	2016	2015
OPERATING ACTIVITIES		
ANNUAL SURPLUS (DEFICIT)	\$ 567,222	\$ (23,167)
ITEMS NOT AFFECTING CASH:		
Amortization of tangible capital assets	319,227	314,570
USES:		
Increase in taxes receivable		(61,866)
Increase in accounts receivable	(44,757)	-
Decrease in accounts payable and accrued liabilities	-	(446,588)
	274,470	(193,884)
SOURCES:		
Decrease in taxes receivable	26,229	-
Decrease in accounts receivable	-	21,422
Increase in accounts payable and accrued liabilities	100,235	-
	126,464	21,422
CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	968,156	(195,629)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(206,890)	(424,100)
CASH APPLIED TO CAPITAL ACTIVITIES	(206,890)	(424,100)
FINANCING ACTIVITIES		
Landfill closure and post-closure costs	11,812	1,478
Net long-term liabilities advanced (repaid)	(121,555)	143,156
CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES	(109,743)	144,634
NET CHANGE IN CASH	651,523	(475,095)
CASH, beginning of year	786,875	1,261,970
CASH, end of year	\$ 1,438,398	\$ 786,875

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 & 2015

1. NATURE OF OPERATIONS

The Corporation of the Township of McGarry is a single tier township situated in Northeastern Ontario. It is subject to provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Township are the representations of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The more significant of the accounting policies are summarized below.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position reports the assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. 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 excess of revenues over expenditures, provides the change in net financial assets for the year.

(a) REPORTING ENTITY

(i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the reporting entity and include the activities of all committees of Council, municipal enterprises and utilities which are under the control of the Council as listed below:

Public Library Board
Waterworks System
Solaire McGarry Solar Inc.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated in these consolidated financial statements.

On September 13, 2012 the Municipality incorporated Solaire McGarry Solar Inc. (SMSI) with the express purpose to assume the ownership, administration and management of solar power generating projects for the purpose of generating, transmitting, distributing and retailing electricity. SMSI is owned in equal proportion by the Municipality and Energie Kapuskasing Energy Inc. (which is wholly owned by the Corporation of the Town of Kapuskasing). In 2013 the Municipality entered into four Feed-In Tariff Contracts with the Ontario Power Authority to provide electricity generated by solar power generation equipment located owned by SMSI and located in the Municipality. Schedule 7 includes summary financial statements for SMSI prepared using International Financial Reporting Standards.

(ii) Non-consolidated Entities

The following joint local boards are not consolidated:

District of Timiskaming Social Services Administration Board
Timiskaming Health Unit

Separate audited financial statements have been prepared for the above boards.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(iii) Accounting for School Board Transactions

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

(b) BASIS OF ACCOUNTING

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable and expenses as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(i) Taxes Receivable and Related Revenues

The authority to levy and collect property taxes is established under the Municipal Act, 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating and capital budgets. Municipal tax rates are set annually by Council for each property tax class, in accordance with legislation and Council approved policies, in order to raise the revenues required to meet budget requirements. Education tax rates are established each year by the Province of Ontario in order to fund the costs of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all municipalities in Ontario. The current value assessment ("CVA") of a property represents the estimated market value of a property as of a fixed date. Assessed values for all properties within the Township are provided to the Township by way of returned assessment rolls in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property and the rate for the class, together with any adjustments that reflect Council approved mitigation or other tax policy measures.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rates for the property class. Taxation revenues in any year may also be reduced as a result of reductions in assessment values resulting from assessment and/or tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (eg. uncollectible amounts, write-offs). Specific adjustments for additional assessments, tax appeals, etc. are recorded in the fiscal year in which they are determined and can be quantified. Properties vesting to the Township are expensed in the year they vest and are not included in inventory.

In Ontario, annual property tax increases for the properties within the commercial, industrial, and multi-residential tax classes have been subject to limitations since 1998. Legislation and regulations have been in place to restrict the maximum allowable year-over-year increase in order to mitigate dramatic tax increases due to changes in assessed values.

The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(ii) Accounts Receivable and User Charges Receivable

Accounts receivable and user charges receivable are reported net of any allowance for doubtful accounts.

(iii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost. Inventories of goods and supplies have been included as expenses in the period they are acquired.

(iv) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the assets. Donated assets are recorded at their estimated fair value upon acquisition. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available. The Municipality does not capitalize interest charges as part of the cost of its tangible capital assets.

Amortization of tangible capital assets is provided on the straight line basis using the following rates:

General capital:

Land	no amortization
Land improvements	10 - 50 years
Buildings and leasehold improvements	30 - 40 years
Machinery and equipment	10 - 12 years
Office furniture and equipment	4 - 10 years
Vehicles	5 years

Infrastructure:

Roads, streets & bridges	10 - 50 years
Water and sewer	15 - 100 years

Assets under construction are not amortized until the asset is put into service.

The Township has a capitalization threshold of \$10,000 for infrastructure systems and \$2,500 for all other assets. Individual assets of lesser value are expensed, unless they are pooled, as, collectively, they have significant value, or for operational purposes.

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the municipality, forests, water, and other natural resources are not recognized as tangible capital assets.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Deferred Revenue

The deferred revenue balance relates to one-time funding advanced by the Province of Ontario. The amount advanced relates to various capital projects. The amounts will be recognized as revenue when the matching expenditures are incurred.

(vi) Reserves and Reserve Funds

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future current and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(vii) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(viii) Fees and User Charges

Fees and user charges relate mainly to water charges, fees for use of various programming and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

(ix) Use of Estimates and Measurement Uncertainty

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which 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 expenditures during the period. Actual results could differ from these estimates.

(x) Consolidation of Government Business Enterprises

Government Business Enterprises (GBE) are accounted for by the modified equity method. Under the modified equity method the Municipality recognizes the original cost of the investment (equal to the purchase cost of the investment) on the Statement of Financial Position. The investment is adjusted for the Municipality's proportionate share of the earnings (losses) and any impairments in the value of the investment. The Municipality's share of the GBE's net income is recognized on the Statement of Operations.

3. OPERATIONS OF SCHOOL BOARDS

During 2016, the Township collected property taxes on the school boards' behalf. The amounts collected and remitted are summarized below:

	2016	2015
Amounts billed and remitted on behalf of school boards	\$ 62,641	\$ 59,655

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

4. CONTRIBUTIONS TO NON-CONSOLIDATED JOINT LOCAL BOARDS

Further to Note 2(a)(ii), contributions were made by the Township to the non-consolidated joint local boards as follows:

	2016	2015
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 107,502	\$ 105,174
Timiskaming Health Unit ("THU")	29,455	29,455

The Township is contingently liable for its share of any deficits at the end of the year for these boards. Neither board incurred a deficit in 2016 or 2015.

No long-term liabilities have been issued by other municipalities for these boards.

5. PENSION AGREEMENT

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2016 was \$26,279 (2015 - \$25,387) for current service and is included as an expenditure on the Consolidated Statement of Financial Activities.

6. NET LONG-TERM LIABILITIES

(a) ONTARIO STRATEGIC INFRASTRUCTURE FINANCING AUTHORITY (OSIFA) DEBENTURE

The Municipality has arranged a debenture not to exceed \$620,000 to assist with the sewage treatment infrastructure. The loan, authorized by By-law 2005-28, bears interest at the floating rate per annum which was 4.78% as at the date of the advance and is repayable in blended semi-annual payments of \$24,243. The loan matures on January 15, 2026 and is secured by equipment. The balance of the net long-term liabilities reported on the Statement of Financial Position for the OSIFA loan was \$366,771 (2015 - \$396,650) at year-end and the related interest expense amounted to \$18,607 (2015 - \$23,751).

(b) ONTARIO STRATEGIC INFRASTRUCTURE FINANCING AUTHORITY (OSIFA) DEBENTURE

The Municipality has arranged a debenture not to exceed \$778,750 to assist with the sewage treatment infrastructure. The loan, authorized by By-law 2009-39, bears interest at the floating rate per annum which was 4.78% as at the date of the advance and is repayable in blended semi-annual payments of \$30,425. The loan matures on December 1, 2029 and is secured by future Province of Ontario funding. The balance of the net long-term liabilities reported on the Statement of Financial Position for the OSIFA loan was \$584,485 (2015 - \$616,311) at year-end and the related interest expense amounted to \$29,023 (2015 - \$30,488).

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

6. NET LONG-TERM LIABILITIES (Cont'd)

(c) ONTARIO STRATEGIC INFRASTRUCTURE FINANCING AUTHORITY (OSIFA) DEBENTURE

The Municipality has arranged a debenture not to exceed \$140,000 to assist with the LED street light conversion. The loan, authorized by By-law 2014-44, bears interest at the floating rate per annum which was 2.35% as at the date of the advance and is repayable in semi-annual payments of \$7,000 plus interest. The loan matures on December 22, 2024 and is secured by future Province of Ontario funding. The balance of the net long-term liabilities reported on the Statement of Financial Position for the OSIFA loan was \$112,000 (2015 - \$126,000) at year-end and the related interest expense amounted to \$3,107 (2015 - \$3,453).

(d) CATERPILLAR FINANCIAL SERVICES LIMITED

The Municipality has arranged financing to purchase a 2015 Caterpillar 420FIT Backhoe loader (serial #CAT0420FTJW02947). The loan, authorized by Resolution No. 02/15, bears interest at the rate of 4.45% per and is repayable in monthly payments of \$1,965. The loan matures on January 30, 2020 and is secured by the backhoe loader. The balance of the net long-term liabilities reported on the Statement of Financial Position for the Caterpillar loan was \$67,822 (2015 - \$87,897) at year-end and the related interest expense amounted to \$3,509 (2015 - \$3,981).

(e) CATERPILLAR FINANCIAL SERVICES LIMITED

The Municipality has arranged financing to purchase a 2015 Caterpillar Model 930K Wheel Loader (serial #CAT0930KLEYE00684). The loan, authorized by Resolution No. 108/15, bears interest at the rate of 4.45% per and is repayable in monthly payments of \$2,579. The loan matures on July 23, 2020 and is secured by the the loader. The balance of the net long-term liabilities reported on the Statement of Financial Position for the Caterpillar loan was \$102,347 (2015 - \$128,120) at year-end and the related interest expense amounted to \$5,180 (2015 - \$2,492).

SUMMARY OF YEARLY LONG-TERM LIABILITY REPAYMENTS FOR MUNICIPAL ACTIVITIES

Year	Principal	Interest	Total
2017	\$ 126,617	\$ 54,359	\$ 180,976
2018	\$ 131,920	\$ 48,685	\$ 180,605
2019	\$ 137,472	\$ 41,903	\$ 179,375
2020	\$ 108,273	\$ 70,809	\$ 179,082
2021	\$ -	\$ 144,181	\$ 144,181
subsequent to 2021	\$ 729,143	\$ 144,263	\$ 873,406

7. TEMPORARY LOANS

The Municipality has arranged a line of credit not to exceed \$800,000 or 50% of the total estimated revenue as set out in the budget for the current year, whichever is less. The line of credit, authorized by By-law 2006-18 bears interest at prime plus .25%. As at December 31, 2016, the balance of the temporary loan is \$NIL (2015 - \$NIL).

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

8. COMMITMENTS

(a) CONTRACTUAL OBLIGATION - ONTARIO CLEAN WATER AGENCY

In accordance with a service agreement entered into by the Township in 2007 with the Ontario Clean Water Agency, the existing water and sewage systems are operated by the Agency. The Township is obligated to meet all operating costs and repay the long-term liabilities related to these systems.

Included in the Consolidated Statement of Financial Activities are the 2016 charges from the Agency in the amount of \$75,098 (2015 - \$83,838).

(b) CONTRACTUAL OBLIGATION - SOLAIRE MCGARRY SOLAR INC.

The Municipality's investment in SMSI estimates a further \$2.7 million of expenditures will be required to complete infrastructure necessary to begin operations. SMSI is also expected to have to obtain commercial financing to offset temporary financing provided by Energie Kapuskasing Energy Inc. (the Municipality's partner in SMSI).

9. FINANCIAL INSTRUMENTS

(a) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, taxes receivable, user charges receivable, accounts receivable, temporary loans and accounts payable and accrued liabilities approximate their fair value due to the short-term maturities of these instruments. The carrying amount of the net long-term liabilities approximates fair value as the Township's current rate of borrowing for similar debt instruments of comparable maturity is not materially different.

(b) CREDIT RISK

The Township does not have significant exposure to any individual or party due to the fact that municipalities can obtain liens on properties for any unpaid realty taxes. An allowance for doubtful accounts is established based upon factors surrounding the risk related to specific ratepayers, historical trends and other information. The Township has an allowance for doubtful taxes receivable account in the amount of \$150,000 (2015 - \$150,000).

(c) INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town is exposed to interest rate risk primarily through its temporary loan (Note 7) and net long-term liabilities (Note 6).

10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Landfill closure and post-closure care requirements are outlined in the Certificate of Approval filed with the Ministry of the Environment. Closure will involve capping of the site with a compacted impermeable clay layer, a layer of topsoil, the re-introduction of a vegetative cover and the construction of surface drainage controls. Post-closure care will involve routine inspections, cap maintenance, groundwater and weir sampling and analysis. The reported liability is based on estimates and assumptions with respect to events extending over a 32 year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY (Cont'd)

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at a rate of 6%.

Total landfill closure and post-closure care expenditures are estimated at \$180,468 (2015 - \$180,468). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. To date, approximately 97% (2015 - 97%) of the site's capacity has been used. Therefore, as at December 31, 2016 an amount of \$208,673 (2015 - \$196,861) is reported as a liability on the Consolidated Statement of Financial Position.

The estimated remaining capacity of the landfill site is 3% (3,500 cubic metres) (2015 - 4% (4,500 cubic metres)) of its total estimated capacity and its estimated remaining life is 6 years (2015 - 7 years), after which the period for post-closure care is estimated to be 20 years.

11. SEGMENT DISCLOSURE

The Township of McGarry is a diversified government institution that provides a wide range of services directly or by contract to its ratepayers. This includes contracted police services, fire protection, roadways, sewer and water, waste management, recreation and other services. For management reporting purposes the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Social and Family Services

Social and Family services are provided under Legislation by the District of Timiskaming Social Services Administration Board and the Timiskaming Board of Health. The Municipality makes contributions to the costs of the programs provided by the Boards.

Protection Services

Police services to the Municipality are provided by agreement with the Ontario Provincial Police. The Township also provides Fire Protection services by way of a volunteer Fire Department. They provide fire suppression, fire prevention and education programs to the residents. The Township also enforces By-laws and offers Dog Control and Property Standards enforcement under contract.

Public Works Services

The Public Works department provides winter and summer maintenance of roads and sidewalks, as well as maintaining all Municipal vehicles and equipment and providing some building maintenance services to Municipal facilities. Winter works include snow plowing and sanding and salting of streets and sidewalks. Summer maintenance includes street sweeping and grass cutting and maintenance of trees and road repairs. It also includes the placement of benches and planters and looking after the Township Parks and boat launch.

Environmental Services

The Public works department also is responsible for the water supply and distribution system and the wastewater collection and treatment facilities. This service is provided under contract with the Ontario Clean Water Agency who oversee both operations. The Works department is responsible for maintenance of the system which includes repair of water and sewer mains and fire hydrants, service connections and manholes.

The Public Works, also operates solid waste collection and manages the Township waste disposal site.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

11. SEGMENT DISCLOSURE (Cont'd)

Recreation and Cultural Services

The Township maintains Playgrounds, open spaces and a multi use Community Centre and provides citizens of all ages with recreation programs using volunteers and Students. The township also operates a Tourist Centre using students during the Summer months and in conjunction with the McGarry Library Board operates a Municipal Library year round.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

12. BUDGET AMOUNTS

The unaudited budget data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by Council. Capitalization of assets, amortization and gains and losses on disposal were not contemplated on development of the budget and, as such, have not been included.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEARS ENDED DECEMBER 31

	General Capital Assets			Infrastructure			Totals	
	Land and Land Improvements	Buildings and Leasehold Improvements	Vehicles and Equipment	Roads, Streets and Bridges	Water and Sewer	Assets Under Construction	2016	2015
Cost								
Opening costs	\$ 48,025	\$ 1,494,160	\$ 1,966,472	\$ 1,421,185	\$ 9,296,181	\$ -	\$ 14,226,023	\$ 13,901,007
Additions during the year	-	-	36,910	-	-	169,980	206,890	424,100
Disposals and write downs	-	-	-	-	-	-	-	(99,083)
Closing costs	48,025	1,494,160	2,003,382	1,421,185	9,296,181	169,980	14,432,913	14,226,024
Accumulated Amortization								
Opening accum'd amortization	-	1,246,920	1,427,239	1,256,104	2,920,366	-	6,850,629	6,635,143
Amortization	-	35,788	60,800	13,055	209,584	-	319,227	314,570
Disposals and write downs	-	-	-	-	-	-	-	(99,082)
Closing accum'd amortization	-	1,282,708	1,488,039	1,269,159	3,129,950	-	7,169,856	6,850,631
Net Book Value of Tangible Capital Assets	\$ 48,025	\$ 211,452	\$ 515,343	\$ 152,026	\$ 8,166,231	\$ 169,980	\$ 7,263,057	\$ 7,375,393

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

YEARS ENDED DECEMBER 31

	2016	2015
RESERVES		
Equipment replacement	\$ 280,850	\$ 280,850
Waste site	20,000	20,000
Working funds	84,596	84,596
Roads capital projects	4,335	4,292
TOTAL RESERVES	389,781	389,738
RESERVE FUNDS		
Fire department	10,748	10,642
Future development	11,749	11,675
Library	2,738	2,711
Recreation programs and facilities	217,383	215,231
Community events	12,770	12,644
Waterworks capital projects	45,025	44,579
TOTAL RESERVE FUNDS	300,413	297,482
TOTAL RESERVES AND RESERVE FUNDS	\$ 690,194	\$ 687,220
SURPLUSES (DEFICITS)		
Invested in tangible capital assets	6,029,631	6,020,415
Sanitary sewage systems	(143,260)	(177,605)
Water supply system	251,580	(45,468)
General fund	1,380,227	1,144,776
Unfunded		
Landfill closure and post-closure liability	(208,673)	(196,861)
TOTAL SURPLUSES (DEFICITS)	7,309,505	6,745,257
ACCUMULATED SURPLUS	\$ 7,999,699	\$ 7,432,477

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS

YEARS ENDED DECEMBER 31

	2016	2015
REVENUES		
Interest income	\$ 2,974	\$ 2,946
TRANSFERS		
Transfers to operations	-	(48,590)
TOTAL TRANSFERS	-	(48,590)
CHANGE IN RESERVES AND RESERVE FUNDS BALANCES	2,974	(45,644)
RESERVES AND RESERVE FUNDS BALANCES, beginning of year	687,220	732,864
RESERVES AND RESERVE FUNDS BALANCES, end of year	\$ 690,194	\$ 687,220

ANALYZED AS FOLLOWS:

	2016	2015
RESERVES		
Equipment replacement	\$ 280,850	\$ 280,850
Waste site	20,000	20,000
Working funds	84,596	84,596
Roads capital projects	4,335	4,292
TOTAL RESERVES	389,781	389,738
RESERVE FUNDS		
Fire department	10,748	10,642
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Waterworks capital projects	45,025	44,579
TOTAL RESERVE FUNDS	300,413	297,482
TOTAL RESERVES AND RESERVE FUNDS	\$ 690,194	\$ 687,220

THE CORPORATION OF THE TOWNSHIP OF MCGARRY**SUMMARY OF USER CHARGES AND OTHER SOURCES OF FINANCING****YEARS ENDED DECEMBER 31**

	2016 Actual	2015 Actual
USER CHARGES		
General government	\$ 3,794	\$ 4,267
Licenses and permits	2,052	5,265
Recreation	50,212	12,930
Sanitary sewers	374,423	286,463
Waterworks	160,236	153,319
	\$ 590,717	\$ 462,244
OTHER		
Donations	\$ 205	\$ 869
Investment income	2,148	1,907
Other	17,976	118,874
Penalties and interest	102,930	82,280
Rents and concessions	19,348	16,996
Sale of capital assets	8,614	-
Sale of goods	16,408	20,459
	\$ 167,629	\$ 241,385

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE AND EXPENSES BY OBJECT

Y ENDED DECEMBER 31, 2016

	Social and Family Services	Protection Services	Public Works Services	Environment al Services	Recreation and Cultural Services	Administration and Other Services	Capital	Consolidated 2016	2015
REVENUES									
Taxation	\$ -	\$ 214,890	\$ 310,419	\$ -	\$ 156,910	\$ 56,186	\$ -	\$ 738,405	\$ 660,744
Sales of services and user fees	-	-	-	534,659	50,212	5,846	-	590,717	462,244
Government transfers	-	12,403	-	506,689	11,431	671,880	25,000	1,227,403	749,170
Other	-	-	-	-	-	167,629	-	167,629	242,185
TOTAL REVENUES	-	227,293	310,419	1,041,348	218,553	901,541	25,000	2,724,154	2,114,343
EXPENSES									
Salaries & benefits	2,638	28,758	158,784	62,851	60,230	217,579	-	530,840	540,609
Materials	12,234	50,110	91,323	198,527	161,400	184,000	-	697,594	737,664
Rent and Financial	-	-	-	-	-	14,543	-	14,543	14,661
Interest charges	-	-	11,793	47,630	-	-	-	59,423	60,399
Contracted services	4,329	132,034	8,051	171,948	12,442	60,487	-	389,291	334,976
External transfers	61,277	-	-	-	-	84,737	-	146,014	134,629
Amortization	3,818	24,024	40,468	212,590	36,169	2,158	-	319,227	314,570
TOTAL EXPENSES	84,296	234,926	310,419	693,546	270,241	563,504	-	2,156,932	2,137,510
ANNUAL SURPLUS (DEFICIT)	\$ (84,296)	\$ (7,633)	\$ -	\$ 347,802	\$ (51,688)	\$ 338,037	\$ 25,000	\$ 567,222	\$ (23,167)

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

PUBLIC LIBRARY BOARD - SCHEDULE OF FINANCIAL POSITION AND FINANCIAL ACTIVITIES

DECEMBER 31, 2016

SCHEDULE OF FINANCIAL POSITION

	2016	2015
FINANCIAL ASSETS		
Cash	\$ 7,440	\$ (1,665)
Accounts receivable	472	2,292
TOTAL FINANCIAL ASSETS	\$ 7,912	\$ 627
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,574	\$ 6,398
LIBRARY POSITION		
CURRENT FUND	(662)	(5,771)
TOTAL FINANCIAL LIABILITIES	\$ 7,912	\$ 627

SCHEDULE OF FINANCIAL ACTIVITIES

	2016	2015
REVENUES		
GRANTS		
Municipal	\$ 35,000	\$ 35,000
Provincial	8,732	20,490
Federal	-	1,320
OTHER	4,442	1,451
TOTAL REVENUES	48,174	58,261
EXPENSES		
Materials	2,416	19,917
Office	6,348	7,294
Wages and benefits	34,300	38,203
TOTAL EXPENSES	43,064	65,414
CHANGE IN CURRENT FUND BALANCE	5,110	(7,153)
CURRENT FUND BALANCE, beginning of year	(5,772)	1,381
CURRENT FUND BALANCE, end of year	\$ (662)	\$ (5,772)

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

SOLAIRE MCGARRY SOLAR INC. - SUMMARY FINANCIAL STATEMENTS (Prepared using
International Financial Reporting Standards)
DECEMBER 31, 2016

STATEMENT OF FINANCIAL POSITION

	2016	2015
ASSETS		
Cash	\$ 300,504	\$ 14,846
Accounts receivable	33,533	280,888
Prepaid expenses	6,684	-
Property and Equipment	2,713,660	2,532,894
Future Payment in Lieu of Taxes	6,545	2,520
TOTAL FINANCIAL ASSETS	\$ 3,059,926	\$ 2,831,148
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,911	\$ 193,755
Due to Energie Kapuskasing Energy Inc.	\$ 3,089,334	\$ 2,651,029
CAPITAL DEFICIENCY		
CAPITAL STOCK	100	100
ACCUMULATED DEFICIT	(31,419)	(13,736)
TOTAL FINANCIAL LIABILITIES	\$ 3,059,926	\$ 2,831,148

STATEMENT OF LOSS AND ACCUMULATED DEFICIT

	2016	2015
SALES	\$ 46,794	\$ 34,692
COST OF SALES	1,706	404
GROSS MARGIN	45,088	34,288
EXPENSES		
Amortization	31,752	23,814
Insurance	7,720	-
Miscellaneous	706	237
Interest and bank charges	23,026	15,039
Professional fees	4,704	3,840
TOTAL EXPENSES	67,908	42,930
OTHER INCOME	2,112	-
LOSS BEFORE INCOME TAXES	(20,708)	(8,642)
FUTURE PAYMENT IN LIEU OF TAXES RECOVERY	(3,025)	(2,520)
NET LOSS	\$ (17,683)	\$ (6,122)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	\$ (13,736)	\$ (7,614)
ACCUMULATED DEFICIT, END OF YEAR	\$ (31,419)	\$ (13,736)