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**THE CORPORATION OF THE TOWNSHIP OF  
MCGARRY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended December 31, 2018 & 2017**

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# **THE CORPORATION OF THE TOWNSHIP OF MCGARRY**

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**YEARS ENDED DECEMBER 31, 2018 & 2017**

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


The accompanying consolidated financial statements of the The Corporation of the Township of McGarry (the "Township") for the year ended December 31, 2018 are the responsibility of the Township'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 the 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 Township'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 Grant Thornton LLP, independent external auditors appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

  
Signature

  
Signature



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## Independent auditor's report

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

### Opinion

We have audited the consolidated financial statements of The Corporation of the Township of McGarry, which comprise the statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, and cash flows 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 financial position of The Corporation of the Township of McGarry as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters 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.

# Independent Auditor's Report (continued)

## 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.
- 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.

*Grant Thornton LLP*

Kirkland Lake, Canada  
February 26, 2020

Chartered Professional Accountants  
Licensed Public Accountants

## STATEMENT 1

## THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,291,578	\$ 962,749
Taxes receivable	1,028,174	932,334
Accounts receivable	381,575	185,625
<b>TOTAL FINANCIAL ASSETS</b>	<b>\$ 2,701,327</b>	<b>\$ 2,080,708</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,193,122	\$ 113,535
Deferred revenue	147,985	110,099
Landfill closure and post-closure liability (Note 10)	232,818	222,854
Net long-term liabilities (Note 6)	974,887	1,106,807
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>2,548,812</b>	<b>1,553,295</b>
<b>NET FINANCIAL ASSETS</b>	<b>152,515</b>	<b>527,413</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	9,642,701	7,498,496
<b>ACCUMULATED SURPLUS (Schedule 2)</b>	<b>\$ 9,795,216</b>	<b>\$ 8,025,909</b>

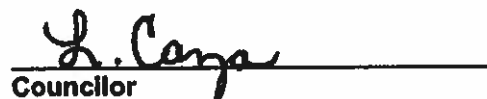
COMMITMENTS (Note 8)

CONTINGENCIES (Note 4)

Approved by:



Mayor



Councilor

**THE CORPORATION OF THE TOWNSHIP OF MCGARRY**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**YEARS ENDED DECEMBER 31**

	-----2018-----		2017
	Actual	Budget (Note 12)	Actual
<b>REVENUES</b>			
Municipal taxation	\$ 741,155	\$ 718,112	\$ 671,681
User charges (Schedule 3)	529,986	308,505	520,963
Government of Canada	38,138	-	5,704
Province of Ontario			
Non-specific	2,402,444	758,523	903,457
Other (Schedule 3)	396,604	-	180,966
<b>TOTAL REVENUES</b>	<b>4,108,327</b>	<b>1,785,140</b>	<b>2,282,771</b>
<b>EXPENSES</b>			
General government	656,292	587,327	539,930
Protection to persons and property	245,164	252,221	247,333
Transportation services	330,911	403,231	326,251
Environmental services	709,532	80,615	747,211
Health services	85,275	98,856	67,298
Social and family services	79,060	62,604	78,414
Recreation and cultural services	232,786	154,989	250,124
<b>TOTAL EXPENSES</b>	<b>2,339,020</b>	<b>1,639,843</b>	<b>2,256,561</b>
<b>ANNUAL SURPLUS</b>	<b>1,769,307</b>	<b>145,297</b>	<b>26,210</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>8,025,909</b>	<b>8,025,909</b>	<b>7,999,699</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 9,795,216</b>	<b>\$ 8,171,206</b>	<b>\$ 8,025,909</b>

**THE CORPORATION OF THE TOWNSHIP OF MCGARRY****CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS****YEARS ENDED DECEMBER 31**

	<b>2018 Actual</b>	<b>2018 Budget (Note 12)</b>	<b>2017 Actual</b>
<b>ANNUAL SURPLUS</b>	<b>\$ 1,769,307</b>	<b>\$ 145,297</b>	<b>\$ 26,210</b>
Acquisition of tangible capital assets	(2,447,368)	(145,297)	(552,098)
Amortization of tangible capital assets	303,163	-	316,659
<b>CHANGE IN NET FINANCIAL ASSETS</b>	<b>(374,898)</b>	<b>-</b>	<b>(209,229)</b>
<b>NET FINANCIAL ASSETS, beginning of year</b>	<b>527,413</b>	<b>527,413</b>	<b>736,642</b>
<b>NET FINANCIAL ASSETS, end of year</b>	<b>\$ 152,515</b>	<b>\$ 527,413</b>	<b>\$ 527,413</b>

See accompanying notes and schedules.

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## CONSOLIDATED STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31

	2018	2017
<b>OPERATING ACTIVITIES</b>		
<b>ANNUAL SURPLUS</b>	<b>\$ 1,769,307</b>	<b>\$ 26,210</b>
<b>ITEMS NOT AFFECTING CASH:</b>		
Amortization of tangible capital assets	303,163	316,659
<b>USES:</b>		
Increase in taxes receivable	(95,840)	(110,532)
Increase in accounts receivable	(195,950)	-
Decrease in accounts payable and accrued liabilities	-	(102,516)
	<b>107,213</b>	<b>103,611</b>
<b>SOURCES:</b>		
Decrease in taxes receivable	-	-
Decrease in accounts receivable	-	22,884
Increase in accounts payable and accrued liabilities	1,079,588	-
Increase in deferred revenue	37,886	36,179
	<b>1,021,634</b>	<b>59,063</b>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,898,154</b>	<b>188,884</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(2,447,368)	(552,098)
<b>CASH APPLIED TO CAPITAL ACTIVITIES</b>	<b>(2,447,368)</b>	<b>(552,098)</b>
<b>FINANCING ACTIVITIES</b>		
Landfill closure and post-closure costs	9,965	14,181
Debt principal repayments	(131,922)	(126,616)
<b>CASH APPLIED TO FINANCING ACTIVITIES</b>	<b>(121,957)</b>	<b>(112,435)</b>
<b>NET CHANGE IN CASH</b>	<b>328,829</b>	<b>(475,649)</b>
CASH, beginning of year	962,749	1,438,398
<b>CASH, end of year</b>	<b>\$ 1,291,578</b>	<b>\$ 962,749</b>

See accompanying notes and schedules.

# **THE CORPORATION OF THE TOWNSHIP OF MCGARRY**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 & 2017**

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### **1. NATURE OF OPERATIONS**

The Corporation of the Township of McGarry ("the Township") is a single tier township situated in Northeastern Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Municipal Affairs Act, Provincial Offences Act and other 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 Chartered Professional Accountants of Canada. The more significant of the accounting policies are summarized below.

#### **(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

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

Government Business Enterprises (GBE) are accounted for by the modified equity method. Under the modified equity method the Township 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 Township's proportionate share of the earnings (losses) and any impairments in the value of the investment. The Township's share of the GBE's net income is recognized on the Statement of Operations. The following GBE is included in these financial statements: Solaire McGarry Solar Inc.

##### **(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.

##### **(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.

# **THE CORPORATION OF THE TOWNSHIP OF MCGARRY**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2018 & 2017**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(b) BASIS OF ACCOUNTING**

##### **(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 revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. 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). 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.

##### **(ii) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and highly liquid investments with original maturity of 90 days or less as at the end of the year.

##### **(iii) Accounts Receivable and User Charges Receivable**

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

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 & 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (iv) Inventories

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

#### (v) 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 an asset. Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are recorded as revenue in the year of contribution. 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 Township does not capitalize interest charges as part of the cost of its tangible capital assets.

The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

##### 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

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. 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 Township, forests, water, and other natural resources are not recognized as tangible capital assets.

#### (vi) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation, or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 & 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (vii) 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.

#### (viii) Government Transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction. Government transfers are recognized in the fiscal year during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

#### (ix) 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.

#### (x) Use of Estimates and Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions on such areas as tangible capital assets' historical costs, estimated useful life and related amortization, allowances for uncollectible taxes and receivables and landfill closure and post closure costs. These estimates and assumptions are based on the Township's best information and judgment. Actual results could differ significantly from these estimates.

### 3. OPERATIONS OF SCHOOL BOARDS

During 2018, the Township collected property taxes on the school boards' behalf. The amounts collected and remitted are summarized below:

	2018	2017
Amounts billed and remitted on behalf of school boards	\$ 63,469	\$ 61,390

### 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:

	2018	2017
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 109,791	\$ 107,961
Timiskaming Health Unit ("THU")	28,272	20,784

The Township is contingently liable for its share, which is approximately 2% (2017 - 2%) for the DTSSAB and an estimated 2% (2017 - 2%) for the THU, of any accumulated deficits at the end of the year for these boards. The Township's share of the accumulated deficits of these boards has not been determined at this time.

No long-term liabilities have been issued by other municipalities for these boards. The Township is also contingently liable for its share of the long-term liabilities issued by other municipalities for these boards.

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 & 2017

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### 5. PENSION AGREEMENT

The Township makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million with respect to benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 million. Because OMERS is a multi employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the Plan surplus or deficit. The Township's contributions equal the employee contributions to the plan. During the year ended December 31, 2018, the Township contributed \$19,943 (2017 - \$25,778) to the plan. As this is a multi-employer pension plan, these contributions are the Township's pension benefit expenses. No pension liability for this type of plan is included in the Township's consolidated financial statements.

### 6. NET LONG-TERM LIABILITIES

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

The Township 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 \$302,606 (2017 - \$335,446) at year-end and the related interest expense amounted to \$15,647 (2017 - \$23,751).

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

The Township 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 \$516,149 (2017 - \$551,122) at year-end and the related interest expense amounted to \$25,876 (2017 - \$27,487).

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 & 2017

### 6. NET LONG-TERM LIABILITIES (Continued)

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

The Township 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 \$84,000 (2017 - \$98,000) at year-end and the related interest expense amounted to \$2,391 (2017 - \$2,745).

#### (d) CATERPILLAR FINANCIAL SERVICES LIMITED

The Township has arranged financing to purchase a 2015 Caterpillar 420FIT Backhoe loader. 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 \$24,895 (2017 - \$46,835) at year-end and the related interest expense amounted to \$1,640 (2017 - \$2,593).

#### (e) CATERPILLAR FINANCIAL SERVICES LIMITED

The Township has arranged financing to purchase a 2015 Caterpillar Model 930K Wheel Loader. 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 \$47,237 (2017 - \$75,404) at year-end and the related interest expense amounted to \$2,786 (2017 - \$4,009).

### SUMMARY OF YEARLY LONG-TERM LIABILITY REPAYMENTS FOR MUNICIPAL ACTIVITIES

Year	Principal	Interest	Total
2019	\$ 137,472	\$ 43,504	\$ 180,976
2020	\$ 108,273	\$ 72,332	\$ 180,605
2021	\$ 92,125	\$ 87,250	\$ 179,375
2022	\$ 95,900	\$ 83,182	\$ 179,082
2023	\$ 99,857	\$ 44,324	\$ 144,181
subsequent to 2023	\$ 441,260	\$ 432,146	\$ 873,406

### 7. TEMPORARY BORROWING

The Township 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, 2018, the balance of the temporary loan is \$NIL (2017 - \$NIL).

### 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 2018 charges from the Agency in the amount of \$93,145 (2017 - \$96,504).

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 & 2017

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### 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 (2017 - \$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.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at a rate of 3%.

Total landfill closure and post-closure care expenditures are estimated at \$931,271 (2017 - \$227,837). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. To date, approximately 25% (2017 - 98%) of the site's capacity has been used. Therefore, as at December 31, 2018 an amount of \$232,818 (2017 - \$222,854) is reported as a liability on the Consolidated Statement of Financial Position.

The estimated remaining capacity of the landfill site is 75% (608,742 cubic metres) (2017 - 2% (2,800 cubic metres)) of its total estimated capacity and its estimated remaining life is 75 years (2017 - 3 years), after which the period for post-closure care is estimated to be 25 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 Governments 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.

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 & 2017

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### 11. SEGMENT DISCLOSURE (Continued)

#### Administration and Other Services

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services. It also includes management of planning and zoning, commercial, industrial and residential development.

#### 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 Township makes contributions to the costs of the programs provided by the Boards.

#### Protection Services

Police services to the Township 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 Public 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.

#### 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.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 & 2017

12. BUDGET AMOUNTS

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

	Budget
Annual surplus	\$ 145,297
Adjustments:	
Capital asset expenditures	(145,297)
Total adjustments	(145,297)
ADOPTED BUDGET	\$ -

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

**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	Asset Under Construction	Roads, Streets and Bridges	Water and Sewer		2018	2017
<b>Cost</b>									
Opening costs	\$ 48,025	\$ 1,494,160	\$ 2,005,882	\$ 719,578	\$ 1,421,185	\$ 9,296,181	\$	14,985,011	\$ 14,432,913
Additions during the year	-	-	(170,651)	2,426,900	(3,023)	11,816		2,265,042	552,098
Closing costs	48,025	1,494,160	1,835,231	3,146,478	1,418,162	9,307,997		17,250,053	14,985,011
<b>Accumulated Amortization</b>									
Opening accum'd amortization	-	1,314,666	1,549,308	-	1,282,214	3,340,326		7,486,515	7,169,856
Amortization	-	31,609	(134,071)	-	11,725	211,574		120,837	316,659
Closing accum'd amortization	-	1,346,275	1,415,238	-	1,293,939	3,551,900		7,607,352	7,486,515
<b>Net Book Value of Tangible Capital Assets</b>	\$ 48,025	\$ 147,885	\$ 419,993	\$ 3,146,478	\$ 124,223	\$ 5,755,097	\$	9,642,701	\$ 7,498,496

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

YEARS ENDED DECEMBER 31

	2018	2017
<b>RESERVES</b>		
Equipment replacement	\$ 280,850	\$ 280,850
Waste site	104,694	104,694
Working funds	109,707	109,707
Roads capital projects	4,335	4,335
<b>TOTAL RESERVES</b>	<b>499,586</b>	<b>499,586</b>
<b>RESERVE FUNDS</b>		
Fire department	28,722	10,748
Future development	11,749	11,749
Library	2,738	2,738
Recreation programs and facilities	217,383	217,383
Community events	12,770	12,770
Waterworks capital projects	95,025	45,025
<b>TOTAL RESERVE FUNDS</b>	<b>368,387</b>	<b>300,413</b>
<b>TOTAL RESERVES AND RESERVE FUNDS</b>	<b>\$ 867,973</b>	<b>\$ 799,999</b>
<b>SURPLUSES (DEFICITS)</b>		
Invested in tangible capital assets	9,642,701	7,498,496
Sanitary sewage systems	(40,663)	(127,189)
Water supply system	(706,204)	219,839
General fund	1,239,114	964,425
Unfunded		
Landfill closure and post-closure liability	(232,818)	(222,854)
Long-term debt	(974,887)	(1,106,807)
<b>TOTAL SURPLUSES</b>	<b>8,927,243</b>	<b>7,225,910</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 9,795,216</b>	<b>\$ 8,025,909</b>

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## SUMMARY OF USER CHARGES AND OTHER SOURCES OF FINANCING

YEARS ENDED DECEMBER 31

	2018 Actual	2017 Actual
<b>USER CHARGES</b>		
General government	\$ 6,531	\$ 4,363
Licenses and permits	4,516	4,168
Recreation	13,984	13,157
Sanitary sewers	337,878	338,251
Waterworks	167,077	161,024
	<b>\$ 529,986</b>	<b>\$ 520,963</b>
<b>OTHER</b>		
Donations	\$ 7,093	\$ 8,418
Investment income	1,077	2,792
Other	210,988	29,481
Penalties and interest	146,846	100,737
Rents and concessions	14,075	18,535
Sale of capital assets	2,752	7,312
Sale of goods	13,773	13,690
	<b>\$ 396,604</b>	<b>\$ 180,965</b>

**THE CORPORATION OF THE TOWNSHIP OF MCGARRY**  
**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE AND EXPENSES BY OBJECT**  
**YEAR ENDED DECEMBER 31, 2018**

	Social and Family Services	Protection Services	Public Works Services	Environmental Services	Recreation and Cultural Services	Administration and Other Services	Capital	Consolidated 2018
<b>REVENUES</b>								
Taxation	\$ -	\$ 111,511	\$ 150,511	\$ -	\$ 105,881	\$ 373,252	\$ -	\$ 741,155
Sales of services and user fees	-	-	-	504,955	13,984	11,047	-	529,986
Government transfers	-	9,764	-	49,350	6,357	673,138	1,701,973	2,440,582
Other	-	-	-	-	-	396,604	-	396,604
<b>TOTAL REVENUES</b>	-	121,275	150,511	554,305	126,222	1,454,041	1,701,973	4,108,327
<b>EXPENSES</b>								
Salaries & benefits	1,398	32,297	160,510	84,172	67,534	280,022	-	625,933
Materials	7,847	51,004	113,692	148,448	127,772	293,882	-	742,645
Rent and Financial	-	-	-	-	-	19,256	-	19,256
Interest charges	-	-	6,817	41,523	-	-	-	48,340
Contracted services	4,657	147,040	8,823	223,160	8,490	60,899	-	453,069
External transfers	61,340	-	-	-	-	81,456	-	142,796
Transfers to own funds	-	-	-	-	-	-	-	-
Amortization	3,818	14,824	41,068	212,229	28,991	6,051	-	306,981
<b>TOTAL EXPENSES</b>	79,060	245,165	330,910	709,532	232,787	741,566	-	2,339,020
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ (79,060)	\$ (123,890)	\$ (180,398)	\$ (155,227)	\$ (106,565)	\$ 712,475	\$ 1,701,973	\$ 1,769,307

**THE CORPORATION OF THE TOWNSHIP OF MCGARRY**  
**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE AND EXPENSES BY OBJECT**  
**YEAR ENDED DECEMBER 31, 2017**

	Social and Family Services	Protection Services	Public Works Services	Environmental Services	Recreation and Cultural Services	Administration and Other Services	Capital	Consolidated 2017
<b>REVENUES</b>								
Taxation	\$ 34,895	\$ 110,067	\$ 145,185	\$ -	\$ 111,307	\$ 270,227	\$ -	\$ 671,681
Sales of services and user fees	-	-	-	499,275	18,117	8,531	-	525,923
Government transfers	-	9,413	-	184,251	24,792	640,705	50,000	909,161
Other	-	-	-	-	-	176,006	-	176,006
<b>TOTAL REVENUES</b>	<b>34,895</b>	<b>119,480</b>	<b>145,185</b>	<b>683,526</b>	<b>154,216</b>	<b>1,095,469</b>	<b>50,000</b>	<b>2,282,771</b>
<b>EXPENSES</b>								
Salaries & benefits	835	31,153	168,970	65,101	63,346	228,857	-	558,262
Materials	8,476	42,962	95,567	200,472	134,495	223,095	-	705,067
Rent and Financial	-	-	-	-	-	18,045	-	18,045
Interest charges	-	-	9,348	44,648	-	-	-	53,996
Contracted services	3,838	149,198	8,950	223,405	22,692	67,704	-	475,787
External transfers	61,447	-	-	-	-	67,298	-	128,745
Amortization	3,818	24,021	43,415	213,583	29,589	2,233	-	316,659
<b>TOTAL EXPENSES</b>	<b>78,414</b>	<b>247,334</b>	<b>326,250</b>	<b>747,209</b>	<b>250,122</b>	<b>607,232</b>	<b>-</b>	<b>2,256,561</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (43,519)</b>	<b>\$ (127,854)</b>	<b>\$ (181,065)</b>	<b>\$ (63,683)</b>	<b>\$ (95,906)</b>	<b>\$ 488,237</b>	<b>\$ 50,000</b>	<b>\$ 26,210</b>

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## PUBLIC LIBRARY BOARD - SCHEDULE OF FINANCIAL POSITION AND FINANCIAL ACTIVITIES

DECEMBER 31, 2018

### SCHEDULE OF FINANCIAL POSITION

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	\$ 3,944	\$ 18,172
Accounts receivable	543	513
<b>TOTAL FINANCIAL ASSETS</b>	<b>\$ 4,487</b>	<b>\$ 18,685</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,500	\$ 10,816
<b>LIBRARY POSITION</b>		
<b>CURRENT FUND</b>	<b>2,987</b>	<b>7,869</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>\$ 4,487</b>	<b>\$ 18,685</b>

### SCHEDULE OF FINANCIAL ACTIVITIES

	2018	2017
<b>REVENUES</b>		
<b>GRANTS</b>		
Municipal	\$ 47,944	\$ 37,000
Provincial	2,699	13,490
Federal	3,658	2,979
<b>OTHER</b>	<b>2,050</b>	<b>8,962</b>
<b>TOTAL REVENUES</b>	<b>56,351</b>	<b>62,431</b>
<b>EXPENSES</b>		
Materials	11,836	10,062
Office	13,516	6,750
Wages and benefits	36,597	37,088
<b>TOTAL EXPENSES</b>	<b>61,949</b>	<b>53,900</b>
<b>CHANGE IN CURRENT FUND BALANCE</b>	<b>(5,598)</b>	<b>8,531</b>
<b>CURRENT FUND BALANCE, beginning of year</b>	<b>8,585</b>	<b>54</b>
<b>CURRENT FUND BALANCE, end of year</b>	<b>\$ 2,987</b>	<b>\$ 8,585</b>

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## SOLAIRE MCGARRY SOLAR INC. - SUMMARY FINANCIAL STATEMENTS

Solaire McGarry Solar Inc. (SMSI) is a municipally owned government business enterprise. The corporation owns, administers and manages solar power generating projects for the purpose of generating, transmitting, distributing and retailing electricity. The Township owns a 50% ownership stake in the common shares of SMSI.

Financial statements are prepared using International Financial Reporting Standards.

### STATEMENT OF FINANCIAL POSITION

	2018	2017
<b>ASSETS</b>		
Cash	\$ 186,684	\$ 338,082
Accounts receivable	262,329	106,966
Prepaid expenses	6,796	6,723
Property and Equipment	4,164,196	2,832,018
Future Payment in Lieu of Taxes	65,630	22,824
<b>TOTAL ASSETS</b>	<b>\$ 4,685,635</b>	<b>\$ 3,306,613</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 25,263	\$ 241,937
Due to related parties	2,448,044	3,215,905
Current portion of long-term debt	129,167	-
	2,602,474	3,457,842
Long-term debt	2,542,470	-
	5,144,944	3,457,842
<b>CAPITAL DEFICIENCY</b>		
CAPITAL STOCK	100	100
ACCUMULATED DEFICIT	(459,409)	(151,329)
<b>TOTAL LIABILITIES AND DEFICIENCY</b>	<b>\$ 4,685,635</b>	<b>\$ 3,306,613</b>
Municipality's Investment	0	0

**SCHEDULE 6 (CONTINUED)****SOLAIRE MCGARRY SOLAR INC. - SUMMARY FINANCIAL STATEMENTS****STATEMENT OF LOSS AND ACCUMULATED DEFICIT**

	2018	2017
<b>SALES</b>	<b>\$ 219,452</b>	<b>\$ 43,526</b>
<b>COST OF SALES</b>	<b>5,545</b>	<b>2,061</b>
<b>GROSS MARGIN</b>	<b>213,907</b>	<b>41,465</b>
<b>EXPENSES</b>		
Amortization	188,718	31,752
Insurance	13,519	21,933
Miscellaneous	491	359
Repairs and maintenance	5,272	5,253
Interest, bank charges and finance fees	299,441	27,677
Professional fees	57,834	60,900
<b>TOTAL EXPENSES</b>	<b>565,275</b>	<b>147,874</b>
<b>OTHER INCOME</b>	<b>482</b>	<b>1,702</b>
<b>WRITE OFF OF PROPERTY AND EQUIPMENT</b>	<b>-</b>	<b>(32,482)</b>
<b>LOSS BEFORE INCOME TAXES</b>	<b>(350,886)</b>	<b>(137,189)</b>
<b>FUTURE PAYMENT IN LIEU OF TAXES RECOVERY</b>	<b>42,806</b>	<b>17,279</b>
<b>NET LOSS</b>	<b>\$ (308,080)</b>	<b>\$ (119,910)</b>
<b>DEFICIENCY, BEGINNING OF YEAR</b>	<b>\$ (151,329)</b>	<b>\$ (31,419)</b>
<b>DEFICIENCY, END OF YEAR</b>	<b>\$ (459,409)</b>	<b>\$ (151,329)</b>