

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
TOWNSHIP OF MCGARRY**

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2020

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THE CORPORATION OF THE TOWNSHIP OF MCGARRY

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the Township of McGarry are the responsibility of the Corporation of the Township of McGarry'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 1 to the 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 Corporation of the Township of McGarry'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 financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Kemp Elliott & Blair LLP, independent external auditors appointed by the Corporation of the Township of McGarry. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation of the Township of McGarry's financial statements.



Karine Pelletier
Clerk-Treasurer

INDEPENDENT AUDITORS' 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 consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of McGarry as at December 31, 2020, and the results of its operations, change in net debt and 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation of the Township of McGarry 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.

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 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 Corporation of the Township of McGarry'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 Corporation of the Township of McGarry or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation of the Township of McGarry's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 Corporation of the Township of McGarry'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 Corporation of the Township of McGarry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation of the Township of McGarry 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.

Kemp Elliott & Blair LLP

New Liskeard, Ontario
December 20, 2022

Kemp Elliott & Blair LLP
Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF MCGARRY


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 866,851	\$ 400,459
Taxes receivable	1,062,213	1,165,160
Accounts receivable	198,415	508,393
	<u>2,127,479</u>	<u>2,074,012</u>
LIABILITIES		
Accounts payable and accrued liabilities	210,670	163,480
Deferred revenue – other – note 5	150,676	100,676
Deferred revenue – obligatory reserve funds – note 6	261,900	224,103
Solid waste landfill closure and post-closure liability – note 7	249,270	232,818
Municipal debt – note 8	1,017,250	1,171,070
Deficiency in Government Business Partnership – note 9	485,429	364,327
	<u>2,375,195</u>	<u>2,256,474</u>
Contingent liabilities and commitments – note 13		
NET DEBT	<u>(247,716)</u>	<u>(182,462)</u>
NON-FINANCIAL ASSETS		
Inventories of supplies	79,640	71,000
Tangible capital assets – note 16	9,672,864	9,911,030
	<u>9,752,504</u>	<u>9,982,030</u>
ACCUMULATED SURPLUS – note 10	<u>\$ 9,504,788</u>	<u>\$ 9,799,568</u>

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

On behalf of Council:


Mayor


Clerk-Treasurer

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

	(Note 14) 2020 Budget	2020 Actual	2019 Actual
REVENUES			
Operating revenues			
Municipal taxation	\$ 780,680	\$ 777,729	\$ 778,675
User charges	620,950	474,257	429,664
Provincial grants	743,163	704,326	926,780
Federal grants	54,110	17,840	2,160
Investment income	17,500	17,314	19,123
Penalties and interest on taxes	150,000	76,115	63,475
Provincial Offences Act revenues	8,500	3,913	8,420
Gain on disposal of tangible capital assets	-	2,969	-
Loss from Government Business Partnership	-	(121,102)	(134,723)
Other	22,998	29,332	59,126
	<u>2,397,901</u>	<u>1,982,693</u>	<u>2,152,700</u>
Capital revenues			
Provincial grants	-	-	405,445
Total revenues	<u>2,397,901</u>	<u>1,982,693</u>	<u>2,558,145</u>
EXPENDITURES			
General government	495,545	655,693	555,654
Protection to persons and property	299,729	252,093	324,598
Transportation services	371,740	327,502	329,482
Environmental services	659,535	701,324	659,301
Health services	109,302	109,589	74,857
Social and family services	64,810	60,925	61,444
Recreation and cultural services	178,241	170,347	276,503
Total expenditures	<u>2,178,902</u>	<u>2,277,473</u>	<u>2,281,839</u>
ANNUAL SURPLUS (DEFICIT)	218,999	(294,780)	276,306
Accumulated surplus, beginning of year	<u>9,799,568</u>	<u>9,799,568</u>	<u>9,523,262</u>
ACCUMULATED SURPLUS, END OF YEAR – note 10	\$ 10,018,567	\$ 9,504,788	\$ 9,799,568

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED DECEMBER 31, 2020

	(Note 14) 2020 Budget	2020 Actual	2019 Actual
ANNUAL SURPLUS (DEFICIT)	\$ 218,999	\$ (294,780)	\$ 276,306
Acquisition of tangible capital assets	(407,217)	(89,801)	(628,350)
Amortization of tangible capital assets	349,500	327,967	360,022
Gain on disposal of tangible capital assets	-	(2,969)	-
Proceeds on sale of tangible capital assets	-	2,969	-
	<u>(57,717)</u>	<u>238,166</u>	<u>(268,328)</u>
Acquisition of inventories of supplies	-	(8,640)	-
Increase (decrease) in net financial assets (net debt)	161,282	(65,254)	7,978
Net debt, beginning of year	<u>(182,462)</u>	<u>(182,462)</u>	<u>(190,440)</u>
NET DEBT, END OF YEAR	<u>\$ (21,180)</u>	<u>\$ (247,716)</u>	<u>\$ (182,462)</u>

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Operating activities		
Annual surplus (deficit)	\$ (294,780)	\$ 276,306
Charges not affecting cash –		
Amortization of tangible capital assets	327,967	360,022
Gain on disposal of tangible capital assets	(2,969)	-
Share of loss of Solaire McGarry Solar Inc.	121,102	134,723
	<u>151,320</u>	<u>771,051</u>
Net change in non-cash working capital items –		
Taxes receivable	102,947	(199,661)
Accounts receivable	309,978	(126,818)
Inventories of supplies	(8,640)	-
Accounts payable and accrued liabilities	47,190	(1,029,642)
Deferred revenue – other	50,000	50,000
Deferred revenue – obligatory reserve funds	37,797	76,118
Solid waste landfill closure and post-closure liability	16,452	-
	<u>555,724</u>	<u>(1,230,003)</u>
Cash provided by (used for) operating activities	<u>707,044</u>	<u>(458,952)</u>
Capital activities		
Acquisition of tangible capital assets	(89,801)	(628,350)
Proceeds from sale of tangible capital assets	2,969	-
Cash used for capital activities	<u>(86,832)</u>	<u>(628,350)</u>
Financing activities		
New debt issued	-	333,650
Debt repayments	(153,820)	(137,467)
Cash provided by (used for) financing activities	<u>(153,820)</u>	<u>196,183</u>
Increase (decrease) in cash	<u>466,392</u>	<u>(891,119)</u>
Cash, beginning of year	<u>400,459</u>	<u>1,291,578</u>
Cash, end of year	<u>\$ 866,851</u>	<u>\$ 400,459</u>
Represented by		
Cash	<u>\$ 866,851</u>	<u>\$ 400,459</u>
Supplemental cash flow information		
Interest paid	\$ 54,219	\$ 42,438

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

The Corporation of the Township of McGarry ("the Township") is a single tier township situated in Northeastern Ontario, Canada. 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.

1. Accounting policies

The consolidated financial statements of the Township are the representation of management and council 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 as prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

(a) (i) Basis of consolidation

These consolidated financial statements reflect the financial assets, liabilities, revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets and includes the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of the Council:

Public Library Board
Waterworks System

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

(ii) Government Business Partnership

Government Business Partnership (GBP) is comprised of the corporation Solaire McGarry Solar Inc. and is accounted for by the modified equity method. Under the modified equity method, the GBP's accounting principles are not adjusted to conform to those of the Township and inter-organization transactions and balances (if any) are not eliminated. 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, with any deficiency in the Township's share of the GBP recognized as a liability. The Township's share of the GBP's net income (loss) is recognized on the Statement of Operations.

(iii) Non-consolidated entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

Timiskaming District Health Unit

District of Timiskaming Social Services Administration Board

Although these are joint local boards, they run autonomously to provide those services mandated by the Province. The Township has no control over these programs or their financing. These joint local boards are not proportionately consolidated. The yearly requisitions of these boards are expensed by the Township in its statements (note 3).

Temiskaming Municipal Services Association

The Temiskaming Municipal Services Association provides the services of a Chief Building Officer to 21 Municipalities. The operations of this organization are not proportionately consolidated into these statements because the Township does not have control. Building Permit revenues are transferred to this organization.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. Accounting policies – continued

(iv) 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 these financial statements.

(b) (i) Revenue recognition

Government transfers (provincial and federal grants)

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulation is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

Taxation and related revenues

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") with the authority established under the Municipal Act, 2001, the Assessment Act, the Education Act, and other legislation. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Township 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 Township determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

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.

Fees, service charges and other revenue

Fees, service charges and other revenue are recognized when earned.

(ii) Inventories

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

(iii) Leases

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. Accounting policies – continued

(iv) **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 cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 to 50 years
Buildings	25 to 50 years
Machinery and equipment	10 to 25 years
Office furniture and equipment	4 to 10 years
Vehicles	5 to 20 years
Roads and culverts	10 to 50 years
Water and sewer systems	15 to 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 in productive use.

The Township has no capitalization threshold for land and buildings, a capitalization threshold of \$10,000 for infrastructure systems and \$2,500 for all other assets. Individual assets of lesser value may be capitalized if they are pooled, or because, collectively, they have significant value, or for operational purposes.

(v) **Deferred revenue – other**

The Township receives certain amounts pursuant to funding agreements that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the eligibility criteria has been met except when stipulations are present and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

(vi) **Deferred revenue – obligatory reserve funds**

The Township receives Federal Gas Tax funding under the authority of the Federal legislation. These funds, by their nature, are restricted in their use and until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(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) **Use of estimates**

Management has made estimates and assumptions that affect the amounts reported in preparing these consolidated financial statements. Significant areas requiring the use of management estimates relate to the determination of allowance for uncollectible taxes and receivables, tangible capital assets historical cost, estimated useful life and related amortization and landfill closure and post-closure costs.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2. Operations of school boards

Further to note 1(a) (iv), net municipal taxation and taxation from governments levied on behalf of and payable to the school boards was:

	2020	2019
	\$ 61,031	\$ 63,184

3. Contributions to non-consolidated Joint Boards

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

	2020	2019
Timiskaming Health Unit	\$ 30,094	\$ 28,000
District of Timiskaming Social Services Administration Board	\$ 115,782	\$ 109,773

4. Revolving line of credit

The Township has arranged a line of credit with its financial institution not to exceed from January 1 to September 30, 50% of the total estimated revenue as set out in the budget adopted for the current year, and from October 1 to December 31, 25% of the total estimated revenue as set out in the budget adopted for the current year or \$250,000, whichever is less. The line of credit, authorized by By-Law 2020-03, bears interest at prime plus 0.25%. As at December 31, 2020, the outstanding balance of the line of credit was \$nil (2019 \$nil).

5. Deferred revenue – other

Deferred revenue – other consists of the following:

	December 31 2019	Funds Received	Revenue Earned	December 31 2020
Provincial government - OCIF	\$ 100,676	\$ 50,000	\$ -	\$ 150,676

6. Deferred revenue – obligatory reserve funds

Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2019	Funds Received	Revenue Earned	December 31 2020
Federal Gas Tax	\$ 224,103	\$ 37,797	\$ -	\$ 261,900

Federal Gas Tax funds includes \$36,950 received from AMO plus \$847 interest.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

7. Solid waste landfill closure and post-closure liability

The liability for closure and post-closure of the landfill site has been recognized using the present value of the estimate closure and post-closure costs, based upon the usage of the site's capacity. The total capacity of the site is 811,656 cubic meters. The approximate area that has been landfilled is 204,514 cubic meters, leaving an estimated remaining capacity of 607,142 cubic meters. The estimated life of the landfill site is 74 years and post-closure care is estimated to be required for 25 years from the date of site closure.

The discount factor used is 4.6% net of inflation of 1.8%. The liability as at December 31, 2020 is \$249,270 (2019 \$232,818). Estimated expenditures for closure and post-closure care are \$7,322,489 and \$438,725 respectively, for a total of \$7,761,214. The liability remaining to be recognized is \$7,511,944.

8. Municipal debt

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

	2020	2019
<u>Loans and debentures</u>		
Ontario Strategic Infrastructure Financing Authority (OSIFA) debenture to assist with sewage treatment infrastructure, repayable in blended semi-annual payments of \$24,243 including interest at 4.78%, secured by equipment, and maturing January 2026.	\$ 232,084	\$ 268,178
Ontario Strategic Infrastructure Financing Authority (OSIFA) debenture to assist with sewage treatment infrastructure, repayable in semi-annual blended payments of \$30,425 including interest at 4.77%, secured by future Province of Ontario funding, maturing December 2029.	441,058	479,488
Ontario Strategic Infrastructure Financing Authority (OSIFA) debenture to assist with LED street light conversion, repayable in semi-annual payments of \$7,000 principal plus interest at 2.53%, secured by future Province of Ontario funding, maturing December 2024.	56,000	70,000
Caterpillar Financial Services Limited loan to purchase a 2015 backhoe loader, repayable in monthly blended payments of \$1,965 including interest at 4.45%, secured by the backhoe loader, matured in January 2020.	-	1,972
Caterpillar Financial Services Limited loan to purchase a 2015 wheel loader, repayable in monthly blended payments of \$2,579 including interest at 4.45%, secured by the wheel loader, matured in July 2020.	-	17,782
Total loans and debentures	<u>729,142</u>	<u>837,420</u>

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

8. Municipal debt - continued

	2020	2019
<u>Long-term capital lease</u>		
John Deere Canada ULC capital lease to purchase a 2018 grader, repayable in monthly blended payments of \$4,695 with interest at 4.99%, secured by the grader, maturing November 2026.	288,108	333,650
Total municipal debt	<u>\$ 1,017,250</u>	<u>\$ 1,171,070</u>

Principal payments due in the next five years are as follows:

2021	\$ 135,058
2022	141,024
2023	147,286
2024	153,856
2025	146,750
Thereafter	<u>293,276</u>
	<u>\$ 1,017,250</u>

Total interest paid during the year on the long-term debt is \$54,219 (2019 \$42,438).

9. Government Business Enterprise

The Corporation of the Township of McGarry is the 50% owner of all of the issued capital of the corporation Solaire McGarry Solar Inc. with the other partner, Énergie Kapuskasing Energy Inc., owning the remaining 50% of the total issued capital.

Solaire McGarry Solar Inc. was incorporated under the Ontario Business Corporations Act on September 13, 2012 pursuant to section 142 of the Electricity Act (Ontario). The corporation's principal activity is the ownership, administration and management of solar power generating projects for the purpose of generating, transmitting, distributing and retailing electricity. This corporation is accounted for on a modified equity basis in these consolidated financial statements.

(a) The Township's portion of the deficiency in the Government Business Partnership consists of the following:

	2020	2019
Purchase of share capital (50 Class B shares)	\$ 50	\$ 50
Township's share of accumulated operating losses	<u>(485,479)</u>	<u>(364,377)</u>
	<u>\$ (485,429)</u>	<u>\$ (364,327)</u>

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

9. **Government Business Enterprise - continued**

- (b) The following schedules provide condensed supplementary financial information for the year ended December 31, 2020 of Solaire McGarry Solar Inc.

<u>Financial position</u>	<u>2020</u>	<u>2019</u>
Current assets	\$ 433,298	\$ 478,636
Capital assets	3,738,605	3,942,184
Future income taxes	134,931	104,123
Total assets	\$ 4,306,834	\$ 4,524,943
Current liabilities	\$ 7,178	\$ 23,035
Due to related parties	2,862,623	2,688,193
Current portion of long-term debt	140,109	134,478
Long-term debt	2,267,883	2,407,992
Total liabilities	5,277,793	5,253,698
Capital stock	100	100
Accumulated deficit	(971,059)	(728,855)
Total liabilities and accumulated deficits	\$ 4,306,834	\$ 4,524,943
<u>Statement of loss</u>		
Sale of energy	\$ 267,047	\$ 234,621
Cost of sales	(7,947)	(6,455)
Expenses	(532,112)	(536,105)
Future recovery of income taxes	30,808	38,493
Net loss	\$ (242,204)	\$ (269,446)

- (c) Related party transactions between the Corporation of the Township of McGarry and its Government Business Partnership are as follows:

- 1) The Township has an accounts payable of \$50 (2019 \$50) for the purchase of their portion of the share capital included in the consolidated statement of financial position.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

10. Accumulated surplus

The accumulated surplus is made up of the following:

	2020	2019
Reserves, surpluses and deficits		
Roads capital projects reserve	\$ 4,335	\$ 4,335
Safe restart reserve	8,626	-
Working funds reserve	109,707	109,707
Equipment replacement reserve	280,850	280,850
Waste site reserve	104,694	104,694
General fund	1,078,236	1,191,791
Sanitary sewer system	173,916	140,518
Water supply system	(622,258)	(613,264)
Library deficit	(2,261)	(1,266)
Deficit in Solaire McGarry Solar	(485,429)	(364,327)
	<u>650,416</u>	<u>853,038</u>
Reserve funds		
Recreation programs and facilities	217,383	217,383
Fire department	28,722	28,722
Future development	11,749	11,749
Library	2,738	2,738
Waterworks capital projects	95,025	95,025
Community events	12,771	12,771
	<u>368,388</u>	<u>368,388</u>
Amounts to be recovered		
Landfill closure and post-closure liability	(249,270)	(232,818)
Unfinanced municipal debt	(1,017,250)	(1,171,070)
	<u>(1,266,520)</u>	<u>(1,403,888)</u>
Net debt	<u>(247,716)</u>	<u>(182,462)</u>
Non-financial assets		
Inventories of supplies	79,640	71,000
Invested in tangible capital assets	9,672,864	9,911,030
	<u>9,752,504</u>	<u>9,982,030</u>
Accumulated surplus	\$ 9,504,788	\$ 9,799,568

Reserves represent an appropriation of surplus for a specific purpose, determined by council, are non-statutory and subject to change by council at any time.

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 excess of revenues over expenditures, provides the Change in Net Debt for the year.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11. Correction of the prior period

During the year, the following material misstatements were discovered in the opening balances:

- Penalties and interest on taxes were overbilled in each of 2019 (\$84,762) and 2018 (\$62,675)
- No accrual was made for funding used for large construction project but not yet received in 2019 (\$120,913)
- No accrual was made for holdback and final contract administrator bill for large capital construction project incurred but not paid in 2019 (\$64,701)
- Additional amortization expense in 2019 (\$10,543) on additional Tangible capital asset additions
- Full OCIF funding was reported as revenue when received in each of 2019 (\$50,000) and 2018 (\$50,676) while no eligible expenditures have been reported to the funder
- Township's investment and share of losses in Solaire McGarry Solar Inc. were not accounted for in the Consolidated Financial Statements in each of 2019 (\$134,723) and prior (\$229,654)
- Large stockpile of gravel donated by MTO in a previous period was not included in Inventories of supplies (\$71,000)

As a result, December 31, 2019 figures, presented for comparative purposes, have been restated from those previously reported as follows:

	As previously reported	Increase (decrease)	As restated
Statement of Financial Position			
Taxes receivable	\$ 1,312,597	\$ (147,437)	\$ 1,165,160
Accounts receivable	387,480	120,913	508,393
Accounts payable	98,779	64,701	163,480
Deferred revenue	-	100,676	100,676
Deficiency in Solaire McGarry Solar	-	364,327	364,327
Net financial assets (net debt)	373,765	(556,227)	(182,462)
Inventories of supplies	-	71,000	71,000
Tangible capital assets	9,856,872	54,158	9,911,030
Accumulated surplus	10,230,637	(431,069)	9,799,568
Statement of Operations			
Penalties and interest on taxes	148,238	(84,763)	63,475
Share of loss of Solaire McGarry Solar Inc.	-	(134,723)	(134,723)
Provincial grants – capital	334,531	70,914	405,445
Environmental services	648,758	10,543	659,301
Annual surplus	435,421	(159,115)	276,306
Accumulated surplus, beginning of year	9,795,216	(271,954)	9,523,262
Accumulated surplus, end of year	10,230,637	(431,069)	9,799,568
Statement of Change in Net Financial Assets (Net Debt)			
Acquisition of tangible capital assets	(563,650)	(64,700)	(628,350)
Amortization of tangible capital assets	349,479	10,543	360,022
Net financial assets (net debt), beginning of year	152,515	(342,955)	(190,440)
Net financial assets (net debt), end of year	373,765	(556,227)	(182,462)

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

12. **Comparative information**

Certain amounts in the prior year financial statements have been restated for comparative purposes to conform with the presentation in the current year's financial statements.

13. **Contingent Liabilities and Commitments**

Non-Consolidated Entities

The Township is contingently liable for the deficits and long-term debt of the non-consolidated entities.

Funding agreements

Under the terms of various funding agreements, the Township could have provincial and federal grants become repayable if it is determined that funding was applied towards ineligible costs or if other terms of the agreements were not met. At year end, management is of the opinion that all conditions have been met and funding was applied towards eligible costs.

Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the Township are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Township's contributions equal the employee contributions to the plan. During the year ended December 31, 2020, the Township contributed \$35,316 (2019 \$14,430) to the plan. As this is a multi-employer pension plan, the contributions by the Township are recognized as an expenditure. No pension liability for this type of plan is recognized in the Township's financial statements. As of December 31, 2020, OMERS had a funding deficit of \$3.2 billion (2019 \$3.4 billion) and Net Assets Available for Benefits of \$105.6 billion (2019 \$109.4 billion).

14. **Budgeting**

The Township budgets to determine an appropriate tax rate based on all budgeted revenues, including proceeds on long-term debt, and all expenditures, including debt principal payments and the acquisition of tangible capital assets, but does not include amortization. The Township reconciles this tax levy budget to the budget in accordance with Public Sector Accounting Standards.

	<u>2020</u>
Tax levy budget surplus for the year -- as below	\$ 2,758
Add: Capital expenditures	407,217
Debt repayments	158,524
Less: Estimated amortization	<u>(349,500)</u>
Budget surplus per Consolidated Statement of Operations – page 5	<u>\$ 218,999</u>

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

14. Budgeting (continued)

	Budget 2020	Actual 2020	Actual 2019
REVENUES			
Operating			
Municipal taxation	\$ 780,680	\$ 777,729	\$ 778,675
User charges	620,950	474,257	429,664
Provincial grants	743,163	704,326	926,780
Federal grants	54,110	17,840	2,160
Investment income	17,500	17,314	19,123
Penalties and interest on taxes	150,000	76,115	63,475
Provincial Offences Act revenues	8,500	3,913	8,420
Proceeds on sale of tangible capital assets	-	2,969	-
Loss from Government Business Partnership	-	(121,102)	(134,723)
Other	22,998	29,332	59,126
	<u>2,397,901</u>	<u>1,982,693</u>	<u>2,152,700</u>
Capital			
Provincial grants	-	-	405,445
New debt issued	-	-	333,650
Total revenues	<u>2,397,901</u>	<u>1,982,693</u>	<u>2,891,795</u>
EXPENDITURES			
Operating expenditures			
General government	493,145	653,309	553,270
Protection to persons and property	258,729	240,284	283,603
Transportation services	333,040	282,348	329,482
Environmental services	424,935	436,367	414,184
Health services	105,502	105,771	71,039
Social and family services	64,810	60,925	61,444
Recreation and cultural services	149,241	162,690	247,512
	<u>1,829,402</u>	<u>1,941,694</u>	<u>1,960,534</u>
Capital expenditures	407,217	89,801	628,350
Long-term debt repayments	158,524	153,820	137,467
Total expenditures	<u>2,395,143</u>	<u>2,185,315</u>	<u>2,726,351</u>
Surplus (deficit), tax levy budget base	<u>\$ 2,758</u>	<u>\$ (202,622)</u>	<u>\$ 165,444</u>

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

15. **Segmented information**

The Township is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these service areas. Departments disclosed in the segmented information, along with the services they provide, are as follows:

General Government Services

The Departments within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing Municipal assets; ensuring effective financial management; monitoring performance and ensuring that high quality Municipal Service standards are met.

Protection Services

Police services, including the enforcement of laws, prevention of crime, and maintenance of peace, order, and security are provided to the Township by agreement with the Ontario Provincial Police. Fire protection services are provided by way of a volunteer Fire Department, which provides fire suppression, fire prevention and education programs to residents. The City also enforces By-laws and offers dog control and property standards enforcement under contract.

Transportation Services

The Public Works department is responsible for the delivery of municipal public works services related to planning, design, construction, cleaning, repair, snow removal and signage of roadway systems, as well as maintaining all Municipal vehicles and equipment, and providing some building maintenance services to Municipal facilities.

Environmental Services

The Public Works department is also 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 the maintenance of the system, which includes repair of water and sewer mains and fire hydrants, service connections and manholes. The Public Works department also operates the solid waste collection and manages the Township's waste disposal site.

Health Services

The Township funds a range of public health services through the Timiskaming Health Unit and provides ambulance services through the District of Timiskaming Social Services Administration Board. The Township also provides cemetery services through the Town of Kirkland Lake.

Social and Family Services

The services are provided indirectly by the Township through the District of Timiskaming Social Services Administration Board and includes social housing, childcare and general assistance services.

Recreation and Cultural Services

The Township is responsible for providing, facilitating the development of, and maintaining parks and recreational facilities, and cultural services, including library services.

Planning and Development Services

The Township is responsible for preparing land use plans, by-laws and policies for sustainable development of the Township and for reviewing and approving new development.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

15. Segmented information – continued

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development Services	Total 2020	Total 2019
Revenues										
Operating revenues										
Municipal taxation	\$ 777,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 777,729	\$ 778,675
User charges	5,685	2,759	200	437,907	7,800	-	19,906	-	474,257	429,664
Provincial grants	635,000	50,200	-	9,111	-	-	10,015	-	704,326	926,780
Federal grants	-	-	15,680	-	-	-	2,160	-	17,840	2,160
Investment income	17,314	-	-	-	-	-	-	-	17,314	19,123
Penalties and interest on taxes	76,115	-	-	-	-	-	-	-	76,115	63,475
Provincial Offences Act revenues	-	3,913	-	-	-	-	-	-	3,913	8,420
Gain on disposal of tangible capital asset	-	-	2,969	-	-	-	-	-	2,969	-
Loss from Government Business	(121,102)	-	-	-	-	-	-	-	(121,102)	(134,723)
Partnership	16,164	-	11,367	-	-	-	1,801	-	29,332	59,126
Other	1,406,905	56,872	30,216	447,018	7,800	-	33,882	-	1,982,693	2,152,700
Capital revenues	-	-	-	-	-	-	-	-	-	405,445
Provincial grants	1,406,905	56,872	30,216	447,018	7,800	-	33,882	-	1,982,693	2,558,145
Total revenues										
Expenditures										
Wages and benefits	315,351	25,234	173,788	75,235	805	-	68,985	-	659,398	683,066
Long-term interest	-	-	19,408	34,811	-	-	-	-	54,219	42,438
Materials	228,782	49,460	75,448	115,373	9,285	-	83,780	-	562,128	538,880
Contracted services	100,066	165,590	5,064	227,400	10,729	-	9,925	-	518,774	539,053
Rents and financial expenses	9,110	-	-	-	-	-	-	-	9,110	8,608
External transfers	-	-	-	-	84,952	60,925	-	-	145,877	109,773
Amortization	2,384	11,809	53,794	248,505	3,818	-	7,657	-	327,967	360,021
Total expenditures	655,693	252,093	327,502	701,324	109,589	60,925	170,347	-	2,277,473	2,281,839
Annual surplus (deficit)	\$ 751,212	\$ (195,221)	\$ (297,286)	\$ (254,306)	\$ (101,789)	\$ (60,925)	\$ (136,465)	\$ -	\$ (294,780)	\$ 276,306

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

16. Schedule of tangible capital assets

Schedule of tangible capital assets										2020								
	Opening Cost		Additions		Disposals		Ending Cost		Opening Accumulated Amortization		Current Amortization		Disposals		Ending Accumulated Amortization		Net Assets	
	Dec 31, 2019				Dec 31, 2020			Dec 31, 2020		Dec 31, 2019			Dec 31, 2020			Dec 31, 2020		Dec 31, 2020
General																		
Land	\$	48,025	\$	-	\$	48,025	\$	-	\$	-	-	-	-	-	-	-	-	48,025
Buildings		8,335,395		36,430		8,371,825		-		3,899,991		180,159		-		4,080,150		4,291,675
Equipment		1,316,958		53,371		1,370,329		-		967,318		29,618		-		996,936		373,393
Vehicles		806,653		-		722,048		84,605		578,704		18,795		84,605		512,894		209,154
Leased vehicles		333,650		-		333,650		-		16,681		16,683		-		33,364		300,286
Infrastructure																		
Roads and culverts		1,485,685		-		1,485,685		-		1,373,234		9,644		-		1,382,878		102,807
Water and sewer systems		5,552,037		-		5,552,037		-		1,131,445		73,068		-		1,204,513		4,347,524
Total	\$	17,878,403	\$	89,801	\$	17,883,599	\$	84,605	\$	7,967,373	\$	327,967	\$	84,605	\$	8,210,735	\$	9,672,864

THE CORPORATION OF THE TOWNSHIP OF MCGARRY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

16. **Schedule of tangible capital assets – continued**

					2019				Net Assets Dec 31, 2019
	Opening Cost Dec 31, 2018	Additions	Disposals	Ending Cost Dec 31, 2019	Opening Accumulated Amortization Dec 31, 2018	Current Amortization	Disposals	Ending Accumulated Amortization Dec 31, 2019	
General									
Land	\$ 48,025	\$ -	\$ -	\$ 48,025	\$ -	\$ -	\$ -	\$ -	48,025
Buildings	8,335,395	-	-	8,335,395	3,698,328	201,663	-	3,899,991	4,435,404
Equipment	1,293,232	23,726	-	1,316,958	940,475	26,843	-	967,318	349,640
Vehicles	642,606	164,047	-	806,653	546,542	32,162	-	578,704	227,949
Leased vehicles	-	333,650	-	333,650	-	16,681	-	16,681	316,969
Infrastructure									
Roads and culverts	1,485,685	-	-	1,485,685	1,363,629	9,605	-	1,373,234	112,451
Water and sewer systems	2,298,632	3,253,405	-	5,552,037	1,058,377	73,068	-	1,131,445	4,420,592
Construction in progress	3,146,478	-	3,146,478	-	-	-	-	-	-
Total	\$ 17,250,053	\$ 3,774,828	\$ 3,146,478	\$ 17,878,403	\$ 7,607,351	\$ 360,022	\$ -	\$ 7,967,373	\$ 9,911,030

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

18. Public Library board

Financial Position

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 425	\$ 2,824
Accounts receivable	328	148
	<u>753</u>	<u>2,972</u>
Liabilities		
Accounts payable and accrued liabilities	276	1,500
Net Financial Assets and accumulated surplus	<u>\$ 477</u>	<u>\$ 1,472</u>

Schedule of Operations

	2020	2019
Revenue		
Grants - municipal	\$ 28,277	\$ 40,932
Grants - provincial	2,699	2,699
Other	1,075	878
Total revenue	<u>32,051</u>	<u>44,509</u>
Expenditures		
Salaries and benefits	20,743	34,318
Professional fees	2,400	-
Materials	6,514	5,966
Office	3,389	5,740
Total expenditures	<u>33,046</u>	<u>46,024</u>
Annual deficit	(995)	(1,515)
Accumulated surplus, beginning of year	<u>1,472</u>	<u>2,987</u>
Accumulated surplus, end of year	<u>\$ 477</u>	<u>\$ 1,472</u>

Accumulated surplus is made up of:	2020	2019
Operating surplus	\$ (2,261)	\$ (1,266)
Reserves	<u>2,738</u>	<u>2,738</u>
	<u>\$ 477</u>	<u>\$ 1,472</u>

