
**THE CORPORATION OF THE TOWNSHIP OF
MCGARRY**

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019 & 2018

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

INDEX TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 & 2018

	Page
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS	1
INDEPENDENT AUDITOR'S REPORT	2
STATEMENTS	
1 Consolidated Statement of Financial Position	4
2 Consolidated Statement of Operations and Accumulated Surplus	5
3 Consolidated Statement of Changes in Net Financial Assets	6
4 Consolidated Statement of Cash Flow	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SCHEDULES	
1 Consolidated Schedule of Tangible Capital Assets	17
2 Consolidated Schedule of Accumulated Surplus	18
3 Summary of User Charges and Other Sources of Financing	19
4 Consolidated Schedule of Segment Disclosure and Expense by Object	20
5 Public Library Board - Schedule of Financial Position and Financial Activities	22
6 Solaire McGarry Solar Inc. - Summary Financial Statements	23

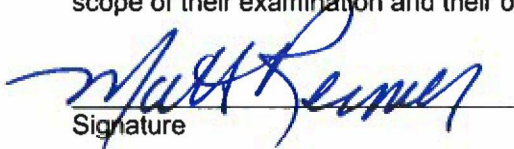
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the The Corporation of the Township of McGarry (the "Township") for the year ended December 31, 2019 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

Grant Thornton LLP
32 Prospect Avenue, Suite 3
PO Box 785
Kirkland Lake, ON
P2N 2V4

T +1 705-567-5205
F +1 705-567-6504
www.GrantThornton.ca

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, 2019, 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, 2019, 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Kirkland Lake, Canada
October 20, 2021

**Chartered Professional Accountants
Licensed Public Accountants**

STATEMENT 1

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION


AS AT DECEMBER 31

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 400,459	\$ 1,291,578
Taxes receivable	1,312,597	1,028,174
Accounts receivable	386,621	381,575
TOTAL FINANCIAL ASSETS	\$ 2,099,677	\$ 2,701,327
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	\$ 97,921	\$ 1,193,122
Deferred revenue	224,103	147,985
Landfill closure and post-closure liability (Note 10)	232,818	232,818
Net long-term liabilities (Note 6)	1,171,070	974,887
TOTAL FINANCIAL LIABILITIES	1,725,912	2,548,812
NET FINANCIAL ASSETS	373,765	152,515
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	9,856,872	9,642,701
ACCUMULATED SURPLUS (Schedule 2)	\$ 10,230,637	\$ 9,795,216

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

	-----2019-----		
	Actual	Budget (Note 12)	2018 Actual
REVENUES			
Municipal taxation	\$ 778,675	\$ 767,168	\$ 741,155
User charges (Schedule 3)	585,920	704,837	515,782
Government of Canada	2,160	-	38,138
Province of Ontario`			
Non-specific	1,259,732	1,276,893	2,402,444
Other (Schedule 3)	264,825	-	410,809
TOTAL REVENUES	2,891,312	2,748,898	4,108,328
EXPENSES			
General government	740,249	603,506	656,293
Protection to persons and property	324,598	605,829	245,164
Transportation services	329,482	413,785	330,911
Environmental services	648,759	253,098	709,532
Health services	53,204	159,926	85,275
Social and family services	83,097	71,797	79,060
Recreation and cultural services	276,502	185,169	232,786
TOTAL EXPENSES	2,455,891	2,293,110	2,339,021
ANNUAL SURPLUS	435,421	455,788	1,769,307
ACCUMULATED SURPLUS, beginning of year	9,795,216	9,795,216	8,025,909
ACCUMULATED SURPLUS, end of year	\$ 10,230,637	\$ 10,251,004	\$ 9,795,216

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEARS ENDED DECEMBER 31

	2019 Actual	2019 Budget (Note 12)	2018 Actual
ANNUAL SURPLUS	\$ 435,421	\$ 455,788	\$ 1,769,307
Acquisition of tangible capital assets	(563,650)	(809,597)	(2,447,368)
Amortization of tangible capital assets	349,479	-	303,163
CHANGE IN NET FINANCIAL ASSETS	221,250	(353,809)	(374,898)
NET FINANCIAL ASSETS, beginning of year	152,515	152,515	527,413
NET FINANCIAL ASSETS (NET DEBT), end of year	\$ 373,765	\$ (201,294)	\$ 152,515

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31

	2019	2018
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 435,421	\$ 1,769,307
ITEMS NOT AFFECTING CASH:		
Amortization of tangible capital assets	349,479	303,163
USES:		
Increase in taxes receivable	(284,423)	(95,840)
Increase in accounts receivable	(5,046)	(195,950)
Decrease in accounts payable and accrued liabilities	(1,095,201)	-
	(750,768)	11,373
SOURCES:		
Decrease in taxes receivable	-	-
Increase in accounts payable and accrued liabilities	-	1,079,588
Increase in deferred revenue	76,118	37,886
	(208,305)	1,117,474
CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	(523,652)	2,898,154
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(563,650)	(2,447,368)
CASH APPLIED TO CAPITAL ACTIVITIES	(563,650)	(2,447,368)
FINANCING ACTIVITIES		
Landfill closure and post-closure costs	-	9,965
Debt principal repayments	196,183	(131,922)
CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES	196,183	(121,957)
NET CHANGE IN CASH	(891,119)	328,829
CASH, beginning of year	1,291,578	962,749
CASH, end of year	\$ 400,459	\$ 1,291,578

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 & 2018

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, 2019 & 2018

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, 2019 & 2018

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	25 - 40 years
Machinery and equipment	10 - 20 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, 2019 & 2018

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 2019, the Township collected property taxes on the school boards' behalf. The amounts collected and remitted are summarized below:

	2019	2018
Amounts billed and remitted on behalf of school boards	\$ 63,184	\$ 63,469

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:

	2019	2018
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 109,773	\$ 109,791
Timiskaming Health Unit ("THU")	28,000	28,272

The Township is contingently liable for its share, which is approximately 2% (2018 - 2%) for the DTSSAB and an estimated 2% (2018 - 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, 2019 & 2018

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, 2019, the Township contributed \$14,430 (2018 - \$19,943) 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 \$268,178 (2018 - \$302,606) at year-end and the related interest expense amounted to \$14,058 (2018 - \$15,647).

(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 \$479,488 (2018 - \$516,149) at year-end and the related interest expense amounted to \$24,188 (2018 - \$25,876).

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

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 \$70,000 (2018 - \$84,000) at year-end and the related interest expense amounted to \$2,036 (2018 - \$2,391).

(d) CATERPILLAR FINANCIAL SERVICES LIMITED

The Township has arranged financing to purchase a 2015 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 \$1,972 (2018 - \$24,895) at year-end and the related interest expense amounted to \$658 (2018 - \$1,640).

(e) CATERPILLAR FINANCIAL SERVICES LIMITED

The Township has arranged financing to purchase a 2015 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 \$17,782 (2018 - \$NIL) at year-end and the related interest expense amounted to \$1,497 (2018 - \$2,786).

(f) JOHN DEERE CANADA ULC

The Township has arranged financing to purchase a 2018 grader. The loan bears interest at the rate of 4.99% per and is repayable in monthly payments of \$4,695. The loan matures on December 23, 2026 and is secured by the the grader. The balance of the net long-term liabilities reported on the Statement of Financial Position for the Caterpillar loan was \$333,650 (2018 - \$NIL) at year-end and the related interest expense amounted to \$NIL (2018 - \$NIL).

SUMMARY OF YEARLY LONG-TERM LIABILITY REPAYMENTS FOR MUNICIPAL ACTIVITIES

Year	Principal	Interest	Total
2020	\$ 153,455	\$ 27,521	\$ 180,976
2021	\$ 135,058	\$ 45,547	\$ 180,605
2022	\$ 141,025	\$ 38,350	\$ 179,375
2023	\$ 147,286	\$ 31,796	\$ 179,082
2024	\$ 153,856	\$ 325	\$ 154,181
subsequent to 2024	\$ 440,390	\$ 433,016	\$ 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, 2019, the balance of the temporary loan is \$NIL (2018 - \$NIL).

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

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 2019 charges from the Agency in the amount of \$73,726 (2018 - \$93,145).

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 (2018 - \$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 (2018 - \$931,271). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. To date, approximately 25% (2018 - 25%) of the site's capacity has been used. Therefore, as at December 31, 2019 an amount of \$232,818 (2018 - \$232,818) is reported as a liability on the Consolidated Statement of Financial Position.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 & 2018

10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY (Continued)

The estimated remaining capacity of the landfill site is 75% (608,742 cubic metres) (2018 - 75% (608,742 cubic metres)) of its total estimated capacity and its estimated remaining life is 75 years (2018 - 75 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.

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, 2019 & 2018

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	\$ 455,788
Adjustments:	
Net transfers from (to) reserves	353,809
Capital asset expenditures	(809,597)
Total adjustments	(455,788)
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	Roads, Streets and Bridges	Water and Sewer	2019	2018
Cost							
Opening costs	\$ 48,025	\$ 1,494,160	\$ 1,835,231	\$ 1,418,162	\$ 9,307,997	\$ 17,250,053	\$ 14,985,011
Additions during the year	-	-	510,926	-	3,199,202	563,650	2,265,042
Closing costs	48,025	1,494,160	2,346,157	1,418,162	12,507,199	17,813,703	17,250,053
Accumulated Amortization							
Opening accum'd amortization	-	1,346,275	1,415,238	1,293,939	3,551,900	7,607,352	7,486,515
Amortization	-	31,609	71,888	11,605	234,377	349,479	120,837
Closing accum'd amortization	-	1,377,884	1,487,126	1,305,544	3,786,277	7,956,831	7,607,352
Net Book Value of Tangible Capital Assets	\$ 48,025	\$ 116,276	\$ 859,031	\$ 112,618	\$ 8,720,922	\$ 9,856,872	\$ 9,642,701

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

YEARS ENDED DECEMBER 31

	2019	2018
RESERVES		
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
TOTAL RESERVES	499,586	499,586
RESERVE FUNDS		
Fire department	28,722	28,722
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	95,025
TOTAL RESERVE FUNDS	368,387	368,387
TOTAL RESERVES AND RESERVE FUNDS	\$ 867,973	\$ 867,973
SURPLUSES (DEFICITS)		
Invested in tangible capital assets	9,856,872	9,642,701
Sanitary sewage systems	140,518	(40,663)
Water supply system	(613,264)	(706,204)
General fund	1,382,426	1,239,114
Unfunded		
Landfill closure and post-closure liability	(232,818)	(232,818)
Long-term debt	(1,171,070)	(974,887)
TOTAL SURPLUSES	9,362,664	8,927,243
ACCUMULATED SURPLUS	\$10,230,637	\$ 9,795,216

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

SUMMARY OF USER CHARGES AND OTHER SOURCES OF FINANCING

YEARS ENDED DECEMBER 31

	2019 Actual	2018 Actual
USER CHARGES		
General government	\$ 3,826	\$ 5,931
Licenses and permits	3,401	4,516
Recreation	293	380
Sanitary sewers	403,887	337,878
Waterworks	174,513	167,077
	\$ 585,920	\$ 515,782
OTHER		
Donations	\$ 4,801	\$ 7,093
Investment income	3,783	1,077
Other	65,661	211,837
Penalties and interest	148,238	146,846
Rents and concessions	28,337	27,430
Sale of capital assets	-	2,752
Sale of goods	14,005	13,773
	\$ 264,825	\$ 410,808

SCHEDULE 4

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE AND EXPENSES BY OBJECT

YEAR ENDED DECEMBER 31, 2019

	Social and Family Services	Protection Services	Public Works Services	Environmental Services	Recreation and Cultural Services	Administration and Other Services	Capital	Consolidated 2019
REVENUES								
Taxation	\$ -	\$ 139,866	\$ 141,970	\$ -	\$ 119,142	\$ 377,697	\$ -	\$ 778,675
Sales of services and user fees	-	-	-	578,400	293	7,227	-	585,920
Government transfers	-	8,420	-	3,375	6,357	909,208	334,532	1,261,892
Other	-	-	-	-	-	264,825	-	264,825
TOTAL REVENUES	-	148,286	141,970	581,775	125,792	1,558,957	334,532	2,891,312
EXPENSES								
Salaries & benefits	2,247	30,447	172,725	70,938	89,815	318,895	-	685,067
Materials	10,935	48,835	96,446	106,899	135,031	316,941	-	715,087
Rent and Financial	-	-	-	-	-	22,479	-	22,479
Interest charges	-	-	4,192	38,246	-	-	-	42,438
Contracted services	4,653	204,322	17,403	198,099	22,665	79,551	-	526,693
External transfers	61,444	-	-	-	-	53,204	-	114,648
Transfers to own funds	-	-	-	-	-	-	-	-
Amortization	3,818	40,995	38,716	234,575	28,991	2,384	-	349,479
TOTAL EXPENSES	83,097	324,599	329,482	648,757	276,502	793,454	-	2,455,891
ANNUAL SURPLUS (DEFICIT)	\$ (83,097)	\$ (176,313)	\$ (187,512)	\$ (66,982)	\$ (150,710)	\$ 765,503	\$ 334,532	\$ 435,421

SCHEDULE 4 (CONTINUED)

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
REVENUES								
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
TOTAL REVENUES	-	121,275	150,511	554,305	126,222	1,454,041	1,701,973	4,108,327
EXPENSES								
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
Amortization	3,818	14,824	41,068	212,229	28,991	6,051	-	306,981
TOTAL EXPENSES	79,060	245,165	330,910	709,532	232,787	741,566	-	2,339,020
ANNUAL SURPLUS (DEFICIT)	\$ (79,060)	\$ (123,890)	\$ (180,399)	\$ (155,227)	\$ (106,565)	\$ 712,475	\$ 1,701,973	\$ 1,769,307

THE CORPORATION OF THE TOWNSHIP OF MCGARRY**PUBLIC LIBRARY BOARD - SCHEDULE OF FINANCIAL POSITION AND FINANCIAL ACTIVITIES****DECEMBER 31, 2019****SCHEDULE OF FINANCIAL POSITION**

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 2,824	\$ 3,944
Accounts receivable	148	543
TOTAL FINANCIAL ASSETS	\$ 2,972	\$ 4,487
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,500	\$ 1,500
LIBRARY POSITION		
CURRENT FUND	1,472	2,987
TOTAL FINANCIAL LIABILITIES	\$ 2,972	\$ 4,487

SCHEDULE OF FINANCIAL ACTIVITIES

	2019	2018
REVENUES		
GRANTS		
Municipal	\$ 40,932	\$ 47,944
Provincial	2,699	2,699
Federal	-	3,658
OTHER	878	2,050
TOTAL REVENUES	44,509	56,351
EXPENSES		
Materials	5,966	11,836
Office	5,740	13,516
Wages and benefits	34,318	36,597
TOTAL EXPENSES	46,024	61,949
CHANGE IN CURRENT FUND BALANCE	(1,515)	(5,598)
CURRENT FUND BALANCE, beginning of year	2,987	8,585
CURRENT FUND BALANCE, end of year	\$ 1,472	\$ 2,987

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

	2019	2018
ASSETS		
Cash	\$ 279,992	\$ 186,684
Accounts receivable	191,620	262,329
Prepaid expenses	7,024	6,796
Property and Equipment	3,942,184	4,164,196
Future Payment in Lieu of Taxes	104,123	65,630
TOTAL ASSETS	\$ 4,524,943	\$ 4,685,635
LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,035	\$ 25,263
Due to related parties	2,688,193	2,448,044
Current portion of long-term debt	134,478	129,167
	2,845,706	2,602,474
Long-term debt	2,407,992	2,542,470
	5,253,698	5,144,944
CAPITAL DEFICIENCY		
CAPITAL STOCK	100	100
ACCUMULATED DEFICIT	(728,855)	(459,409)
TOTAL LIABILITIES AND DEFICIENCY	\$ 4,524,943	\$ 4,685,635
Municipality's Investment	0	0

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

	2019	2018
SALES	\$ 234,621	\$ 219,452
COST OF SALES	6,455	5,545
GROSS MARGIN	228,166	213,907
EXPENSES		
Amortization	222,012	188,718
Insurance	13,820	13,519
Miscellaneous	1,754	491
Repairs and maintenance	27,201	5,272
Interest, bank charges and finance fees	266,243	298,959
Professional fees	5,075	57,834
TOTAL EXPENSES	536,105	564,793
LOSS BEFORE INCOME TAXES	(307,939)	(350,886)
FUTURE PAYMENT IN LIEU OF TAXES RECOVERY	38,493	42,806
NET LOSS	\$ (269,446)	\$ (308,080)
DEFICIENCY, BEGINNING OF YEAR	\$ (459,409)	\$ (151,329)
DEFICIENCY, END OF YEAR	\$ (728,855)	\$ (459,409)