

**CONSOLIDATED FINANCIAL REPORT**

**THE CORPORATION OF THE  
TOWNSHIP OF MCGARRY**

**DISTRICT OF TIMISKAMING**

**YEAR ENDED DECEMBER 31, 2022**

## INDEX

### THE CORPORATION OF THE TOWNSHIP OF MCGARRY

	<b>Page Number</b>
Management's Responsibility for the Financial Statements	1
Auditors' Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Debt	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 22

## 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.

  
Mayor  
Bonita Culhane

  
Clerk-Treasurer  
Karine Pelletier

## **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, 2022, 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, 2022, 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 7, 2023

**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, 2022**

	2022	2021
<b>FINANCIAL ASSETS</b>		
Cash	\$ 325,520	\$ 784,697
Short-term investments – note 4	260,164	-
Taxes receivable	990,623	1,083,169
Accounts receivable	410,974	252,676
	<u>1,987,281</u>	<u>2,120,542</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	185,422	219,607
Deferred revenue – other – note 6	425,591	201,053
Deferred revenue – obligatory reserve funds – note 7	267,126	270,002
Solid waste landfill closure and post-closure liability – note 8	291,181	258,254
Municipal debt – note 9	794,210	882,193
Deficiency in Government Business Partnership – note 10	818,819	549,544
	<u>2,782,349</u>	<u>2,380,653</u>
Contingent liabilities and commitments – note 12		
<b>NET DEBT</b>	(795,068)	(260,111)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets – note 15	9,545,972	9,460,235
Inventories of supplies	95,668	81,884
	<u>9,641,640</u>	<u>9,542,119</u>
<b>ACCUMULATED SURPLUS – note 11</b>	\$ 8,846,572	\$ 9,282,008

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, 2022

	(Note 13) 2022 Budget	2022 Actual	2021 Actual
<b>REVENUES</b>			
Operating revenues			
Municipal taxation	\$ 841,321	\$ 801,374	\$ 785,083
User charges	489,150	486,511	493,743
Provincial grants	716,574	665,899	686,985
Federal grants	8,570	19,370	16,244
Federal gas tax	-	14,859	1,491
Investment income	17,000	21,436	15,850
Penalties and interest on taxes	210,000	95,559	102,886
Provincial Offences Act revenues	7,800	23	7,753
Gain on disposal of tangible capital assets	-	5,000	7,250
Loss from Government Business Partnership	-	(269,275)	(64,115)
Other	17,809	21,808	4,834
	<u>2,308,224</u>	<u>1,862,564</u>	<u>2,058,004</u>
Capital revenues			
Provincial grants	220,000	22,921	1,212
Federal grants	267,500	241,892	1,454
Federal gas tax	38,629	27,187	66,337
	<u>526,129</u>	<u>292,000</u>	<u>69,003</u>
Total revenues	<u>2,834,353</u>	<u>2,154,564</u>	<u>2,127,007</u>
<b>EXPENDITURES</b>			
General government	630,894	741,124	698,784
Protection to persons and property	274,389	227,950	246,904
Transportation services	519,665	381,137	342,813
Environmental services	625,091	830,430	689,055
Health services	119,118	121,056	112,229
Social and family services	57,804	58,284	58,559
Recreation and cultural services	200,886	216,808	201,443
Planning and Development services	51,629	13,211	-
Total expenditures	<u>2,479,476</u>	<u>2,590,000</u>	<u>2,349,787</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	354,877	(435,436)	(222,780)
Accumulated surplus, beginning of year	<u>9,282,008</u>	<u>9,282,008</u>	<u>9,504,788</u>
<b>ACCUMULATED SURPLUS, END OF YEAR – note 11</b>	<u>\$ 9,636,885</u>	<u>\$ 8,846,572</u>	<u>\$ 9,282,008</u>

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, 2022

	(Note 13) 2022 Budget	2022 Actual	2021 Actual
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 354,877	\$ (435,436)	\$ (222,780)
Acquisition of tangible capital assets	(461,000)	(422,310)	(117,619)
Amortization of tangible capital assets	336,573	336,573	330,248
Gain on disposal of tangible capital assets	-	(5,000)	(7,250)
Proceeds on sale of tangible capital assets	-	5,000	7,250
	<u>(124,427)</u>	<u>(85,737)</u>	<u>212,629</u>
Acquisition of inventories of supplies	-	(13,784)	(2,244)
<b>Increase (decrease) in net financial assets (net debt)</b>	230,450	(534,957)	(12,395)
Net debt, beginning of year	<u>(260,111)</u>	<u>(260,111)</u>	<u>(247,716)</u>
<b>NET DEBT, END OF YEAR</b>	<u>\$ (29,661)</u>	<u>\$ (795,068)</u>	<u>\$ (260,111)</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, 2022

	2022	2021
<b>Operating activities</b>		
Annual deficit	\$ (435,436)	\$ (222,780)
Charges not affecting cash –		
Amortization of tangible capital assets	336,573	330,248
Gain on disposal of tangible capital assets	(5,000)	(7,250)
Share of loss of Solaire McGarry Solar Inc.	269,275	64,115
	<u>165,412</u>	<u>164,333</u>
Net change in non-cash working capital items –		
Taxes receivable	92,546	(20,956)
Accounts receivable	(158,298)	(54,261)
Inventories of supplies	(13,784)	(2,244)
Accounts payable and accrued liabilities	(34,186)	8,938
Deferred revenue – other	224,538	50,377
Deferred revenue – obligatory reserve funds	(2,876)	8,102
Solid waste landfill closure and post-closure liability	32,927	8,984
	<u>140,867</u>	<u>(1,060)</u>
Cash provided by operating activities	<u>306,279</u>	<u>163,273</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(422,310)	(117,619)
Proceeds from sale of tangible capital assets	5,000	7,250
Cash used for capital activities	<u>(417,310)</u>	<u>(110,369)</u>
<b>Financing activities</b>		
New debt issued	56,418	-
Debt repayments	(144,400)	(135,058)
Cash used for financing activities	<u>(87,982)</u>	<u>(135,058)</u>
<b>Decrease in cash</b>	<u>(199,013)</u>	<u>(82,154)</u>
Cash and cash equivalents, beginning of year	<u>784,697</u>	<u>866,851</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 585,684</u>	<u>\$ 784,697</u>
<b>Represented by</b>		
Cash	\$ 325,520	\$ 784,697
Short term investment	260,164	-
	<u>\$ 585,684</u>	<u>784,697</u>
<b>Supplemental cash flow information</b>		
Interest paid	\$ 40,123	\$ 46,061

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, 2022

---

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, 2022

---

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) **Cash and cash equivalents**

Cash consists of balances held at financial institutions and all cash equivalents consist of highly liquid financial instruments.

(iii) **Inventories**

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

(iv) **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, 2022

---

1. **Accounting policies – continued**

(v) **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, 2022

#### 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:

	2022	2021
	\$ 59,401	\$ 59,377

#### 3. Contributions to non-consolidated Joint Boards

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

	2022	2021
Timiskaming Health Unit	\$ 32,231	\$ 31,599
District of Timiskaming Social Services Administration Board	\$ 116,368	\$ 115,284

#### 4. Short-term investments

The short-term investments of \$260,164 (2021 \$nil) are classified as held for trading due to their short-term nature and are recorded at market value.

#### 5. Short-term debt

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 2021-03, bears interest at prime plus 0.25%. As at December 31, 2022, the outstanding balance of the line of credit was \$nil (2021 \$nil).

#### 6. Deferred revenue – other

Deferred revenue – other consists of the following:

	December 31 2021	Funds Received	Revenue Earned	December 31 2022
Provincial grant - OCIF	\$ 201,053	\$ 100,482	\$ 5,706	\$ 295,829
Provincial grant - NORDS	-	129,762	-	129,762
	\$ 201,053	\$ 230,244	\$ 5,706	\$ 425,591

Ontario Community Infrastructure Funds – Formula based Component includes \$100,000 of funding plus \$483 interest.

Northern Ontario Resource Development Support – Project based for Water & Sewer project.

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

#### 7. Deferred revenue – obligatory reserve funds

Deferred revenue – obligatory reserve funds consist of the following:

	December 31 2021	Funds Received	Revenue Earned	December 31 2022
Federal Gas Tax	\$ 270,002	\$ 39,171	\$ 42,047	\$ 267,126

Federal Gas Tax funds includes \$38,629 received from AMO plus \$542 interest.

#### 8. 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 206,114 cubic meters, leaving an estimated remaining capacity of 605,542 cubic meters. The estimated life of the landfill site is 72 years and post-closure care is estimated to be required for 25 years from the date of site closure.

The discount factor used is 4.65% net of inflation of 1.97%. The liability as at December 31, 2022 is \$291,181 (2021 \$258,254). 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 \$7,470,033.

#### 9. Municipal debt

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

	2022	2021
<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, maturing January 2026.	\$ 154,575	\$ 194,245
Ontario Strategic Infrastructure Financing Authority (OSIFA) debenture to assist with sewage treatment infrastructure, repayable in blended semi-annual payments of \$30,425 including interest at 4.77%, secured by future Province of Ontario funding, maturing December 2029.	358,542	400,772
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.	28,000	42,000
Scotiabank Loan for 2022 Chevy Silverado truck, repayable in blended monthly payments of \$772 including interest at 4.08%, secured by the vehicle with a carrying value of \$51,619, maturing July 2029.	53,042	-
Total loans and debentures	594,159	637,017

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

#### 8. Municipal debt - continued

##### Long-term capital lease

John Deere Canada ULC capital lease to purchase a 2018 grader, repayable in blended monthly payments of \$4,695 including interest at 4.99%, secured by the grader with a carrying value of \$266,920, maturing November 2026.

200,051	245,176
---------	---------

Total municipal debt

\$ 794,210	\$ 882,193
------------	------------

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

2023	\$ 155,343
2024	161,913
2025	154,807
2026	133,104
2027	61,512
Thereafter	<u>127,531</u>
	<u>\$ 794,210</u>

In 2022, interest expense of \$40,123 (2021 \$46,061) has been reflected in the Consolidated Statement of Operations.

#### 10. 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.

The audited statements for Solaire McGarry Solar Inc. were prepared on a going concern basis, but did identify that there was a material uncertainty related to going concern since the company incurred a loss of \$538,550 during the year ended December 31, 2022 and, as of that date, the company's total liabilities exceeded its total assets by \$1,637,638. The continuation of the company is dependent upon the continued availability of operating and long-term financing and achieving and maintaining a profitable level of operations. Management of the company are continuing to actively address the situation by increasing revenue, controlling costs and working with the company's creditors in order to ensure that it is able to meet its financing requirements. Management is also considering divestment. As the outcome of management's actions is dependent on future events, there is no certainty that management will be able to satisfactorily resolve these issues.

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

#### 10. Government Business Enterprise – continued

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

	2022	2021
Purchase of share capital (50 Class B shares)	\$ 50	\$ 50
Township's share of accumulated operating losses	(818,869)	(549,594)
	<u>\$ (818,819)</u>	<u>\$ (549,544)</u>

- (b) The following schedules provide condensed supplementary financial information for the year ended December 31, 2022 of Solaire McGarry Solar Inc.

<u>Financial position</u>	2022	2021
Current assets	\$ 243,224	\$ 372,888
Capital assets	3,292,641	3,515,623
Future income taxes	-	178,211
Total assets	<u>\$ 3,535,865</u>	<u>\$ 4,066,722</u>
Current liabilities	\$ 14,111	\$ 4,156
Due to related parties	3,037,589	2,893,771
Current portion of long-term debt	152,412	146,080
Long-term debt	1,969,391	2,121,803
Total liabilities	5,173,503	5,165,810
Capital stock	100	100
Accumulated deficit	(1,637,738)	(1,099,188)
Total liabilities and accumulated deficits	<u>\$ 3,535,865</u>	<u>\$ 4,066,722</u>
<u>Statement of loss</u>		
Sale of energy	\$ 175,498	\$ 273,148
Expenses	(535,837)	(544,557)
Other income	-	100,000
Future recovery of income taxes	(178,211)	43,280
Net loss	<u>\$ (538,550)</u>	<u>\$ (128,129)</u>

- (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 (2021 \$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, 2022

#### 11. Accumulated surplus

The accumulated surplus is made up of the following:

	2022	2021
<b>Reserves, surpluses and deficits</b>		
Roads capital projects reserve	\$ 4,335	\$ 4,335
Safe restart reserve	8,470	9,940
Working funds reserve	109,707	109,707
Equipment replacement reserve	280,850	280,850
Waste site reserve	104,694	104,694
General fund	478,800	842,298
Sanitary sewer system	298,743	287,384
Water supply system	(562,856)	(587,577)
Library surplus	18,012	9,861
Deficit in Solaire McGarry Solar	(818,819)	(549,544)
	<u>(78,064)</u>	<u>511,948</u>
<b>Reserve funds</b>		
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	12,770	12,771
	<u>368,387</u>	<u>368,388</u>
<b>Amounts to be recovered</b>		
Landfill closure and post-closure liability	(291,181)	(258,254)
Unfinanced municipal debt	(794,210)	(882,193)
	<u>(1,085,391)</u>	<u>(1,140,447)</u>
<b>Net debt</b>	<u>(795,068)</u>	<u>(260,111)</u>
<b>Non-financial assets</b>		
Invested in tangible capital assets	9,545,972	9,460,235
Inventories of supplies	95,668	81,884
	<u>9,641,640</u>	<u>9,542,119</u>
<b>Accumulated surplus</b>	<u>\$ 8,846,572</u>	<u>\$ 9,282,008</u>

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, 2022

---

#### 12. **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, 2022, the Township contributed \$34,098 (2021 \$39,265) 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, 2022, OMERS had a funding deficit of \$6.7 billion (2021 \$3.1 billion) and Net Assets Available for Benefits of \$124 billion (2021 \$120.9 billion).

#### 13. **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>2022</u>
Tax levy budget surplus for the year – as below	\$ 82,102
Add: Capital expenditures	461,000
Debt repayments	148,348
Less: Estimated amortization	<u>(336,573)</u>
Budget surplus per Consolidated Statement of Operations – page 5	<u>\$ 354,877</u>

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

#### 13. Budgeting (continued)

	Budget 2022	Actual 2022	Actual 2021
<b>REVENUES</b>			
Operating			
Municipal taxation	\$ 841,321	\$ 801,374	\$ 785,083
User charges	489,150	486,511	493,743
Provincial grants	716,574	665,899	686,985
Federal grants	8,570	19,370	16,244
Federal gas tax	-	14,859	1,491
Investment income	17,000	21,436	15,850
Penalties and interest on taxes	210,000	95,559	102,886
Provincial Offences Act revenues	7,800	23	7,753
Proceeds on sale of tangible capital assets	-	5,000	7,250
Loss from Government Business Partnership	-	(269,275)	(64,115)
Other	17,809	21,808	4,834
	<u>2,308,224</u>	<u>1,862,564</u>	<u>2,058,004</u>
Capital			
Provincial grants	220,000	22,921	1,212
Federal grants	267,500	241,892	1,454
Federal gas tax	38,629	27,187	66,337
	<u>526,129</u>	<u>292,000</u>	<u>69,003</u>
Total revenues	<u>2,834,353</u>	<u>2,154,564</u>	<u>2,127,007</u>
<b>EXPENDITURES</b>			
Operating expenditure			
General government	627,123	737,353	694,978
Protection to persons and property	263,814	217,375	236,329
Transportation services	460,490	321,962	289,373
Environmental services	374,089	579,428	438,325
Health services	115,300	117,238	108,411
Social and family services	57,804	58,284	58,559
Recreation and cultural services	192,654	208,576	193,564
	<u>51,629</u>	<u>13,211</u>	<u>-</u>
	<u>2,142,903</u>	<u>2,253,427</u>	<u>2,019,539</u>
Capital expenditures	461,000	422,310	117,619
Long-term debt repayments	148,348	144,400	135,058
Total expenditures	<u>2,752,251</u>	<u>2,820,137</u>	<u>2,272,216</u>
<b>Surplus (deficit), tax levy budget base</b>	<u>\$ 82,102</u>	<u>\$ (665,573)</u>	<u>\$ (145,209)</u>

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

---

#### 14. **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 Township 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, 2022

#### 14. Segmented information – continued

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning Development Services	Total 2022	Total 2021
<b>Revenues</b>										
Operating revenues										
Municipal taxation	\$ 801,374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 801,374	\$ 785,083
User charges	7,047	5,370	-	447,462	7,200	-	19,432	-	486,511	493,743
Provincial grants	635,385	-	-	16,748	-	-	13,766	-	665,899	686,985
Federal grants	-	-	18,000	-	-	-	1,370	-	19,370	16,244
Federal gas tax	-	-	-	-	-	-	-	14,859	14,859	1,491
Investment income	21,436	-	-	-	-	-	-	-	21,436	15,850
Penalties and interest on taxes	95,559	-	-	-	-	-	-	-	95,559	102,886
Provincial Offences Act revenues	-	23	-	-	-	-	-	-	23	7,753
Gain on disposal of tangible capital asset	-	-	5,000	-	-	-	-	-	5,000	7,250
Loss from Government Business	(269,275)	-	-	-	-	-	-	-	(269,275)	(64,115)
Partnership	1,715	-	1,278	-	-	-	18,815	-	21,808	4,834
Other	1,293,241	5,393	24,278	464,210	7,200	-	53,383	14,859	1,862,564	2,058,004
<b>Capital revenues</b>										
Provincial grants	-	-	18,000	4,921	-	-	-	-	22,921	1,212
Federal grants	-	-	72,000	5,058	-	-	164,834	-	241,892	1,454
Federal gas tax	-	-	-	27,187	-	-	-	-	27,187	66,337
Total revenues	1,293,241	5,393	114,278	501,376	7,200	-	218,217	14,859	2,154,564	2,127,007
<b>Expenditures</b>										
Wages and benefits	343,425	33,556	167,801	91,480	2,140	-	74,892	-	713,294	686,645
Long-term interest	-	-	12,688	27,435	-	-	-	-	40,123	46,061
Materials	326,072	40,819	100,698	154,323	12,227	-	122,055	-	756,194	631,206
Contracted services	60,062	143,000	40,775	306,190	11,870	-	11,629	13,211	586,737	500,808
Rents and financial expenses	7,794	-	-	-	-	-	-	-	7,794	7,936
External transfers	-	-	-	-	91,001	58,284	-	-	149,285	146,883
Amortization	3,771	10,575	59,175	251,002	3,818	-	8,232	-	336,573	330,248
Total expenditures	741,124	227,950	381,137	830,430	121,056	58,284	216,808	13,211	2,590,000	2,349,787
<b>Annual surplus (deficit)</b>	\$ 552,117	\$ (222,557)	\$ (266,859)	\$ (329,054)	\$ (113,856)	\$ (58,284)	\$ 1,409	\$ 1,648	\$ (435,436)	\$ (222,780)

**THE CORPORATION OF THE TOWNSHIP OF MCGARRY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

15. Schedule of tangible capital assets

Schedule of tangible capital assets										2022								
	Opening Cost		Additions		Disposals		Ending Cost		Opening Accumulated Amortization		Current Amortization		Disposals		Ending Accumulated Amortization		Net Assets	
	Dec 31, 2021						Dec 31, 2022		Dec 31, 2021				Dec 31, 2021			Dec 31, 2022		Dec 31, 2022
General																		
Land	\$	90,106	\$	-	\$	-	\$	90,106	\$	-	\$	-	\$	-	\$	-	\$	90,106
Buildings		8,377,366		-		-		8,377,366		4,260,531		180,381		-		4,440,912		3,936,454
Equipment		1,425,027		7,057		-		1,432,084		1,030,034		33,416		30,254		1,063,450		368,634
Vehicles		618,048		57,354		30,254		645,148		426,268		23,109		-		419,123		226,025
Leased vehicles		333,650		-		-		333,650		50,047		16,683		-		66,730		266,920
Infrastructure																		
Roads, bridges and culverts		1,485,685		-		-		1,485,685		1,392,522		9,644		-		1,402,166		83,519
Underground networks		5,552,037		27,187		-		5,579,224		1,277,581		73,340		-		1,350,921		4,228,303
Construction in progress		15,299		330,712		-		346,011		-		-		-		-		346,011
Total	\$	17,897,218	\$	422,310	\$	30,254	\$	18,289,274	\$	8,436,983	\$	336,573	\$	30,254	\$	8,743,302	\$	9,545,972

**FOR THE YEAR ENDED DECEMBER 31, 2022**

	2021									
	2021					2020				
	Opening Cost	Disposals	Ending Cost	Opening Accumulated Amortization	Current Amortization	Disposals	Ending Accumulated Amortization	Net Assets		
General	Dec 31, 2020	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2020	Dec 31, 2020	Dec 31, 2021	Dec 31, 2021	Dec 31, 2021	Dec 31, 2021
Land	\$ 48,025	\$ 42,081	\$ 90,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,106	\$ 90,106
Buildings	8,371,825	5,541	8,377,366	4,080,150	180,381	-	4,260,531	4,116,835	4,116,835	4,116,835
Equipment	1,370,329	54,698	1,425,027	996,936	33,098	-	1,030,034	394,993	394,993	394,993
Vehicles	722,048	-	618,048	512,894	17,374	104,000	426,268	191,780	191,780	191,780
Leased vehicles	333,650	-	333,650	33,364	16,683	-	50,047	283,603	283,603	283,603
Infrastructure										
Roads, bridges and culverts	1,485,685	-	1,485,685	1,382,878	9,644	-	1,392,522	93,163	93,163	93,163
Underground networks	5,552,037	-	5,552,037	1,204,513	73,068	-	1,277,581	4,274,456	4,274,456	4,274,456
Construction in progress	-	15,299	15,299	-	-	-	-	15,299	15,299	15,299
<b>Total</b>	<b>\$ 17,883,599</b>	<b>\$ 117,619</b>	<b>\$ 17,897,218</b>	<b>\$ 8,210,735</b>	<b>\$ 330,248</b>	<b>\$ 104,000</b>	<b>\$ 8,436,983</b>	<b>\$ 9,460,235</b>	<b>\$ 9,460,235</b>	<b>\$ 9,460,235</b>

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

#### 16. Public Library board

##### Financial Position

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 19,849	\$ 11,848
Accounts receivable	901	1,402
	<u>20,750</u>	<u>13,250</u>
Liabilities		
Accounts payable and accrued liabilities	-	651
Net Financial Assets and accumulated surplus	<u>\$ 20,750</u>	<u>\$ 12,599</u>

##### Schedule of Operations

	<u>2022</u>	<u>2021</u>
Revenue		
Grants - municipal	\$ 38,707	\$ 48,618
Grants - provincial	2,699	2,699
Other	3,507	1,075
Total revenue	<u>44,913</u>	<u>52,392</u>
Expenditures		
Salaries and benefits	14,703	23,257
Professional fees	2,000	1,400
Materials	13,751	10,956
Office	6,308	4,657
Total expenditures	<u>36,762</u>	<u>40,270</u>
Annual surplus	8,151	12,122
Accumulated surplus, beginning of year	<u>12,599</u>	<u>477</u>
Accumulated surplus, end of year	<u>\$ 20,750</u>	<u>\$ 12,599</u>
Accumulated surplus is made up of:	<u>2022</u>	<u>2021</u>
Operating surplus	\$ 18,012	\$ 9,861
Reserve fund	<u>2,739</u>	<u>2,738</u>
	<u>\$ 20,750</u>	<u>\$ 12,599</u>