
**THE CORPORATION OF THE TOWNSHIP
OF MCGARRY**

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2016 & 2015

CORPORATION OF THE
TOWNSHIP OF MCGARRY

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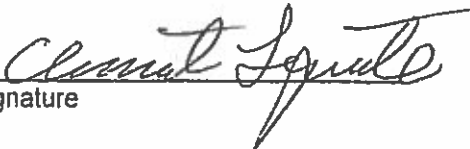
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the The Corporation of the Township of McGarry (the "Municipality") for the year ended December 31, 2016 are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

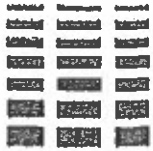
The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by Management.

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

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


Signature


Signature



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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Ross Pope LLP

Kirkland Lake, Ontario
September 25, 2017

ROSS POPE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

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

COMMITMENTS (Note 8)

Approved by:



 Mayor



 Clerk / Treasurer

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31

	-----2016-----		2015 Actual
	Actual	Budget (unaudited)	
REVENUES			
Municipal taxation	\$ 738,405	\$ 722,569	\$ 660,744
User charges (Schedule 4)	590,717	176,252	462,244
Government of Canada	36,880	-	35,257
Province of Ontario			
Non-specific	1,190,523	698,075	714,713
Other (Schedule 4)	167,629	-	241,385
TOTAL REVENUES	2,724,154	1,596,896	2,114,343
EXPENSES			
CURRENT OPERATIONS			
General government	478,768	491,181	463,151
Protection to persons and property	234,926	214,890	234,913
Transportation services	310,418	394,242	304,396
Environmental services	693,647	73,115	726,031
Health services	84,737	98,806	72,091
Social and family services	84,296	65,391	82,614
Recreation and cultural services	270,240	156,910	254,314
	2,156,932	1,494,535	2,137,510
TOTAL EXPENSES	2,156,932	1,494,535	2,137,510
ANNUAL SURPLUS (DEFICIT)	567,222	102,361	(23,167)
ACCUMULATED SURPLUS, beginning of year	7,432,477	7,432,477	7,455,644
ACCUMULATED SURPLUS, end of year	\$ 7,999,699	\$ 7,534,838	\$ 7,432,477

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEARS ENDED DECEMBER 31

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 & 2015

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position reports the assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the change in net financial assets for the year.

(a) REPORTING ENTITY

(i) Consolidated Entities

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

Public Library Board
Waterworks System
Solaire McGarry Solar Inc.

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

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

(ii) Non-consolidated Entities

The following joint local boards are not consolidated:

District of Timiskaming Social Services Administration Board
Timiskaming Health Unit

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(iii) Accounting for School Board Transactions

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

(b) BASIS OF ACCOUNTING

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

(i) Taxes Receivable and Related Revenues

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

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

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

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

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

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

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(ii) Accounts Receivable and User Charges Receivable

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

(iii) Inventories

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

(iv) Tangible Capital Assets

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

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

General capital:

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

Infrastructure:

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

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

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

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

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Deferred Revenue

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

(vi) Reserves and Reserve Funds

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

(vii) Government Transfers

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

(viii) Fees and User Charges

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

(ix) Use of Estimates and Measurement Uncertainty

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

(x) Consolidation of Government Business Enterprises

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

3. OPERATIONS OF SCHOOL BOARDS

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

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2016 & 2015

4. CONTRIBUTIONS TO NON-CONSOLIDATED JOINT LOCAL BOARDS

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

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

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

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

5. PENSION AGREEMENT

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

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

6. NET LONG-TERM LIABILITIES

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

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

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

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