
**THE CORPORATION OF THE TOWNSHIP OF
MCGARRY**

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2017 & 2016

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

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YEARS ENDED DECEMBER 31, 2017 & 2016

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Management's Responsibility for the Consolidated Financial Statements


The accompanying consolidated financial statements of the The Corporation of the Township of McGarry (the "Township") for the year ended December 31, 2017 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

An instinct for growth™

Grant Thornton LLP
6 Al Wende Avenue
PO Box 785
Kirkland Lake, ON
P2N 3K4

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, 2017, and the consolidated statements of operations, changes in net financial assets and cash flow 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 Township as at December 31, 2017 and the results of its operations, changes in net financial assets and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Independent Auditor's Report to the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of McGarry (continued)

Other Matter

The financial statements of the The Corporation of the Township of McGarry for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on September 25, 2017.

Grant Thornton LLP

Kirkland Lake, Canada
November 12, 2018

**Chartered Professional Accountants
Licensed Public Accountants**

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION


AS AT DECEMBER 31

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 962,749	\$ 1,438,398
Taxes receivable	932,334	821,802
Accounts receivable	185,625	208,509
TOTAL FINANCIAL ASSETS	\$ 2,080,708	\$ 2,468,709
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	\$ 113,535	\$ 216,049
Deferred revenue	110,099	73,920
Landfill closure and post-closure liability (Note 10)	222,854	208,673
Net long-term liabilities (Note 6)	1,106,807	1,233,425
TOTAL FINANCIAL LIABILITIES	1,553,295	1,732,067
NET FINANCIAL ASSETS	527,413	736,642
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	7,498,496	7,263,057
ACCUMULATED SURPLUS (Schedule 2)	\$ 8,025,909	\$ 7,999,699

COMMITMENTS (Note 8)

CONTINGENCIES (Note 4)

Approved by:



 Mayor



 Clerk / Treasurer

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

	-----2017-----		2016 Actual
	Actual	Budget (Note 12)	
REVENUES			
Municipal taxation	\$ 671,681	\$ 723,643	\$ 738,405
User charges (Schedule 3)	525,923	302,591	590,717
Government of Canada	5,704	-	36,880
Province of Ontario			
Non-specific	903,457	727,580	1,190,523
Other (Schedule 3)	176,006	-	167,629
TOTAL REVENUES	2,282,771	1,753,814	2,724,154
EXPENSES			
General government	539,930	382,953	478,768
Protection to persons and property	247,333	261,511	234,926
Transportation services	326,251	483,058	310,418
Environmental services	747,211	344,198	693,547
Health services	67,298	100,153	84,737
Social and family services	78,414	63,500	84,296
Recreation and cultural services	250,124	195,100	270,240
TOTAL EXPENSES	2,256,561	1,830,473	2,156,932
ANNUAL SURPLUS (DEFICIT)	26,210	(76,659)	567,222
ACCUMULATED SURPLUS, beginning of year	7,999,699	7,999,699	7,432,477
ACCUMULATED SURPLUS, end of year	\$ 8,025,909	\$ 7,923,040	\$ 7,999,699

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEARS ENDED DECEMBER 31

	2017 Actual	2017 Budget (Note 12)	2016 Actual
ANNUAL SURPLUS (DEFICIT)	\$ 26,210	\$ (76,659)	\$ 567,222
Acquisition of tangible capital assets	(552,098)	(240,000)	(206,890)
Amortization of tangible capital assets	316,659	316,659	319,227
CHANGE IN NET FINANCIAL ASSETS	(209,229)	-	679,559
NET FINANCIAL ASSETS, beginning of year	736,642	736,642	57,083
NET FINANCIAL ASSETS, end of year	\$ 527,413	\$ 736,642	\$ 736,642

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31

	2017	2016
OPERATING ACTIVITIES		
ANNUAL SURPLUS (DEFICIT)	\$ 26,210	\$ 567,222
ITEMS NOT AFFECTING CASH:		
Amortization of tangible capital assets	316,659	319,227
USES:		
Increase in taxes receivable	(110,532)	-
Increase in accounts receivable	-	(44,757)
Decrease in accounts payable and accrued liabilities	(102,516)	-
	214,143	274,470
SOURCES:		
Decrease in taxes receivable		26,229
Decrease in accounts receivable	22,884	-
Increase in accounts payable and accrued liabilities	-	100,235
Increase in deferred revenue	36,179	-
	(51,469)	126,464
CASH PROVIDED BY OPERATING ACTIVITIES	188,884	968,156
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(552,098)	(206,890)
CASH APPLIED TO CAPITAL ACTIVITIES	(552,098)	(206,890)
FINANCING ACTIVITIES		
Landfill closure and post-closure costs	14,181	11,812
Debt principal repayments	(126,616)	(121,555)
CASH APPLIED TO FINANCING ACTIVITIES	(112,435)	(109,743)
NET CHANGE IN CASH	(475,649)	651,523
CASH, beginning of year	1,438,398	786,875
CASH, end of year	\$ 962,749	\$ 1,438,398

See accompanying notes and schedules.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 & 2016

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, 2017 & 2016

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, 2017 & 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Inventories

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

(v) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of an asset. Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are recorded as revenue in the year of contribution. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available. The Township does not capitalize interest charges as part of the cost of its tangible capital assets.

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

General capital:

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

Infrastructure:

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

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is put into service.

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

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

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

(vi) Deferred Revenue

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

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 & 2016

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 2017, the Township collected property taxes on the school boards' behalf. The amounts collected and remitted are summarized below:

	2017	2016
Amounts billed and remitted on behalf of school boards	\$ 61,390	\$ 62,641

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:

	2017	2016
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 107,961	\$ 107,502
Timiskaming Health Unit ("THU")	20,784	29,455

The Township is contingently liable for its share, which is approximately 2% (2016 - 2%) for the DTSSAB and an estimated 2% (2016 - 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, 2017 & 2016

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, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million with respect to benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 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, 2017, the Township contributed \$25,778 (2016 - \$26,279) 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 \$335,446 (2016 - \$366,771) at year-end and the related interest expense amounted to \$18,607 (2016 - \$23,751).

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

The Township has arranged a debenture not to exceed \$778,750 to assist with the sewage treatment infrastructure. The loan, authorized by By-law 2009-39, bears interest at the floating rate per annum which was 4.78% as at the date of the advance and is repayable in blended semi-annual payments of \$30,425. The loan matures on December 1, 2029 and is secured by future Province of Ontario funding. The balance of the net long-term liabilities reported on the Statement of Financial Position for the OSIFA loan was \$551,122 (2016 - \$584,485) at year-end and the related interest expense amounted to \$NIL (2016 - \$NIL).

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 & 2016

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 \$98,000 (2016 - \$112,000) at year-end and the related interest expense amounted to \$3,107 (2016 - \$3,453).

(d) CATERPILLAR FINANCIAL SERVICES LIMITED

The Township has arranged financing to purchase a 2015 Caterpillar 420FIT Backhoe loader. The loan, authorized by Resolution No. 02/15, bears interest at the rate of 4.45% per and is repayable in monthly payments of \$1,965. The loan matures on January 30, 2020 and is secured by the backhoe loader. The balance of the net long-term liabilities reported on the Statement of Financial Position for the Caterpillar loan was \$46,835 (2016 - \$67,822) at year-end and the related interest expense amounted to \$3,509 (2016 - \$3,981).

(e) CATERPILLAR FINANCIAL SERVICES LIMITED

The Township has arranged financing to purchase a 2015 Caterpillar Model 930K Wheel Loader. The loan, authorized by Resolution No. 108/15, bears interest at the rate of 4.45% per and is repayable in monthly payments of \$2,579. The loan matures on July 23, 2020 and is secured by the the loader. The balance of the net long-term liabilities reported on the Statement of Financial Position for the Caterpillar loan was \$75,404 (2016 - \$102,347) at year-end and the related interest expense amounted to \$5,180 (2016 - \$2,492).

SUMMARY OF YEARLY LONG-TERM LIABILITY REPAYMENTS FOR MUNICIPAL ACTIVITIES

Year	Principal	Interest	Total
2018	\$ 131,920	\$ 49,056	\$ 180,976
2019	\$ 137,472	\$ 43,133	\$ 180,605
2020	\$ 108,273	\$ 71,102	\$ 179,375
2021	\$ 92,125	\$ 86,957	\$ 179,082
2022	\$ 95,900	\$ 48,281	\$ 144,181
subsequent to 2022	\$ 541,117	\$ 332,289	\$ 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, 2017, the balance of the temporary loan is \$NIL (2016 - \$NIL).

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 & 2016

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 2017 charges from the Agency in the amount of \$96,504 (2016 - \$75,098).

(b) CONTRACTUAL OBLIGATION - SOLAIRE MCGARRY SOLAR INC.

The Township's investment in SMSI estimates a further \$1.5 million of expenditures will be required to complete infrastructure necessary to begin operations. SMSI is also expected to have to obtain commercial financing to offset temporary financing provided by Energie Kapuskasing Energy Inc. (the Township's partner in SMSI).

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 (2016 - \$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 6%.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 & 2016

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

Total landfill closure and post-closure care expenditures are estimated at \$227,837 (2016 - \$214,941). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. To date, approximately 98% (2016 - 97%) of the site's capacity has been used. Therefore, as at December 31, 2017 an amount of \$222,854 (2016 - \$208,673) is reported as a liability on the Consolidated Statement of Financial Position.

The estimated remaining capacity of the landfill site is 2% (2,800 cubic metres) (2016 - 3% (3,500 cubic metres)) of its total estimated capacity and its estimated remaining life is 3 years (2016 - 4 years), after which the period for post-closure care is estimated to be 20 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.

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 & 2016

11. SEGMENT DISCLOSURE (Continued)

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.

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	\$ (76,659)
Adjustments:	
Capital asset expenditures	(240,000)
Amortization	316,659
Total adjustments	76,659
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	Assets Under Construction	2017	2016
Cost								
Opening costs	\$ 48,025	\$ 1,494,160	\$ 2,003,382	\$ 1,421,185	\$ 9,296,181	\$ 169,980	\$ 14,432,913	\$ 14,262,933
Additions during the year	-	-	2,500	-	-	549,598	552,098	169,980
Closing costs	48,025	1,494,160	2,005,882	1,421,185	9,296,181	719,578	14,985,011	14,432,913
Accumulated Amortization								
Opening accum'd amortization	-	1,282,708	1,488,039	1,269,159	3,129,950	-	7,199,856	6,850,629
Amortization	-	31,958	61,270	13,055	210,376	-	316,659	319,227
Closing accum'd amortization	-	1,314,666	1,549,309	1,282,214	3,340,326	-	7,486,515	7,169,856
Net Book Value of Tangible Capital Assets								
	\$ 48,025	\$ 179,494	\$ 456,573	\$ 138,971	\$ 5,955,855	\$ 719,578	\$ 7,498,496	\$ 7,263,057

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

YEARS ENDED DECEMBER 31

	2017	2016
RESERVES		
Equipment replacement	\$ 280,850	\$ 280,850
Waste site	104,694	20,000
Working funds	109,707	84,596
Roads capital projects	4,335	4,335
TOTAL RESERVES	499,586	389,781
RESERVE FUNDS		
Fire department	10,748	10,748
Future development	11,749	11,749
Library	2,738	2,738
Recreation programs and facilities	217,383	217,383
Community events	12,770	12,770
Waterworks capital projects	45,025	45,025
TOTAL RESERVE FUNDS	300,413	300,413
TOTAL RESERVES AND RESERVE FUNDS	\$ 799,999	\$ 690,194
SURPLUSES (DEFICITS)		
Invested in tangible capital assets	7,498,496	7,263,056
Sanitary sewage systems	(127,189)	(143,260)
Water supply system	219,839	251,580
General fund	964,425	1,380,227
Unfunded		
Landfill closure and post-closure liability	(222,854)	(208,673)
Long-term debt	(1,106,807)	(1,233,425)
TOTAL SURPLUSES	7,225,910	7,309,505
ACCUMULATED SURPLUS	\$ 8,025,909	\$ 7,999,699

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

SUMMARY OF USER CHARGES AND OTHER SOURCES OF FINANCING

YEARS ENDED DECEMBER 31

	2017 Actual	2016 Actual
USER CHARGES		
General government	\$ 4,363	\$ 3,794
Licenses and permits	4,168	2,052
Recreation	18,117	50,212
Sanitary sewers	338,251	374,423
Waterworks	161,024	160,236
	\$ 525,923	\$ 590,717
OTHER		
Donations	\$ 8,418	\$ 205
Investment income	2,792	2,148
Other	24,522	17,976
Penalties and interest	100,737	102,930
Rents and concessions	18,535	19,348
Sale of capital assets	7,312	8,614
Sale of goods	13,690	16,408
	\$ 176,006	\$ 167,629

SCHEDULE 4

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

	Social and Family Services	Protection Services	Public Works Services	Environmental Services	Recreation and Cultural Services	Administration and Other Services	Capital	Consolidated 2017
REVENUES								
Taxation	\$ 34,895	\$ 110,067	\$ 145,185	\$ -	\$ 111,307	\$ 270,227	\$ -	\$ 671,681
Sales of services and user fees	-	-	-	499,275	18,117	8,531	-	525,923
Government transfers	-	9,413	-	184,251	24,792	640,705	50,000	909,161
Other	-	-	-	-	-	176,006	-	176,006
TOTAL REVENUES	34,895	119,480	145,185	683,526	154,216	1,095,469	50,000	2,282,771
EXPENSES								
Salaries & benefits	835	31,153	166,970	65,101	63,346	228,857	-	556,262
Materials	8,476	42,962	95,567	200,472	134,495	223,095	-	705,067
Rent and Financial	-	-	-	-	-	18,045	-	18,045
Interest charges	-	-	9,348	44,648	-	-	-	53,996
Contracted services	3,838	149,198	8,950	223,405	22,692	67,704	-	475,787
External transfers	61,447	-	-	-	-	67,298	-	128,745
Amortization	3,818	24,021	43,415	213,583	29,589	2,233	-	316,659
TOTAL EXPENSES	78,414	247,334	326,250	747,209	250,122	607,232	-	2,256,561
ANNUAL SURPLUS (DEFICIT)	\$ (43,519)	\$ (127,854)	\$ (181,065)	\$ (63,683)	\$ (95,905)	\$ 488,237	\$ 50,000	\$ 26,210

SCHEDULE 4 (CONTINUED)

THE CORPORATION OF THE TOWNSHIP OF MCGARRY
 CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE AND EXPENSES BY OBJECT
 YEAR ENDED DECEMBER 31, 2016

	Social and Family Services	Protection Services	Public Works Services	Environmental Services	Recreation and Cultural Services	Administration and Other Services	Capital	Consolidated 2016
REVENUES								
Taxation	\$ -	\$ 214,890	\$ 310,419	\$ -	\$ 156,910	\$ 56,186	\$ -	\$ 738,405
Sales of services and user fees	-	-	-	534,659	50,212	5,846	-	590,717
Government transfers	-	12,403	-	506,689	11,431	671,880	25,000	1,227,403
Other	-	-	-	-	-	167,629	-	167,629
TOTAL REVENUES	-	227,293	310,419	1,041,348	218,553	901,541	25,000	2,724,154
EXPENSES								
Salaries & benefits	2,638	28,758	158,784	62,851	60,230	217,579	-	530,840
Materials	12,234	50,110	91,323	198,527	161,400	184,000	-	697,594
Rent and Financial	-	-	-	-	-	14,543	-	14,543
Interest charges	-	-	11,793	47,630	-	-	-	59,423
Contracted services	4,329	132,034	8,051	171,948	12,442	60,487	-	389,291
External transfers	61,277	-	-	-	-	84,737	-	146,014
Amortization	3,818	24,024	40,468	212,590	36,169	2,158	-	319,227
TOTAL EXPENSES	84,296	234,926	310,419	693,546	270,241	563,504	-	2,156,932
ANNUAL SURPLUS (DEFICIT)	\$ (84,296)	\$ (7,633)	\$ -	\$ 347,802	\$ (51,688)	\$ 338,037	\$ 25,000	\$ 567,222

THE CORPORATION OF THE TOWNSHIP OF MCGARRY

PUBLIC LIBRARY BOARD - SCHEDULE OF FINANCIAL POSITION AND FINANCIAL ACTIVITIES

DECEMBER 31, 2017

SCHEDULE OF FINANCIAL POSITION

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 18,172	\$ 7,440
Accounts receivable	513	472
TOTAL FINANCIAL ASSETS	\$ 18,685	\$ 7,912
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	\$ 10,816	\$ 8,574
LIBRARY POSITION		
CURRENT FUND	7,869	(662)
TOTAL FINANCIAL LIABILITIES	\$ 18,685	\$ 7,912

SCHEDULE OF FINANCIAL ACTIVITIES

	2017	2016
REVENUES		
GRANTS		
Municipal	\$ 37,000	\$ 35,000
Provincial	13,490	8,732
Federal	2,979	-
OTHER	8,962	4,442
TOTAL REVENUES	62,431	48,174
EXPENSES		
Materials	10,062	2,416
Office	6,750	6,348
Wages and benefits	37,088	34,300
TOTAL EXPENSES	53,900	43,064
CHANGE IN CURRENT FUND BALANCE	8,531	5,110
CURRENT FUND BALANCE, beginning of year	(662)	(5,772)
CURRENT FUND BALANCE, end of year	\$ 7,869	\$ (662)