

## 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, 2015 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.

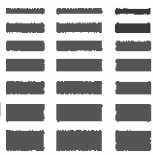
The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on 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**

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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, 2015, 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, 2015 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Ross Pope LLP*

Kirkland Lake, Ontario  
September 13, 2016

**ROSS POPE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
**Licensed Public Accountants**

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

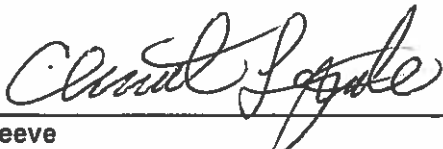
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2015	2014
<b>FINANCIAL ASSETS</b>		
Cash	\$ 786,875	\$ 1,261,970
Taxes receivable	848,031	786,165
Accounts receivable	163,752	185,175
<b>TOTAL FINANCIAL ASSETS</b>	<b>\$ 1,798,658</b>	<b>\$ 2,233,310</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 115,815	\$ 562,405
Deferred revenue	73,920	73,920
Landfill closure and post-closure liability (Note 10)	196,861	195,383
Net long-term liabilities (Note 6)	1,354,978	1,211,822
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,741,574</b>	<b>2,043,530</b>
<b>NET FINANCIAL ASSETS</b>	<b>57,084</b>	<b>189,780</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	7,375,393	7,265,864
<b>ACCUMULATED SURPLUS (Schedule 2)</b>	<b>\$ 7,432,477</b>	<b>\$ 7,455,644</b>

COMMITMENTS (Note 8)

Approved by:

  
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 Reeve

  
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 Clerk / Treasurer

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31

	-----2015-----		2014 Actual
	Actual	Budget (unaudited)	
<b>REVENUES</b>			
Municipal taxation	\$ 660,744	\$ 640,183	\$ 588,112
User charges (Schedule 4)	462,244	217,405	444,657
Government of Canada	34,457	-	17,271
Province of Ontario			
Non-specific	714,713	706,536	907,204
Other (Schedule 4)	242,185	-	144,762
<b>TOTAL REVENUES</b>	<b>2,114,343</b>	<b>1,564,124</b>	<b>2,102,006</b>
<b>EXPENSES</b>			
<b>CURRENT OPERATIONS</b>			
General government	463,151	465,150	440,740
Protection to persons and property	234,913	239,640	195,051
Transportation services	304,396	282,770	304,159
Environmental services	726,031	259,514	660,276
Health services	72,091	94,721	79,214
Social and family services	82,614	62,539	88,222
Recreation and cultural services	254,314	159,790	280,171
	2,137,510	1,564,124	2,047,833
<b>TOTAL EXPENSES</b>	<b>2,137,510</b>	<b>1,564,124</b>	<b>2,047,833</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(23,167)</b>	<b>-</b>	<b>54,173</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>7,455,644</b>	<b>7,455,644</b>	<b>7,401,471</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 7,432,477</b>	<b>\$ 7,455,644</b>	<b>\$ 7,455,644</b>

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEARS ENDED DECEMBER 31

	2015 Actual	2015 Budget (unaudited)	2014 Actual
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (23,167)</b>	<b>\$ -</b>	<b>\$ 54,173</b>
Acquisition of tangible capital assets	(424,100)	-	(500,029)
Amortization of tangible capital assets	314,570	-	291,737
<b>CHANGE IN NET FINANCIAL ASSETS (NET DEBT)</b>	<b>(132,697)</b>	<b>-</b>	<b>(154,119)</b>
NET FINANCIAL ASSETS, beginning of year	189,780	189,780	343,899
<b>NET FINANCIAL ASSETS, end of year</b>	<b>\$ 57,083</b>	<b>\$ 189,780</b>	<b>\$ 189,780</b>

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## CONSOLIDATED STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31

	2015	2014
<b>OPERATING ACTIVITIES</b>		
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (23,167)</b>	<b>\$ 54,173</b>
<b>USES:</b>		
Increase in taxes receivable	(61,866)	(150,179)
Increase in accounts receivable	-	(55,018)
Decrease in accounts payable and accrued liabilities	(446,588)	-
	<b>(508,454)</b>	<b>(205,197)</b>
<b>SOURCES:</b>		
Decrease in accounts receivable	21,422	-
Increase in accounts payable and accrued liabilities	-	440,964
Increase in deferred revenue	-	32,570
Amortization of tangible capital assets	314,570	291,737
	<b>335,992</b>	<b>765,271</b>
<b>CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES</b>	<b>(195,629)</b>	<b>614,247</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(424,100)	(500,029)
<b>CASH APPLIED TO CAPITAL ACTIVITIES</b>	<b>(424,100)</b>	<b>(500,029)</b>
<b>FINANCING ACTIVITIES</b>		
Landfill closure and post-closure costs	1,478	11,060
Net long-term liabilities advanced (repaid)	143,156	83,851
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>144,634</b>	<b>94,911</b>
<b>NET CHANGE IN CASH</b>	<b>(475,095)</b>	<b>209,129</b>
CASH, beginning of year	1,261,970	1,052,841
<b>CASH, end of year</b>	<b>\$ 786,875</b>	<b>\$ 1,261,970</b>

See accompanying notes.

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 & 2014

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### 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.

##### (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, 2015 & 2014

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### 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

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Municipal 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. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes, however, can be subject to appeal. Any tax adjustments that result from appeals are recorded when the result of the appeal process is 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.

#### (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.

#### (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.



# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2015 & 2014

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

#### (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.

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2015 & 2014

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (viii) 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.

#### (ix) 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 2015, the Township collected property taxes on the school boards' behalf. The amounts collected and remitted are summarized below:

	2015	2014
Amounts billed and remitted on behalf of school boards	\$ 59,655	\$ 54,508

### 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:

	2015	2014
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 105,174	\$ 104,225
Timiskaming Health Unit ("THU")	29,455	29,546

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 2015 or 2014.

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

# THE CORPORATION OF THE TOWNSHIP OF MCGARRY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2015 & 2014

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### 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 2015 was \$25,387 (2014 - \$25,280) 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 \$396,650 (2014 - \$425,150) at year-end and the related interest expense amounted to \$23,751 (2014 - \$24,843).

#### (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 \$616,311 (2014 - \$646,672) at year-end and the related interest expense amounted to \$30,488 (2014 - \$NIL).