

Township of Greater Madawaska

Financial Statements

For the year ended 31 December 2018

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS



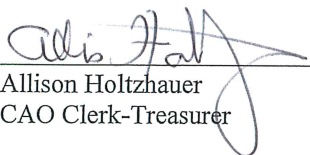
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Greater Madawaska (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is contained in Note 1 to the consolidated financial statements. The preparation of consolidated 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.

The 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 MacKillican & Associates, 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.


Allison Holtzhauer
CAO Clerk-Treasurer

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For the year ended 31 December 2018

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**MACKILLICAN
& ASSOCIATES**
CHARTERED PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Greater Madawaska.

Opinion

We have audited the consolidated financial statements of the Township of Greater Madawaska (the Township), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets (liabilities) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Township as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Township'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 Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at MacKillican's website at: http://mackillicans.com/PDF/Auditors_Responsibilities.pdf. This description forms part of our auditor's report.

MacKillican & Associates

RENFREW, Ontario.
15 April 2019.

Chartered Professional Accountants,
Licensed Public Accountants.

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Township of Greater Madawaska
Consolidated Statement of Financial Position

As at 31 December 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash	\$ 1,958,632	\$ 906,830
Taxes receivable	464,887	476,466
Accounts receivable	<u>249,012</u>	<u>168,249</u>
	<u>\$ 2,672,531</u>	<u>\$ 1,551,545</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 648,381	\$ 366,129
Deferred revenue - obligatory reserve funds (Note 7)	58,557	80,624
- other (Note 8)	616,801	13,614
Net long term liabilities (Note 5)	906,925	1,148,795
Temporary loan - capital (Note 18)	1,106,613	
Employee future benefits (Note 2)	26,843	29,365
Landfill closure and post closure costs (Notes 2 and 9)	<u>1,673,100</u>	<u>1,713,800</u>
	<u>\$ 5,037,220</u>	<u>\$ 3,352,327</u>
Net financial assets (liabilities)	<u>\$ (2,364,689)</u>	<u>\$ (1,800,782)</u>
Non-financial assets:		
Tangible capital assets (net)	\$ 12,659,641	\$ 11,688,691
Construction in progress	148,734	190,629
Inventories of supplies	59,585	100,412
Prepaid expenses	<u>26,529</u>	<u>12,007</u>
	<u>\$ 12,894,489</u>	<u>\$ 11,991,739</u>
Accumulated surplus	<u>\$ 10,529,800</u>	<u>\$ 10,190,957</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 13)	\$ 10,699,900	\$ 10,422,341
Reserve and reserve funds	1,497,306	1,447,675
Library Board	32,537	64,106
Unfunded - employee future benefits (Note 2)	(26,843)	(29,365)
Unfunded - landfill closure and post closure costs (Note 2)	<u>(1,673,100)</u>	<u>(1,713,800)</u>
Total accumulated surplus	<u>\$ 10,529,800</u>	<u>\$ 10,190,957</u>

(See accompanying notes)

Township of Greater Madawaska
Consolidated Statement of Operations and Accumulated Surplus
For the year ended 31 December 2018
(with 2018 budget and 2017 actual figures for comparison)

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>2017 Actual</u>
Revenue:			
Taxation and user charges	\$ 3,822,210	\$ 3,853,196	\$ 3,698,628
Government transfers:			
Ontario	1,987,910	835,349	600,905
Canada	74,000	88,190	83,283
Other municipalities	22,300	22,353	23,695
Other	292,900	424,460	2,428,653
Change in post closure costs	<u> </u>	<u>40,700</u>	<u>37,700</u>
	<u>\$ 6,199,320</u>	<u>\$ 5,264,248</u>	<u>\$ 6,872,864</u>
Expenses:			
General government	\$ 918,837	\$ 844,543	\$ 805,913
Protection to persons and property	1,175,585	1,153,563	1,140,994
Transportation services	1,806,646	1,831,029	1,780,701
Environmental services	461,978	496,150	423,812
Health services	29,300	29,291	28,717
Recreation and cultural services	464,532	431,715	319,447
Planning and development	<u>137,360</u>	<u>139,114</u>	<u>138,334</u>
	<u>\$ 4,994,238</u>	<u>\$ 4,925,405</u>	<u>\$ 4,637,918</u>
Excess of revenue over expenses	\$ 1,205,082	\$ 338,843	\$ 2,234,946
Accumulated surplus at the beginning of the year	<u>10,190,957</u>	<u>10,190,957</u>	<u>7,956,011</u>
Accumulated surplus at the end of the year	<u>\$ 11,396,039</u>	<u>\$ 10,529,800</u>	<u>\$ 10,190,957</u>

(See accompanying notes)

Township of Greater Madawaska
Consolidated Statement of Changes in Net Financial Assets (Liabilities)
For the year ended 31 December 2018
(with 2018 budget and 2017 actual figures for comparison)

	2018 <u>Budget</u>	2018 <u>Actual</u>	2017 <u>Actual</u>
Excess of revenue over expenses	\$ 1,205,082	\$ 338,843	\$ 2,234,946
Amortization of tangible capital assets	723,658	723,658	673,844
Acquisition of tangible capital assets	(3,371,850)	(1,692,642)	(327,253)
Contributed tangible capital assets			(2,002,000)
Loss on disposal of capital assets		39,929	2,787
Use of (acquisition of) prepaid expenses		(14,522)	(518)
Use of (acquisition of) inventory	<u> </u>	<u>40,827</u>	<u>(26,745)</u>
Increase (decrease) in net financial assets	\$ (1,443,110)	\$ (563,907)	\$ 555,061
Net financial assets (liabilities) at the beginning of the year	<u>(1,800,782)</u>	<u>(1,800,782)</u>	<u>(2,355,843)</u>
Net financial assets (liabilities) at the end of the year	<u>\$ (3,243,892)</u>	<u>\$ (2,364,689)</u>	<u>\$ (1,800,782)</u>

(See accompanying notes)

Township of Greater Madawaska
Consolidated Statement of Cash Flows
For the year ended 31 December 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 338,843	\$ 2,234,946
Add (deduct) items which do not involve cash:		
- amortization	723,658	673,844
- loss on disposal of capital assets	39,929	2,787
- deferred revenue	581,120	40,658
- employee future benefits	(2,522)	3,039
- landfill closure and post closure costs	(40,700)	(37,700)
- contributed tangible capital assets	<u> </u>	<u>(2,002,000)</u>
	<u>\$ 1,640,328</u>	<u>\$ 915,574</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in taxes receivable	\$ 11,579	\$ 87,769
- decrease (increase) in accounts receivable	(80,763)	37,035
- decrease (increase) in inventories of supplies	40,827	(26,745)
- increase (decrease) in accounts payable and accrued liabilities	282,252	(551,874)
- decrease (increase) in prepaid expenses	<u>(14,522)</u>	<u>(518)</u>
	<u>\$ 239,373</u>	<u>\$ (454,333)</u>
Cash flows from operating activities	<u>\$ 1,879,701</u>	<u>\$ 461,241</u>
Cash flows from financing activities:		
Decrease in long term liabilities	\$ (241,870)	\$ (241,870)
Proceeds from temporary loan - capital	<u>1,106,613</u>	<u> </u>
Cash flows from (used for) financing activities	<u>\$ 864,743</u>	<u>\$ (241,870)</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
General government	\$ (15,904)	
Protection services	(122,000)	
Transportation services	(1,440,960)	\$ (264,425)
Environmental services		(62,828)
Recreation and cultural services	<u>(113,778)</u>	<u> </u>
Cash flows used for capital activities	<u>\$ (1,692,642)</u>	<u>\$ (327,253)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ 1,051,802	\$ (107,882)
Cash and cash equivalents at the beginning of the year	<u>906,830</u>	<u>1,014,712</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 1,958,632</u></u>	<u><u>\$ 906,830</u></u>

(See accompanying notes)

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Greater Madawaska are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

Township of Greater Madawaska Library Board

- (ii) Accounting for County and School Board Transactions

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

- (iii) Trust fund and its related operations administered by the Township is not included in these financial statements but is reported separately.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

(c) 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 revenue over expenditure, provides the change in net financial assets for the year.

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

(d) Tangible Capital Assets

- (i) Tangible capital assets (TCAs) are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Non-Residential Building Construction Price Index (NRBCPI) for buildings and using the Consumer Price Index (CPI) for all other assets. Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. 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	20 - 50 years
Buildings	20 - 50 years
Machinery and equipment	5 - 50 years
Vehicles	7 - 15 years
Linear assets	10 - 45 years

Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

The Township has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expenditure equal to the net book value of the assets as of the date of transfer.

(iii) Leases

Leases are classified as capital or operating 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 lease payments are charged to expenditure as incurred.

(e) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost on an individual basis.

(f) Investment Income

Investment income earned on current funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balance.

(g) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

Government transfers are recognized in the financial statements in the period in which the 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.

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

- (h) **Deferred Revenue**
 Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.
- (i) **Deferred Revenue - Obligatory Reserve Funds**
 The Township receives restricted contributions under the authority of provincial and federal legislation and Township by-laws. These funds by their nature are restricted in their use and, until applied to applicable costs, are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.
- (j) **Use of Estimates**
 The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Significant estimates include the allowance for doubtful taxes, landfill closure and post closure costs, employee future benefits and amortization.
- (k) **Cash and Cash Equivalents**
 Cash and cash equivalents are comprised of cash and investments due no greater than three months from the date of acquisition or that are cashable on demand.
- (l) **Revenue Recognition**
 Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years. Fees and user charges relate to licensing fees, 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.
- (m) **Financial Instruments**
 Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, net long term liabilities and temporary loan - capital. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.
- The carrying amounts reported on the statement of financial position for cash, accounts receivable, accounts payable and accrued liabilities, and temporary loan - capital, approximates their fair values due to the immediate and short term maturities of these financial instruments.
- The fair value of net long term liabilities, including the current portion, is based on rates currently available to the Township with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

2. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the requirement of the Township to raise funds in subsequent periods to finance unfunded liabilities, comprised of the landfill closure costs of \$ 250,000 (2017 - \$ 250,000), post closure costs of \$ 1,423,100 (2017 - \$ 1,463,800) and employee future benefits of \$ 26,843 (2017 - \$ 29,365).

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

3. TRUST FUND

Trust fund administered by the Township, totaling \$ 3,467 (2017 - \$ 3,467) are presented in a separate financial statement of trust fund financial position and operations. As such, balances held in trust by the Township for the benefit of others have not been included in the Consolidated Statement of Financial Position nor have its operations been included in the Consolidated Statement of Operations.

4. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

During 2018, the Township levied property taxes and payments in lieu of property taxes on behalf of the School Boards and County of Renfrew as follows:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 1,412,020	\$ 2,808,046
Payments in lieu	<u>6,274</u>	<u>51,311</u>
	<u>\$ 1,418,294</u>	<u>\$ 2,859,357</u>

5. NET LONG TERM LIABILITIES

- (a) The balance of net long term liabilities of \$ 906,925 (2017 - \$ 1,148,795) reported on the "Consolidated Statement of Financial Position" is made up of long term liabilities incurred by the Township and includes those incurred on behalf of municipal enterprises.

	<u>2018</u>	<u>2017</u>
(b) Ontario Infrastructure and Lands Corporation debenture payable, interest at 2.31%, \$ 28,850 plus interest payable semi-annually, maturing August 2025	\$ 403,900	\$ 461,600
Ontario Infrastructure and Lands Corporation debenture payable, interest at 1.56%, \$ 24,743 plus interest payable semi-annually, maturing August 2020	98,971	148,457
Ontario Infrastructure and Lands Corporation debenture payable, interest at 1.63%, \$ 67,342 plus interest payable semi-annually, maturing December 2021	<u>404,054</u>	<u>538,738</u>
Net long term liabilities at the end of the year	<u>\$ 906,925</u>	<u>\$ 1,148,795</u>

- (c) Principal and interest payments required on the long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 241,870	\$ 16,387	\$ 258,257
2020	241,871	12,121	253,992
2021	192,384	7,077	199,461
2022	57,700	5,001	62,701
2023	57,700	3,668	61,368
2024 to 2027	<u>115,400</u>	<u>3,343</u>	<u>118,743</u>
	<u>\$ 906,925</u>	<u>\$ 47,597</u>	<u>\$ 954,522</u>

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

6. CHARGES FOR NET LONG TERM LIABILITIES

(a) Total charges for the year for net long term liabilities are as follows:

	<u>2018</u>	<u>2017</u>
Principal	\$ 241,870	\$ 241,870
Interest	<u>19,644</u>	<u>23,973</u>
	<u>\$ 261,514</u>	<u>\$ 265,843</u>

These payments are within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing under Ontario Regulation 403/02.

(b) The interest charges shown in (a) above are reported on the Consolidated Statement of Operations under the appropriate functional expenditure heading.

7. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

(a) The balance of deferred revenue - obligatory reserve funds on the "Consolidated Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2018</u>	<u>2017</u>
Park development	\$ 22,590	\$ 22,399
Development charges	31,687	53,945
Shoreline	<u>4,280</u>	<u>4,280</u>
	<u>\$ 58,557</u>	<u>\$ 80,624</u>

(b) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ 80,624	\$ 41,614
Gas tax revenue received	79,150	76,889
Development charges	80,766	67,966
Interest earned	<u>1,200</u>	<u>1,044</u>
	\$ 241,740	\$ 187,513
Utilized during the year	<u>(183,183)</u>	<u>(106,889)</u>
Balance at the end of the year	<u>\$ 58,557</u>	<u>\$ 80,624</u>

8. DEFERRED REVENUE - OTHER

	<u>2018</u>	<u>2017</u>
Roads	\$ 609,264	
Recreation	<u>7,537</u>	<u>13,614</u>
	<u>\$ 616,801</u>	<u>\$ 13,614</u>

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

9. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All remaining expected closure and post closure costs have been discounted at the Township's average long term borrowing rate, net of estimated inflation. There is currently \$ 340,000 in reserves set aside for either closure or post closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the useful life and estimated post closure care 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.

Landfill sites' estimated remaining capacity in cubic metres	45,120
Landfill sites' remaining useful life in years	35
Expected years of post closure care	25

The estimated total undiscounted expenses over the 25 year post closure period amount to approximately \$ 1,463,800.

10. CONTINGENT LIABILITIES

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. The Township of Greater Madawaska is not aware of any claims or possible claims as at 31 December 2018.

11. BUDGET FIGURES

The operating budget approved by the Township of Greater Madawaska for 2018 is reflected on the Consolidated Statement of Operations. The budget established for capital investment in tangible capital assets is on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements. The budgeted figures are unaudited.

12. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Township by major asset class and by functional classification, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. Roadways contributed in 2018 were Nil (2017 - \$ 2,002,000).

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances. The 2018 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets - net	\$ 12,659,641	\$ 11,688,691
Construction in progress	148,734	190,629
Net long term liabilities	(906,925)	(1,148,795)
Temporary loan - capital	(1,106,613)	
Amounts to be funded in future years	<u>(94,937)</u>	<u>(308,184)</u>
Equity in tangible capital assets	<u>\$ 10,699,900</u>	<u>\$ 10,422,341</u>

14. PENSION CONTRIBUTIONS

The Municipality makes contributions to 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. During the year ended 31 December 2018, the Municipality contributed \$ 230,392 (2017 - \$ 207,247) to the plan and is included as an expense in the consolidated statement of operations. The Township does not recognize in its consolidated financial statements any share of the pension plan deficit as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan surplus (deficit) for 2018 is (\$ 2,790,000,000) (2017 - \$ 605,000,000) based on the fair market value of the plan's assets.

15. CONTRACTUAL OBLIGATIONS

The Township has not negotiated a contract with the Ontario Provincial Police for the provision of policing services, however the Ontario Provincial Police provide policing services on an annual basis. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The cost for 2018 was \$ 698,187 (2017 - \$ 675,116).

The Township has entered into a financing agreement with three other Municipalities and the Renfrew & Area Health Services Village. This agreement provides a Line of Credit to the Renfrew & Area Health Services Village to a maximum of \$ 510,000 to be repaid in full by 31 December 2024 with no set annual repayment. Each Municipality is responsible for an equal share of the balance outstanding. As at 31 December 2018 the total outstanding balance is \$ 188,469.

16. MUNICIPALITIES BENEFIT COMMITTEE

The Township of Greater Madawaska is a member of the Municipalities Benefit Committee (MBC) which is an employee group benefits plan arranged through Manulife to share in the financial risk of extended health and dental benefits. In the event that a deficit position is incurred, the Township of Greater Madawaska must repay their pro-rata share of the deficit through a lump sum deposit or an increase in future annual premiums collected through the monthly billed rates. In the case of a surplus position, upon full funding of the claims fluctuation reserve (CFR), the surplus is transferred into a deposit account held by Manulife on the MBC's behalf. The surplus funds in the deposit account are to be used to fund premium requirements, enhancements to the benefit plan or fund future deficits. If the Township of Greater Madawaska leaves the MBC, the Township forfeits its right to any surplus.

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

17. SEGMENTED INFORMATION

(a) The Township is responsible for providing a wide range of services to its citizens. The Township reports on functional areas and programs in its consolidated financial statements. A brief description of each segment follows:

- i) General government is comprised of council and administration and is responsible for the overall governance and management of the Municipality.
- ii) Protection is comprised of police, fire, and other protective services.
- iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Township.
- iv) Environmental services include solid waste and recycling services.
- v) Recreation and cultural services include parks and recreation and libraries.
- vi) Planning and development services are comprised of managing development for residential and business interests, as well as infrastructure and parks.

(b) For each functional area, expenditures represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The expenditures for 31 December 2018 are as follows:

	Salaries and benefits	Interest on long term debt	Materials and contracted services	Rent and external transfers	Amortization	Total
General government	\$ 514,049	\$ 9,896	\$ 291,461		\$ 29,137	\$ 844,543
Protection services	217,839	3,867	865,223	\$ 1,299	65,335	1,153,563
Transportation services	579,735	5,881	743,736		501,677	1,831,029
Environmental services	167,471		235,101		93,578	496,150
Health services				29,291		29,291
Recreation services	188,717		174,388	34,679	33,931	431,715
Planning and development	99,904		39,210			139,114
	<u>\$ 1,767,715</u>	<u>\$ 19,644</u>	<u>\$ 2,349,119</u>	<u>\$ 65,269</u>	<u>\$ 723,658</u>	<u>\$ 4,925,405</u>

(c) The expenditures for 31 December 2017 are as follows:

	Salaries and benefits	Interest on long term debt	Materials and contracted services	Rent and external transfers	Amortization	Total
General government	\$ 512,603	\$ 12,199	\$ 242,374		\$ 38,737	\$ 805,913
Protection services	209,386	3,143	860,881	\$ 1,413	66,171	1,140,994
Transportation services	591,005	8,631	738,868		442,197	1,780,701
Environmental services	136,841		193,393		93,578	423,812
Health services				28,717		28,717
Recreation services	131,211		147,075	8,000	33,161	319,447
Planning and development	93,403		44,931			138,334
	<u>\$ 1,674,449</u>	<u>\$ 23,973</u>	<u>\$ 2,227,522</u>	<u>\$ 38,130</u>	<u>\$ 673,844</u>	<u>\$ 4,637,918</u>

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

18. TEMPORARY LOAN - CAPITAL

The advance is due on demand with a variable interest rate determined by Ontario Infrastructure and Lands Corporation and has a maximum draft of \$ 1,148,146. As the capital projects and capital purchases are completed they will be debentured individually with Ontario Infrastructure and Lands Corporation. The advance is expected to be debentured in 2019.

Township of Greater Madawaska
Schedule of General Operations
For the year ended 31 December 2018
(with 2018 budget and 2017 actual figures for comparison)

	<u>2018</u> <u>Budget</u>	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 3,822,210	\$ 3,853,196	\$ 3,698,628
Government transfers:			
Ontario	1,973,090	819,477	586,587
Canada	74,000	88,190	83,283
Other municipalities	22,300	22,353	23,695
Other	<u>292,900</u>	<u>422,405</u>	<u>2,421,639</u>
	<u>\$ 6,184,500</u>	<u>\$ 5,205,621</u>	<u>\$ 6,813,832</u>
Expenses:			
General government	\$ 920,937	\$ 846,659	\$ 806,221
Protection to persons and property	1,173,885	1,151,833	1,140,049
Transportation services	1,810,546	1,834,907	1,779,061
Environmental services	461,078	495,205	424,024
Health services	29,300	29,291	28,717
Recreation and cultural services	389,162	321,629	244,858
Planning and development	<u>135,960</u>	<u>137,753</u>	<u>138,604</u>
	<u>\$ 4,920,868</u>	<u>\$ 4,817,277</u>	<u>\$ 4,561,534</u>
Excess of revenue over expenses	<u>\$ 1,263,632</u>	<u>\$ 388,344</u>	<u>\$ 2,252,298</u>
Transfers:			
Transfer to Library Board	\$ (61,150)	\$ (61,153)	\$ (58,591)
Transfer from (to) reserves	298,890	(49,631)	(241,824)
Transfer to equity in tangible capital assets	<u>(1,501,372)</u>	<u>(277,560)</u>	<u>(1,951,883)</u>
Net transfers	<u>\$ (1,263,632)</u>	<u>\$ (388,344)</u>	<u>\$ (2,252,298)</u>
Change in general surplus for the year	\$ -	\$ -	\$ -
General surplus at the beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
General surplus at the end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(See accompanying notes)

Township of Greater Madawaska
Schedule of Tangible Capital Assets
For the year ended 31 December 2018
(with 2017 figures for comparison)

Segmented by asset class: <u>Cost</u>	Balance at 31 December <u>2017</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2018</u>
Land	\$ 521,448			\$ 521,448
Land improvements	1,461,586		\$ 12,875	1,474,461
Buildings	3,409,608	\$ 128,910	(65,394)	3,473,124
Machinery and equipment	1,316,545	364,788	13,471	1,694,804
Vehicles	2,783,359	443,659	(43,879)	3,183,139
Linear assets	16,534,445	755,285	(14,467)	17,275,263
Capital work in progress	<u>190,629</u>		<u>(41,895)</u>	<u>148,734</u>
Total	<u>\$ 26,217,620</u>	<u>\$ 1,692,642</u>	<u>\$ (139,289)</u>	<u>\$ 27,770,973</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2017</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2018</u>
Land improvements	\$ 460,380	\$ 50,979	\$ 26,017	\$ 537,376
Buildings	1,052,825	75,379	(43,257)	1,084,947
Machinery and equipment	582,298	58,109	(10,168)	630,239
Vehicles	1,742,079	143,630	(43,879)	1,841,830
Linear assets	<u>10,500,718</u>	<u>395,561</u>	<u>(28,073)</u>	<u>10,868,206</u>
Total	<u>\$ 14,338,300</u>	<u>\$ 723,658</u>	<u>\$ (99,360)</u>	<u>\$ 14,962,598</u>

<u>Net book value</u>	Balance at 31 December <u>2017</u>	Balance at 31 December <u>2018</u>
Land	\$ 521,448	\$ 521,448
Land improvements	1,001,206	937,085
Buildings	2,356,783	2,388,177
Machinery and equipment	734,247	1,064,565
Vehicles	1,041,280	1,341,309
Linear assets	6,033,727	6,407,057
Capital work in progress	<u>190,629</u>	<u>148,734</u>
Total	<u>\$ 11,879,320</u>	<u>\$ 12,808,375</u>

(See accompanying notes)

Township of Greater Madawaska

Schedule of Tangible Capital Assets

For the year ended 31 December 2018

(with 2017 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2017</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2018</u>
General government	\$ 1,718,598	\$ 15,904	\$ (83,186)	\$ 1,651,316
Protection services	1,355,618	122,000	(43,879)	1,433,739
Transportation services	19,102,823	1,440,960		20,543,783
Environmental services	2,237,110			2,237,110
Recreation and cultural services	<u>1,803,471</u>	<u>113,778</u>	<u>(12,224)</u>	<u>1,905,025</u>
Total	<u>\$ 26,217,620</u>	<u>\$ 1,692,642</u>	<u>\$ (139,289)</u>	<u>\$ 27,770,973</u>

Accumulated <u>amortization</u>	Balance at 31 December <u>2017</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2018</u>
General government	\$ 448,913	\$ 29,137	\$ (43,257)	\$ 434,793
Protection services	705,974	65,335	(43,879)	727,430
Transportation services	11,952,057	501,677		12,453,734
Environmental services	754,933	93,578		848,511
Recreation and cultural services	<u>476,423</u>	<u>33,931</u>	<u>(12,224)</u>	<u>498,130</u>
Total	<u>\$ 14,338,300</u>	<u>\$ 723,658</u>	<u>\$ (99,360)</u>	<u>\$ 14,962,598</u>

<u>Net book value</u>	Balance at 31 December <u>2017</u>	Balance at 31 December <u>2018</u>
General government	\$ 1,269,685	\$ 1,216,523
Protection services	649,644	706,309
Transportation services	7,150,766	8,090,049
Environmental services	1,482,177	1,388,599
Recreation and cultural services	<u>1,327,048</u>	<u>1,406,895</u>
Total	<u>\$ 11,879,320</u>	<u>\$ 12,808,375</u>

(See accompanying notes)

Township of Greater Madawaska
Schedule of Reserves and Reserve Funds
For the year ended 31 December 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Contributions:		
From operations	\$ <u>242,001</u>	\$ <u>352,517</u>
Transfers:		
To operations	\$ 5,400	\$ 26,383
To tangible capital acquisitions	<u>186,970</u>	<u>84,312</u>
	\$ <u>192,370</u>	\$ <u>110,695</u>
Change in reserves and reserve funds balance	\$ 49,631	\$ 241,822
Reserves and reserve funds at the beginning of the year	<u>1,447,675</u>	<u>1,205,853</u>
Reserves and reserve funds at the end of the year	\$ <u><u>1,497,306</u></u>	\$ <u><u>1,447,675</u></u>
Reserves:		
Working funds	\$ 301,828	\$ 301,828
General government	167,522	89,159
Protection services	89,180	79,180
Roadways	124,945	81,005
Health	20,383	20,383
Environmental	408,550	371,730
Recreation and culture	125,534	128,143
Planning and development	23,730	23,730
Other	<u>235,634</u>	<u>352,517</u>
Total reserves	\$ <u><u>1,497,306</u></u>	\$ <u><u>1,447,675</u></u>

(See accompanying notes)



INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Greater Madawaska.

Opinion

We have audited the financial statements of the Township of Greater Madawaska Trust Fund (the Trust), which comprise the statement of financial position as at 31 December 2018, and the statement of operations and change in fund balance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at 31 December 2018, and its financial performance for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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 financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at MacKillican's website at: http://mackillicans.com/PDF/Auditors_Responsibilities.pdf. This description forms part of our auditor's report.

MacKillican & Associates

RENFREW, Ontario.
15 April 2019.

**Chartered Professional Accountants,
Licensed Public Accountants.**

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Township of Greater MadawaskaTrust FundStatement of Financial Position

As at 31 December 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
	<u>ASSETS</u>	
Current:		
Loan receivable (Notes 2 and 3)	\$ <u>3,467</u>	\$ <u>3,467</u>
	<u>FUND BALANCE</u>	
Fund balance	\$ <u>3,467</u>	\$ <u>3,467</u>

(See accompanying notes)

Township of Greater Madawaska
Trust Fund
Statement of Operations and Change in Fund Balance
For the year ended 31 December 2018
 (with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Fund balance at the beginning of the year	\$ <u>3,467</u>	\$ <u>3,467</u>
Revenue:		
Loan interest	\$ <u>-</u>	\$ <u>-</u>
Expenses:		
Loan forgiven	\$ <u>-</u>	\$ <u>-</u>
Excess (shortfall) of revenue over expenses	\$ <u>-</u>	\$ <u>-</u>
Fund balance at the end of the year	\$ <u><u>3,467</u></u>	\$ <u><u>3,467</u></u>

(See accompanying notes)

Township of Greater Madawaska
Trust Fund
Notes to the Financial Statements
For the year ended 31 December 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administration expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

2. ONTARIO HOME RENEWAL PROGRAM

Ontario Home Renewal Program loans receivable at 31 December 2018 are comprised of repayable loans of \$ 3,467 (2017 - \$ 3,467). In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the loans immediately becomes due and payable by the homeowner.

In 1993, the Ministry of Municipal Affairs and Housing announced that the Ontario Home Renewal Program was being discontinued and that all cash funds on hand at the end of each year are to be returned to the Province by 1 March of the next year. For the year ended 31 December 2018, there are no funds to be returned to the Province by 1 March 2019.

3. LOAN RECEIVABLE

The loan receivable is currently going through the process of being forgiven.

Township of Greater Madawaska Library Board

Financial Statements

For the year ended 31 December 2018



INDEPENDENT AUDITOR'S REPORT

To the Board Members,
Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Greater Madawaska.

Opinion

We have audited the financial statements of the Township of Greater Madawaska Library Board (the Library Board), which comprise the statement of financial position as at 31 December 2018, and the statement of operations and accumulated surplus for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library Board as at 31 December 2018, and its financial performance for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Library Board 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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 financial statements, management is responsible for assessing the Library Board'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 Library Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library Board's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at MacKillican's website at: http://mackillicans.com/PDF/Auditors_Responsibilities.pdf. This description forms part of our auditor's report.

RENFREW, Ontario.
15 April 2019.

MacKillican & Associates

Chartered Professional Accountants,
Licensed Public Accountants.

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Township of Greater Madawaska Library Board

Statement of Financial Position

As at 31 December 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current:		
Cash on hand and in bank	\$ 20,240	\$ 22,730
Short term investments	23,537	23,419
Due from Township	<u> </u>	<u>20,957</u>
	<u>\$ 43,777</u>	<u>\$ 67,106</u>

LIABILITIES AND ACCUMULATED SURPLUS

Current liabilities:		
Due to Township	\$ 11,240	
Deferred revenue	<u> </u>	<u>\$ 3,000</u>
	\$ 11,240	\$ 3,000
Accumulated surplus	<u>32,537</u>	<u>64,106</u>
	<u>\$ 43,777</u>	<u>\$ 67,106</u>

(See accompanying notes)

Township of Greater Madawaska Library Board
Statement of Operations and Accumulated Surplus
For the year ended 31 December 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Revenue:		
Ontario grant - operating	\$ 11,817	\$ 11,818
- other	4,055	2,500
Township grant	61,153	59,590
Fundraising and donations	1,938	6,897
Interest	<u>117</u>	<u>117</u>
	<u>\$ 79,080</u>	<u>\$ 80,922</u>
Expenses:		
Salaries and benefits	\$ 66,046	\$ 59,547
Books, supplies, materials and maintenance	14,895	14,797
Building	<u>29,708</u>	<u></u>
	<u>\$ 110,649</u>	<u>\$ 74,344</u>
Change in general surplus (deficit) for the year	<u>\$ (31,569)</u>	<u>\$ 6,578</u>
Accumulated surplus at the beginning of the year	<u>\$ 64,106</u>	<u>\$ 57,528</u>
Accumulated surplus at the end of the year	<u><u>\$ 32,537</u></u>	<u><u>\$ 64,106</u></u>

(See accompanying notes)

Township of Greater Madawaska Library Board

Notes to the Financial Statements

For the year ended 31 December 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Greater Madawaska Library Board are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(b) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

Government transfers are recognized in the financial statements in the period in which the 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.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

2. FINANCIAL INSTRUMENTS

Financial instruments include cash on hand and in bank, short term investments and due from/to Township. Unless otherwise noted, it is management's opinion that the Library Board is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash on hand and in bank, short term investments and due from/to Township, approximates their fair values, due to the immediate and short term maturities of these financial instruments.

3. CONTINGENT LIABILITIES

The nature of the Board's activities is such that there may be litigation pending or in prospect at any time. The Library Board is not aware of any claims or possible claims as at 31 December 2018.

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS