



PAHAPILL and ASSOCIATES Chartered Accountants

Professional Corporation

April 02, 2014

Reeve and Council
The Corporation of the Township of McKellar

This report is intended solely for the use of Council and should not be used for any other purpose.

We have been engaged to audit the financial statements of The Corporation of the Township of McKellar and its boards and trust funds ("the Municipality") for the year ending December 31, 2013. Canadian generally accepted auditing standards require that we communicate the following information to with you in relation to your audit.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

During the course of our audit, we did not encounter any specific internal control matters that we wish to bring to your attention.

Significant Accounting Principles and Policies

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting policies used by the Municipality are disclosed in the notes to the financial statements. Where accounting policies have changed from one period to the next, such changes have been noted and the effect of these changes has been disclosed.

Significant Unusual Transactions

We are not aware of any significant or unusual transactions entered into by the Municipality that you should be informed about.

Accounting Estimates

Management is responsible for the accounting estimates included in the financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analysis of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;

- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes. The most sensitive accounting estimate relates to the landfill closure and post-closure liability. As described in the notes to the financial statements, municipalities must recognize a liability related to the closure of solid waste landfill sites.

Based on our audit procedures, we have concluded the estimates and judgments are reasonable in the context of the financial statements when taken as a whole. Financial results as determined by actual events could differ from those estimates and it is reasonable to assume such differences may be material.

Significant Misstatements

Any misstatements discovered in the course of our audit have been discussed with and corrected by management. We are not aware of any material misstatements or unadjusted items that, in aggregate, exceed materiality thresholds established for the audit.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Municipality's financial statements or auditors' report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditors' report.

In the course of our audit, we did not have any significant disagreements with management.

Consultation with Other Accountants (Second Opinions)

Management may consult with other accountants about auditing and accounting matters to obtain a "second opinion". When an entity requests that another accountant provide a written report or oral advice on the application of accounting principles to a specific transaction or the type of opinion that may be rendered on the entity's financial statements, we are required to ensure that the accountant has ensured that the reporting accountant has knowledge of all facts and circumstances and has conducted the engagement in accordance with Canadian generally accepting auditing standards on the Reports on the Application of Accounting Principles.

We are not aware of any consultations that have taken place with other accountants.

Difficulties Encountered During the Audit

We encountered no significant difficulties during our audit that should be brought to your attention.

Note: Serious difficulties encountered while performing the audit could include such things as:

- Significant delays in management providing information required for the audit; and
- An unnecessarily brief timetable in which to complete the audit.

We would be pleased to discuss with you further any matters mentioned above, at your convenience.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
2013 FINANCIAL HIGHLIGHTS

TAX RATES

	2013 Tax Rates (%)		2012 Tax Rates (%)	
	Township purposes	School Board purposes	Township purposes	School Board purposes
Residential and Farm	0.436052	0.212000	0.429966	0.221000
Farmland and Managed Forest	0.109013	0.053000	0.107491	0.055250
Commercial Occupied	0.823153	1.232824	0.811664	0.741830
Industrial Occupied	0.840223	1.260000	0.828495	1.260000

TRANSACTIONS FOR THE SCHOOL BOARDS

	2013	2012
Payable (Receivable) at the beginning of the year	\$ 66,169	\$ 84,079
Taxation and payments-in-lieu, net of adjustments	1,224,507	1,290,775
Remitted during the year	(1,260,410)	(1,308,685)
Payable (Receivable) at the end of the year	\$ 30,266	\$ 66,169

These revenues and expenditures are not reflected in the Consolidated Statement of Operations.

YEAR END BALANCE OF TRUST FUNDS UNDER ADMINISTRATION

	2013	2012
Trust Funds	\$ 36,615	\$ 36,065

NOTES

1. The 2013 financial report consolidates the operations, assets and liabilities of the Township and its local cemetery and library boards.
2. The above data has been extracted from the audited 2013 Consolidated Financial Report of the Township and its local boards and committees as described in Note 1. Copies of the 2013 Consolidated Financial Report and the Auditors' Report of Pahapill and Associates Professional Corporation, Chartered Accountants, Huntsville, Ontario are available at the Township office to any resident who wishes to review or analyze the financial operations of the Township in greater detail.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

2013 FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,447,374	\$ 1,030,644
Accounts receivable	513,804	507,731
Inventories held for resale	378	487
	1,961,556	1,538,862
LIABILITIES		
Accounts payable and accrued liabilities	270,501	223,976
Deferred revenue	191,750	116,363
Employee benefits payable	49,312	47,551
Landfill closure and post-closure liability	30,700	37,400
	542,263	425,290
NET FINANCIAL ASSETS (DEBT)	1,419,293	1,113,572
NON-FINANCIAL ASSETS		
Tangible capital assets - net	13,037,078	13,200,933
Inventories of supplies	37,406	49,624
Prepaid expenses	29,547	27,925
	13,104,031	13,278,482
ACCUMULATED SURPLUS	\$ 14,523,324	\$ 14,392,054

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

2013 FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget 2013	Actual 2013	Actual 2012
REVENUE			
Property taxes	\$ 2,517,338	\$ 2,566,421	\$ 2,502,897
User fees	16,050	22,212	42,601
Government transfers	647,021	665,421	643,896
Other	196,831	278,613	298,419
TOTAL REVENUE	3,377,240	3,532,667	3,487,813
EXPENSES			
General government	608,561	647,948	640,134
Protection to persons and property	486,258	467,085	434,462
Transportation services	1,249,769	1,251,863	1,355,545
Environmental services	206,187	169,443	187,364
Health services	209,025	206,374	206,768
Social and family services	365,435	365,434	369,177
Recreation and culture	210,240	207,289	218,897
Planning and development	116,206	85,961	71,648
TOTAL EXPENSES	3,451,681	3,401,397	3,483,995
ANNUAL SURPLUS (DEFICIT)	(74,441)	131,270	3,818
ACCUMULATED SURPLUS, BEGINNING OF YEAR	14,392,054	14,392,054	14,388,236
ACCUMULATED SURPLUS, END OF YEAR	\$ 14,317,613	\$ 14,523,324	\$ 14,392,054