
**THE CORPORATION OF
THE TOWNSHIP OF ARMOUR**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

THE CORPORATION OF THE TOWNSHIP OF ARMOUR
CONTENTS

| | Page |
|---|--------|
| Independent Auditor's Report | 1 - 2 |
| Consolidated Statement of Financial Position | 3 |
| Consolidated Statements of Operations and Accumulated Surplus | 4 |
| Consolidated Statement of Change in Net Financial Assets | 5 |
| Consolidated Statement of Cash Flows | 6 |
| Notes to the Consolidated Financial Statements | 7 - 21 |

Independent Auditor's Report

Grant Thornton LLP
Suite 200
222 McIntyre Street W
North Bay, ON
P1B 2Y8
T (705) 472-6500
F (705) 472-7760
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Armour

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Armour which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations, accumulated surplus, change 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 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 Corporation of the Township of Armour as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

As part of our audit of the 2010 financial statements, we also audited the adjustments described in Note 2 that were applied to amend the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 financial statements of The Corporation of the Township of Armour other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2009 financial statements taken as a whole.

Other matters

Without modifying our report, we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

The consolidated financial statements of The Corporation of the Township of Armour for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements dated February 24, 2010.

Grant Thornton LLP

North Bay, Canada
August 9, 2011

Chartered Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

| | 2010 | 2009 <i>(Restated - see Note 2)</i> |
|--|---------------------|--|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 363,256 | \$ 1,308,865 |
| Taxes receivable | 326,223 | 327,858 |
| Accounts receivable | 1,365,238 | 501,703 |
| Long-term receivable | 6,909 | 8,404 |
| Inventories held for resale | 2,515 | 2,515 |
| | 2,064,141 | 2,149,345 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 697,367 | 739,573 |
| Deferred revenue-general | 6,191 | 120,359 |
| Deferred revenue-obligatory reserve funds <i>(Note 5)</i> | 63,197 | 191,460 |
| Municipal debt <i>(Note 6)</i> | 93,865 | 141,131 |
| Tangible capital leases <i>(Note 8)</i> | 64,648 | 82,342 |
| Long-term commitments | - | 5,000 |
| Employee benefits payable <i>(Note 9)</i> | 17,079 | 16,352 |
| Landfill closure and post-closure liability <i>(Note 10)</i> | 214,610 | 251,240 |
| | 1,156,957 | 1,547,457 |
| NET FINANCIAL ASSETS | 907,184 | 601,888 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets - net <i>(Note 13)</i> | 6,504,276 | 5,590,842 |
| Inventories of supplies | 90,572 | 93,733 |
| Prepaid expenses | 5,894 | 3,428 |
| | 6,600,742 | 5,688,003 |
| ACCUMULATED SURPLUS <i>(Note 14)</i> | \$ 7,507,926 | \$ 6,289,891 |

Contingencies *(Notes 3 and 12)*
 Commitments *(Note 11)*

APPROVED ON BEHALF OF COUNCIL:

_____ Reeve

THE CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget 2010 <i>(Unaudited - see Note 16)</i> | Actual 2010 | Actual 2009 <i>(Restated - see Note 2)</i> |
|--|--|---------------------|--|
| REVENUE | | | |
| Property taxes | \$ 1,775,850 | \$ 1,824,379 | \$ 1,733,038 |
| User charges | 58,168 | 121,670 | 103,903 |
| Government transfers | 2,568,272 | 2,231,924 | 1,178,756 |
| Other | 175,804 | 244,307 | 277,491 |
| TOTAL REVENUE | 4,578,094 | 4,422,280 | 3,293,188 |
| EXPENSES | | | |
| General government | 544,000 | 524,062 | 524,656 |
| Protection to persons and property | 361,859 | 341,986 | 299,708 |
| Transportation services | 1,478,530 | 1,417,505 | 1,735,156 |
| Environmental services | 231,536 | 260,214 | 144,508 |
| Health services | 108,900 | 108,235 | 97,756 |
| Social and family services | 241,300 | 240,679 | 249,297 |
| Recreation and cultural services | 227,300 | 258,549 | 224,871 |
| Planning and development | 65,600 | 53,015 | 64,356 |
| TOTAL EXPENSES | 3,259,025 | 3,204,245 | 3,340,308 |
| ANNUAL SURPLUS (DEFICIT) <i>(Note 14)</i> | 1,319,069 | 1,218,035 | (47,120) |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 6,289,891 | 6,289,891 | 6,337,011 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 7,608,960 | \$ 7,507,926 | \$ 6,289,891 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget 2010 <i>(Unaudited - see Note 16)</i> | Actual 2010 | Actual 2009 <i>(Restated - see Note 2)</i> |
|--|--|-------------------|--|
| Annual surplus (deficit) | \$ 1,319,069 | \$ 1,218,035 | \$ (47,120) |
| Acquisition of tangible capital assets | (2,734,104) | (1,882,369) | (527,774) |
| Contributed tangible capital assets | - | (4,928) | - |
| Amortization of tangible capital assets | 827,000 | 897,890 | 826,564 |
| Loss on disposal of tangible capital assets | - | 72,893 | 11,445 |
| Proceeds from disposal of tangible capital assets | - | 3,080 | - |
| Change in supplies inventories | - | 3,161 | (6,733) |
| Change in prepaid expenses | - | (2,466) | 9,300 |
| Increase (decrease) in net financial assets | (588,035) | 305,296 | 265,682 |
| Net financial assets, beginning of year | 601,888 | 601,888 | 336,206 |
| Net financial assets, end of year | \$ 13,853 | \$ 907,184 | \$ 601,888 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | 2010 | 2009 <i>(Restated - see Note 2)</i> |
|---|-------------------|--|
| Operating transactions | | |
| Annual surplus (deficit) | \$ 1,218,035 | \$ (47,120) |
| Non-cash charges to operations: | | |
| Amortization | 897,890 | 826,564 |
| Loss on disposal of tangible capital assets | 72,893 | 11,445 |
| Change in employee benefits payable | 727 | 1,781 |
| Change in landfill closure and post-closure liability | (36,630) | (8,360) |
| | 2,152,915 | 784,310 |
| Changes in non-cash items: | | |
| Taxes receivable | 1,635 | 11,472 |
| Accounts receivable | (863,535) | (393,074) |
| Long-term receivable | 1,495 | (8,404) |
| Accounts payable and accrued liabilities | (42,206) | 469,805 |
| Deferred revenue-general | (114,168) | - |
| Deferred revenue-obligatory reserve funds | (128,263) | 106,238 |
| Inventories of supplies | 3,161 | (6,733) |
| Prepaid expenses | (2,466) | 9,300 |
| | (1,144,347) | 188,604 |
| Cash provided by operating transactions | 1,008,568 | 972,914 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (1,882,369) | (527,774) |
| Contributed tangible capital assets | (4,928) | - |
| Proceeds from disposal of tangible capital assets | 3,080 | - |
| Cash applied to capital transactions | (1,884,217) | (527,774) |
| | - | - |
| Financing transactions | | |
| Debt principal repayments | (47,266) | (72,510) |
| Increase (decrease) in tangible capital leases | (17,694) | 82,342 |
| Payment of long-term commitments | (5,000) | (6,000) |
| Cash provided by (applied to) financing transactions | (69,960) | 3,832 |
| Net change in cash and cash equivalents | (945,609) | 448,972 |
| Cash and cash equivalents, beginning of year | 1,308,865 | 859,893 |
| Cash and cash equivalents, end of year | \$ 363,256 | \$ 1,308,865 |
| Cash flow supplementary information: | | |
| Cash paid for interest | \$ 9,868 | \$ 12,631 |

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Armour (the "Municipality") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues, expenses and reserve and reserve fund balances of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Consolidated and proportionally consolidated entities

The following local board is consolidated:

Cemetery

The following joint boards and committees are proportionally consolidated:

Fire

TRI R

Arena and Community Centre

Library

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Non-consolidated entities

The following joint boards are not consolidated:

North Bay Parry Sound District Health Unit

Parry Sound District Social Services Administration Board

District of Parry Sound (East) Home for the Aged

(iii) Accounting for school board transactions

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

(iv) Trust funds

Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

(b) Basis of Accounting

(i) Accrual basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with financial institutions and short-term deposits with original maturities of three months or less.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

(iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. 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 years
 Buildings - 40 years
 Machinery, equipment and furniture - 5 to 20 years
 Vehicles - 8 to 15 years
 Roads - 8 to 75 years
 Bridges - 60 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Estimated closure and post-closure expenses for active landfill sites as well as the land occupied by the sites and related land improvements are amortized annually on the basis of capacity used during the year as a percentage of the estimated total capacity of the landfill site.

Interest related to the acquisition of capital assets is not capitalized, but is expensed in the year incurred.

(b) Inventories of supplies

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

(iv) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

(v) Government transfers

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

(vi) Deferred revenue - general

The Municipality defers recognition of certain government grants which have been collected but for which the related expenditures have yet to be incurred. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2010

- (vii) Deferred revenue-obligatory reserve funds
The Municipality receives gas tax revenue from the Federal Government and payments in lieu of parkland under the authority of provincial legislation and Municipal by-laws. These funds are restricted in their use and until applied to the applicable expenditures are recorded as deferred revenue.
- (viii) Taxation and related revenues
Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.
- (ix) Pensions and employee benefits
The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Municipality's employ.
- (x) 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. Significant accounting estimates include valuation allowances for accounts receivable, estimated useful lives of tangible capital assets and solid waste landfill closure and post-closure liabilities. Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

2. CORRECTION OF PRIOR PERIOD

- (a) In prior years, the Municipality recorded revenue of \$118,840 related to certain government transfers before the qualifying expenditures were incurred and these transfers should have been deferred.
- (b) In 2009, the Municipality capitalized net expenditures of \$390,429 related to modifications and improvements to access a commercial development which is not owned by the Municipality. These expenditures should have been expensed in the year since the costs were recovered from the developer.
- (c) With respect to the Burk's Falls, Armour and Ryerson Union Public Library, in 2009 the Municipality did not record grants receivable of \$2,060 and incorrectly recorded an expense recovery of \$553.
- (d) With respect to the Armour, Ryerson and Burk's Falls Memorial Arena and Community Centre, in prior years the Municipality did not record food booth inventory of \$2,515.

These errors were discovered in the current year and have been corrected retroactively. As a result, the December 31, 2009 figures, presented for comparative purposes, have been restated from those previously reported as follows:

| | As Previously Reported | Restated | Increase (Decrease) |
|---|---------------------------|------------|------------------------|
| STATEMENT OF FINANCIAL POSITION | | | |
| Accounts receivable | \$ 500,196 | \$ 501,703 | \$ 1,507 |
| Inventories held for resale | - | 2,515 | 2,515 |
| Deferred revenue-general | 1,519 | 120,359 | 118,840 |
| Net financial assets | 716,706 | 601,888 | (114,818) |
| Tangible capital assets - net | 5,981,271 | 5,590,842 | (390,429) |
| Accumulated Surplus | 6,795,138 | 6,289,891 | (505,247) |
| STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS | | | |
| Government transfers | 1,176,696 | 1,178,756 | 2,060 |
| Other revenue | 288,936 | 277,491 | (11,445) |
| Expenses | | | |
| Transportation services | 1,356,172 | 1,735,156 | 378,984 |
| Recreation and cultural services | 224,318 | 224,871 | 553 |
| Annual Surplus | 341,802 | (47,120) | (388,922) |
| Accumulated Surplus, beginning of year | 6,453,336 | 6,337,011 | (116,325) |

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2010

3. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to Note 1(a)(ii), the following contributions were made by the Municipality to these boards:

| | 2010 | 2009 |
|--|-------------------|-------------------|
| District of Parry Sound Social Services Administration Board | \$ 174,924 | \$ 199,531 |
| North Bay Parry Sound District Health Unit | 35,491 | 34,945 |
| District of Parry Sound (East) Home for the Aged | 59,026 | 40,461 |
| | \$ 269,441 | \$ 274,937 |

The Municipality is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Municipality's share of the accumulated surpluses (or deficits) of these boards has not been determined at this time.

The Municipality is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. The Municipality's share of these long-term liabilities has not been determined at this time.

4. TRANSACTIONS ON BEHALF OF OTHERS

(a) During the year, \$708,233 of taxation was collected on behalf of school boards (2009 \$664,353).

(b) Trust funds administered by the Municipality amounting to \$7,576 (2009 \$7,576) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

5. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The balance of deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position is made up of the following:

| | 2010 | 2009 |
|--------------------------------------|------------------|-------------------|
| Recreational land (the Planning Act) | \$ 63,197 | \$ 61,382 |
| Federal Gas Tax | - | 130,078 |
| | \$ 63,197 | \$ 191,460 |

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

6. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

| | 2010 | 2009 |
|---|------------------|-------------------|
| Royal Bank of Canada term loan, due September 2012, repayable in monthly payments of \$4,500 including interest calculated at 5.62% | \$ 93,865 | \$ 141,131 |

(b) Future estimated principal and interest payments on the municipal debt are as follows:

| | Principal | | Interest | |
|------|-----------|---------------|-----------|--------------|
| 2011 | \$ | 50,004 | \$ | 3,991 |
| 2012 | | 43,861 | | 1,135 |
| | \$ | 93,865 | \$ | 5,126 |

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

| | 2010 | | 2009 | |
|--------------------|-----------|---------------|-----------|---------------|
| Principal payments | \$ | 47,266 | \$ | 72,510 |
| Interest | | 6,729 | | 10,137 |
| | \$ | 53,995 | \$ | 82,647 |

The annual principal and interest payments required to service the Municipality's debt are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2010

7. CREDIT FACILITY AGREEMENT

The Municipality has credit facility agreement with the Royal Bank of Canada of \$350,000 (2009 \$350,000) which was unused at the end of the year. As security, the Municipality has pledged its revenue.

8. TANGIBLE CAPITAL LEASES

In conjunction with the other members of the TRI R Committee, the Municipality leases landfill equipment, which is accounted for on the Consolidated Statement of Financial Position at the present value of future minimum lease payments. Future minimum lease payments are as follows:

| | 2010 | 2009 |
|--|------------------|------------------|
| 2010 | \$ - | \$ 20,833 |
| 2011 | 20,833 | 20,833 |
| 2012 | 20,833 | 20,833 |
| 2013 | 20,833 | 20,833 |
| 2014 | 6,944 | 6,945 |
| Total minimum lease payments | 69,443 | 90,277 |
| Less amount representing interest (4.829% per terms of contract) | (4,795) | (7,935) |
| Present value of future minimum capital lease payments | \$ 64,648 | \$ 82,342 |

Interest of \$3,139 (2009 \$2,494) relating to capital lease obligations has been reported on the Consolidated Statement of Operations.

9. EMPLOYEE BENEFITS PAYABLE

Under the sick leave benefits plan, unused sick leave can accumulate to a prescribed maximum and employees may become entitled to a cash payment when they leave the Municipality's employment. The liability for these accumulated days amounted to \$17,079 (2009 \$16,352) at the end of the year.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final cover and landscaping of the landfill site, management of groundwater and leachates, and ongoing environmental monitoring and site inspection. Estimated expenditures related to the closure and subsequent maintenance of this site are recognized in the financial statements over the operating life of the site, in proportion to its utilized capacity.

The Township of Armour, the Village of Burk's Falls and the Township of Ryerson jointly operate a landfill site through the TRI R Committee. The site is currently operating under an Emergency Certificate of Approval and an application to expand the existing site is ongoing. In 2009, an application for expansion and an emergency extension were filed.

The liability for the landfill site is recorded at \$487,749 (2009 \$571,000) and represents the present value of closure and post-closure costs for 100% of the approved site area, using an estimated long-term borrowing rate of 4.8% (2009 2.0%) and inflation rate of 2.1% (2009 2.0%). Post-closure care is estimated to be required for a period of 25 years.

The Municipality has recognized \$214,610 (2009 \$251,240) in the financial statements related to its proportionate share of this liability.

As a result of changes to assumptions made in 2010 relating to the borrowing rate and the inflation rate underlying the estimated liability, the estimated liability recorded by the Municipality has been reduced by approximately \$49,280.

The Municipality has reserves and reserve funds of \$124,186 (2009 \$71,290) related to the landfill site that could be used to fund this liability.

11. COMMITMENTS

- (a) In 2010, the Municipality committed to purchase a Freightliner truck from Canadian Fleet Services at a cost of \$205,338 including taxes. The vehicle is expected to be delivered in 2011.
- (b) In 2010, the Municipality entered into an agreement with Rideau Valley Constructors Limited for the replacement of the Leggett's Bridge at a cost of \$2,146,640, excluding taxes. Of this, \$1,347,576 work was completed by the end of the year. The balance of the contract is expected to be paid in 2011.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

12. CONTINGENCIES

- (a) The Municipality has entered into an agreement with the Association of Municipalities of Ontario with respect to the transfer of federal gas tax revenues. The agreement contains specific provisions for the utilization of the funds, including a provision for repayment of a proportionate amount of funds in the event that, any time within 10 years from the date of completion of the eligible project the Municipality sells, leases, encumbers or otherwise disposes of, directly or indirectly any asset constructed, rehabilitated or improved, in whole or in part, with the financial assistance received under the terms of the agreement. At December 31, 2010, the Municipality has received a total of \$292,344 for the years 2005 to 2010, and has expended \$294,182, including interest earned, for the years 2005 to 2010.
- (b) Prior to 2005, the Municipality participated in group underwriting relating to its insurance claims and this group has ceased writing new policies of insurance. Each participant in the underwriting group may be required to fund a deficit in any policy year to ensure that sufficient funds are available to cover all outstanding liabilities. At December 31, 2010, the Municipality's share of the group's deficit was \$10,111.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2010

13. TANGIBLE CAPITAL ASSETS

The tangible capital assets of the Municipality by major asset class are outlined below.

| 2010 | | | | | | | |
|------------------------------------|----------------------------------|-------------------|-------------------------------|-------------------|-------------------------|------------------------------|---------------------|
| | Land and Land Improvements | Buildings | Machinery and Equipment | Vehicles | Roads and Bridges | Assets Under Construction | TOTAL |
| COST | | | | | | | |
| Balance, beginning of year | \$ 622,432 | \$ 1,437,680 | \$ 361,190 | \$ 1,379,753 | \$ 11,282,243 | \$ 165,946 | \$ 15,249,244 |
| Additions and betterments | 70,976 | 56,280 | 141,460 | 28,520 | 151,363 | 1,433,770 | 1,882,369 |
| Contributed assets | - | - | - | 4,928 | - | - | 4,928 |
| Disposals and writedowns | (36,630) | - | (13,805) | (46,870) | (228,585) | - | (325,890) |
| BALANCE, END OF YEAR | 656,778 | 1,493,960 | 488,845 | 1,366,331 | 11,205,021 | 1,599,716 | 16,810,651 |
| ACCUMULATED AMORTIZATION | | | | | | | |
| Balance, beginning of year | 256,520 | 482,075 | 120,431 | 726,215 | 8,073,161 | - | 9,658,402 |
| Annual amortization | 73,116 | 36,254 | 38,044 | 80,947 | 669,529 | - | 897,890 |
| Amortization disposals | (36,630) | - | (7,817) | (34,031) | (171,439) | - | (249,917) |
| BALANCE, END OF YEAR | 293,006 | 518,329 | 150,658 | 773,131 | 8,571,251 | - | 10,306,375 |
| TANGIBLE CAPITAL ASSETS-NET | \$ 363,772 | \$ 975,631 | \$ 338,187 | \$ 593,200 | \$ 2,633,770 | \$ 1,599,716 | \$ 6,504,276 |

2009 (Restated - see Note 2)

| | Land and Land Improvements | Buildings | Machinery and Equipment | Vehicles | Roads and Bridges | Assets Under Construction | TOTAL |
|------------------------------------|----------------------------------|-------------------|-------------------------------|-------------------|-------------------------|------------------------------|---------------------|
| COST | | | | | | | |
| Balance, beginning of year | \$ 596,103 | \$ 1,395,324 | \$ 264,622 | \$ 1,352,407 | \$ 11,161,847 | \$ - | \$ 14,770,303 |
| Additions and betterments | 34,689 | 42,356 | 105,007 | 33,946 | 145,830 | 165,946 | 527,774 |
| Disposals and writedowns | (8,360) | - | (8,439) | (6,600) | (25,434) | - | (48,833) |
| BALANCE, END OF YEAR | 622,432 | 1,437,680 | 361,190 | 1,379,753 | 11,282,243 | 165,946 | 15,249,244 |
| ACCUMULATED AMORTIZATION | | | | | | | |
| Balance, beginning of year | 263,608 | 447,054 | 96,738 | 647,336 | 7,414,490 | - | 8,869,226 |
| Annual amortization | 1,272 | 35,021 | 32,132 | 85,479 | 672,660 | - | 826,564 |
| Amortization disposals | (8,360) | - | (8,439) | (6,600) | (13,989) | - | (37,388) |
| BALANCE, END OF YEAR | 256,520 | 482,075 | 120,431 | 726,215 | 8,073,161 | - | 9,658,402 |
| TANGIBLE CAPITAL ASSETS-NET | \$ 365,912 | \$ 955,605 | \$ 240,759 | \$ 653,538 | \$ 3,209,082 | \$ 165,946 | \$ 5,590,842 |

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2010

14. ACCUMULATED SURPLUS

The 2010 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

| | Balance Beginning of Year <i>(Restated - see Note 2)</i> | Annual Surplus (Deficit) | Balance End of Year |
|---|---|--------------------------------|------------------------|
| RESERVES AND RESERVE FUNDS | | | |
| Working capital | \$ 351,130 | \$ 75,000 | \$ 426,130 |
| Fire | 25,340 | (8,447) | 16,893 |
| Roads | 374,192 | 191,000 | 565,192 |
| Waste disposal | 45,285 | 48,400 | 93,685 |
| Recycling | 16,000 | 12,600 | 28,600 |
| TRI R | 26,005 | 4,496 | 30,501 |
| Hazardous waste | 2,644 | - | 2,644 |
| Arena | - | 11,000 | 11,000 |
| Library | - | 1,000 | 1,000 |
| | 840,596 | 335,049 | 1,175,645 |
| OTHER | | | |
| Consolidated tangible capital assets | 5,590,842 | 913,434 | 6,504,276 |
| General operating surplus - | | | |
| Municipality | 322,877 | (116,527) | 206,350 |
| TRI R dedicated capital funding | 19,733 | (19,733) | - |
| Cemetery | 2,066 | - | 2,066 |
| Library | (1,078) | 1,445 | 367 |
| Arena and Community Centre | 2,515 | - | 2,515 |
| Unfunded amounts - | | | |
| Municipal debt | (141,131) | 47,266 | (93,865) |
| Tangible capital leases | (73,937) | 16,198 | (57,739) |
| Long-term commitments | (5,000) | 5,000 | - |
| Employee benefits payable | (16,352) | (727) | (17,079) |
| Landfill closure and post-closure liabilities | (251,240) | 36,630 | (214,610) |
| | \$ 6,289,891 | \$ 1,218,035 | \$ 7,507,926 |

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2010

15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

General Government

This segment includes Council, Clerk's Department, and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

Protection to Persons and Property

This segment includes fire, police, building inspection, and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract.

Transportation Services

Transportation services include roadway systems and winter control.

Environmental Services

This segment includes solid waste management.

Health Services

This segment includes cemeteries, ambulance services as well as payments to the district health unit.

Social and Family Services

This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

Recreation and Culture

This segment includes parks, recreation programs, recreation facilities and library services.

Planning and Development

This segment includes activities related to planning, zoning and economic development.

Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and the municipality's annual Ontario Municipal Partnership Fund unconditional grant.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2010

| | General Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | Unallocated Amounts | Consolidated |
|------------------------------------|-----------------------|--|----------------------------|---------------------------|---------------------|----------------------------------|---|--------------------------------|------------------------|---------------------|
| REVENUE | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,824,379 | \$ 1,824,379 |
| User charges | - | 256 | 712 | 71,724 | - | - | 46,048 | 2,930 | - | 121,670 |
| Government transfers - | | | | | | | | | | |
| Canada | - | - | 720,643 | 17,557 | - | - | 31,787 | - | - | 769,987 |
| Ontario | 486 | 14,024 | 826,893 | 42,447 | - | - | 41,055 | 10,184 | 493,200 | 1,428,289 |
| Other municipalities | - | 29,509 | 3,000 | - | - | - | 1,139 | - | - | 33,648 |
| Loss on disposal of capital assets | - | (12,618) | (57,146) | (2,569) | - | - | (560) | - | - | (72,893) |
| Other | 5,038 | 30,280 | 96,719 | 53,779 | - | - | 22,152 | - | 109,232 | 317,200 |
| TOTAL REVENUE | 5,524 | 61,451 | 1,590,821 | 182,938 | - | - | 141,621 | 13,114 | 2,426,811 | 4,422,280 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 302,951 | 60,626 | 234,171 | 86,325 | - | - | 96,416 | - | - | 780,489 |
| Long-term debt charges (interest) | - | - | - | 3,139 | - | 6,729 | - | - | - | 9,868 |
| Materials | 107,505 | 41,883 | 264,585 | 49,079 | - | - | 99,892 | 2,191 | - | 565,135 |
| Contracted services | 84,836 | 219,680 | 178,839 | 44,875 | 71,689 | - | 20,196 | 50,824 | - | 670,939 |
| Rents and financial expenses | 5,050 | 528 | - | 22 | - | - | 3,828 | - | - | 9,428 |
| External transfers | - | - | - | - | 36,546 | 233,950 | - | - | - | 270,496 |
| Amortization | 23,720 | 19,269 | 739,910 | 76,774 | - | - | 38,217 | - | - | 897,890 |
| TOTAL EXPENSES | 524,062 | 341,986 | 1,417,505 | 260,214 | 108,235 | 240,679 | 258,549 | 53,015 | - | 3,204,245 |
| ANNUAL SURPLUS (DEFICIT) | \$ (518,538) | \$ (280,535) | \$ 173,316 | \$ (77,276) | \$ (108,235) | \$ (240,679) | \$ (116,928) | \$ (39,901) | \$ 2,426,811 | \$ 1,218,035 |

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2009 (Restated - see Note 2)

| | General Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | Unallocated Amounts | Consolidated |
|------------------------------------|-----------------------|--|----------------------------|---------------------------|--------------------|----------------------------------|---|--------------------------------|------------------------|--------------------|
| REVENUE | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,733,038 | \$ 1,733,038 |
| User charges | - | 1,113 | 2,079 | 44,319 | - | - | 46,291 | 10,101 | - | 103,903 |
| Government transfers - | | | | | | | | | | |
| Canada | 26,664 | - | 230,904 | 4,443 | - | - | 1,612 | - | - | 263,623 |
| Ontario | 27,224 | 7,596 | 241,290 | 22,238 | - | - | 15,883 | 11,232 | 553,800 | 879,263 |
| Other municipalities | - | 32,758 | 1,973 | - | - | - | 1,139 | - | - | 35,870 |
| Loss on disposal of capital assets | - | - | (11,445) | - | - | - | - | - | - | (11,445) |
| Other | - | 19,329 | 174,372 | 10,276 | 50 | - | 24,437 | - | 60,472 | 288,936 |
| TOTAL REVENUE | 53,888 | 60,796 | 639,173 | 81,276 | 50 | - | 89,362 | 21,333 | 2,347,310 | 3,293,188 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 288,123 | 42,288 | 245,589 | 71,710 | - | - | 95,682 | - | - | 743,392 |
| Long-term debt charges (interest) | - | - | 832 | 2,494 | - | 9,305 | - | - | - | 12,631 |
| Materials | 91,770 | 35,093 | 331,366 | 26,874 | 383 | - | 76,777 | 3,168 | - | 565,431 |
| Contracted services | 115,900 | 202,048 | 410,224 | 39,776 | 375 | - | 10,855 | 61,188 | - | 840,366 |
| Rents and financial expenses | 7,484 | 528 | - | - | 600 | - | 6,922 | - | - | 15,534 |
| External transfers | - | - | - | - | 96,398 | 239,992 | - | - | - | 336,390 |
| Amortization | 21,379 | 19,751 | 747,145 | 3,654 | - | - | 34,635 | - | - | 826,564 |
| TOTAL EXPENSES | 524,656 | 299,708 | 1,735,156 | 144,508 | 97,756 | 249,297 | 224,871 | 64,356 | - | 3,340,308 |
| ANNUAL SURPLUS (DEFICIT) | \$ (470,768) | \$ (238,912) | \$(1,095,983) | \$ (63,232) | \$ (97,706) | \$ (249,297) | \$ (135,509) | \$ (43,023) | \$ 2,347,310 | \$ (47,120) |

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2010

16. BUDGET FIGURES

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 |
|---|---------------------|
| ADOPTED BUDGET: | |
| Decrease in general municipal operating surplus | \$ (322,800) |
| Increase in municipal reserves and reserve funds | 26,100 |
| Decrease in board and joint board general operating surplus, dedicated capital funding and reserves and reserve funds | (10,615) |
| ADJUSTMENTS: | |
| Budgeted acquisition of tangible capital assets | 2,734,104 |
| Amortization of tangible capital assets | (827,000) |
| Budgeted increase in municipal debt | (302,000) |
| Budgeted decrease in tangible capital leases | 16,280 |
| Budgeted decrease in long-term commitments | 5,000 |
| ANNUAL SURPLUS | \$ 1,319,069 |

17. PENSION AGREEMENTS

The Municipality 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.

The amount contributed to OMERS for 2010 was \$29,331 (2009 \$26,713) for current service and is included as an expense on the Consolidated Statement of Operations.

18. COMPARATIVE FIGURES

Certain prior year figures presented for comparative purposes have been reclassified to conform to the presentation adopted for the current year.