
**THE CORPORATION OF
THE TOWNSHIP OF ARMOUR**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

THE CORPORATION OF THE TOWNSHIP OF ARMOUR
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Independent Auditor's Report

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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, 2015 and the consolidated statements of operations and 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, 2015, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

North Bay, Canada
May 24, 2016

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	\$ 717,229	\$ 792,835
Temporary Investments (Note 5)	46,252	333,364
Taxes receivable	488,713	432,927
Accounts receivable	112,217	76,435
Portfolio investments (Note 6)	1,510,120	-
Inventories held for resale	1,783	2,259
	2,876,314	1,637,820
LIABILITIES		
Accounts payable and accrued liabilities	418,136	301,447
Deferred revenue-general (Note 7)	1,090,016	460
Deferred revenue-obligatory reserve funds (Note 8)	41,501	112,077
Municipal debt (Note 9)	6,272	11,915
Tangible capital lease (Note 11)	3,298	-
Employee benefits payable (Note 12)	5,255	23,392
Landfill closure and post-closure liability (Note 13)	339,886	299,067
	1,904,364	748,358
NET FINANCIAL ASSETS	971,950	889,462
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 15)	13,533,098	12,112,003
Inventories of supplies	49,577	49,023
Prepaid expenses	4,547	6,028
	13,587,222	12,167,054
ACCUMULATED SURPLUS (Note 16)	\$ 14,559,172	\$ 13,056,516

Contingencies (Note 3)
Contractual obligations (Note 14)

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, 2015

	Budget 2015 <i>(see Note 18)</i>	Actual 2015	Actual 2014
REVENUE			
Property taxes	\$ 2,360,990	\$ 2,364,145	\$ 2,179,310
User charges	81,389	88,850	79,445
Government transfers	2,623,340	1,070,104	711,387
Contributed tangible capital assets - net	-	925,638	5,020,342
Investment income	-	10,120	-
Other	135,993	157,232	81,038
TOTAL REVENUE	5,201,712	4,616,089	8,071,522
EXPENSES			
General government	684,336	644,325	720,830
Protection to persons and property	552,597	504,761	440,053
Transportation services	1,080,001	898,075	843,094
Environmental services	245,549	264,693	249,314
Health services	137,300	135,126	133,464
Social and family services	264,226	259,274	237,679
Recreation and cultural services	348,337	334,613	269,308
Planning and development	121,161	72,566	72,056
TOTAL EXPENSES	3,433,507	3,113,433	2,965,798
ANNUAL SURPLUS <i>(Note 16)</i>	1,768,205	1,502,656	5,105,724
ACCUMULATED SURPLUS, BEGINNING OF YEAR	13,056,516	13,056,516	7,950,792
ACCUMULATED SURPLUS, END OF YEAR	\$ 14,824,721	\$ 14,559,172	\$ 13,056,516

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, 2015

	Budget 2015 <i>(see Note 18)</i>	Actual 2015	Actual 2014
Annual surplus	\$ 1,768,205	\$ 1,502,656	\$ 5,105,724
Acquisition of tangible capital assets	(3,518,796)	(1,082,178)	(662,307)
Contributed tangible capital assets	-	(1,000,778)	(5,020,342)
Accumulated amortization - contributed shared services assets	-	75,140	-
Amortization of tangible capital assets	577,100	577,156	444,946
(Gain) loss on disposal of tangible capital assets	-	(4,435)	54,610
Proceeds from disposal of tangible capital assets	-	14,000	37,342
Change in supplies inventories	-	(554)	(3,311)
Change in prepaid expenses	-	1,481	(1,787)
Increase (decrease) in net financial assets	(1,173,491)	82,488	(45,125)
Net financial assets, beginning of year	889,462	889,462	934,587
Net financial assets (debt), end of year	\$ (284,029)	\$ 971,950	\$ 889,462

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, 2015

	2015	2014
Operating transactions		
Annual surplus	\$ 1,502,656	\$ 5,105,724
Non-cash charges to operations:		
Amortization	577,156	444,946
(Gain) Loss on disposal of tangible capital assets	(4,435)	54,610
Change in employee benefits payable	(18,137)	(5,014)
Change in landfill closure and post-closure liability	40,819	80,271
	2,098,059	5,680,537
Changes in non-cash items:		
Taxes receivable	(55,786)	(45,878)
Accounts receivable	(35,782)	5,009
Inventories held for resale	476	(170)
Accounts payable and accrued liabilities	116,689	57,403
Deferred revenue-general	1,089,556	356
Deferred revenue-obligatory reserve funds	(70,576)	6,498
Inventories of supplies	(554)	(3,311)
Prepaid expenses	1,481	(1,787)
	1,045,504	18,120
Cash provided by operating transactions	3,143,563	5,698,657
Capital transactions		
Acquisition of tangible capital assets	(1,082,178)	(662,307)
Contributed tangible capital assets	(1,000,778)	(5,020,342)
Accumulated amortization - contributed shared services assets	75,140	-
Proceeds from disposal of tangible capital assets	14,000	37,342
Cash applied to capital transactions	(1,993,816)	(5,645,307)
Investing transactions		
Increase in portfolio investments	(1,510,120)	-
Decrease (increase) in temporary investments	287,112	(5,699)
Cash applied to investing transactions	(1,223,008)	(5,699)
Financing transactions		
Debt principal repayments	(5,643)	(5,965)
Increase (decrease) in tangible capital leases	3,298	(7,196)
Cash applied to financing transactions	(2,345)	(13,161)
Net change in cash	(75,606)	34,490
Cash, beginning of year	792,835	758,345
Cash, end of year	\$ 717,229	\$ 792,835
Cash flow supplementary information:		
Cash paid for interest	\$ 323	\$ 513

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, 2015

The consolidated financial statements of the Corporation of the Township of Armour (the "Municipality") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies is provided in Note 1. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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.

1. SIGNIFICANT ACCOUNTING POLICIES

Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenue, expenses and accumulated surplus 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

Economic Development

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 revenue, 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.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

(b) Basis of Accounting

(i) Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and measurable. Expenses 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) Temporary investments

Temporary investments are recorded at cost plus accrued interest.

(iii) Portfolio investments

Portfolio investments are recorded at cost. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(iv) 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 - 10 to 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.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2015

- (v) 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.
- (vi) Government transfers
Government transfers are recognized in the financial statements as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Consolidated Statement of Operations as the stipulation liabilities are settled.
- (vii) Deferred revenue
Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Consolidated Statement of Financial Position. The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specified purpose.
- (viii) Taxation and related revenue
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. Property tax billings are prepared by the Municipality based on assessment rolls, supplementary assessment rolls and other assessment adjustments issued by the Municipal Property Assessment Corporation ("MPAC"). Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is 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. Obligations for sick leave under employee benefits payable are accrued as the employees render the services necessary to earn the benefits.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

(x) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenue 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 taxes and accounts receivable, estimated useful lives of tangible capital assets, employee benefits payable, solid waste landfill closure and post-closure liabilities and supplementary taxes. Actual results could differ from these estimates.

2. CHANGE IN ACCOUNTING POLICY

On January 1, 2015 the Municipality adopted Public Sector Accounting Standards section 3260 "Liability for contaminated sites". This new standard establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites. The Municipality's adoption of this new standard has not resulted in any significant changes in liability recognition.

3. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2015	2014
District of Parry Sound Social Services Administration Board	\$ 158,623	\$ 159,430
North Bay Parry Sound District Health Unit	39,686	40,393
District of Parry Sound (East) Home for the Aged	100,651	78,249
	\$ 298,960	\$ 278,072

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, \$719,302 of taxation was collected on behalf of school boards (2014 \$726,130).

(b) The Municipality administers care and maintenance trust funds totaling \$8,226 (2014 \$8,126) which are funded by the sale of cemetery interment rights and markers. These funds are invested and earnings derived therefrom are used to perform maintenance at the Municipality's cemetery. The trust funds are not included in these consolidated financial statements, as they are being held in trust for the benefit of others.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

5. TEMPORARY INVESTMENTS

Temporary investments are comprised of guaranteed investment certificates, bearing interest at rates ranging from .85% to 1.5% and maturing between March 25, 2016 and October 13, 2016.

6. PORTFOLIO INVESTMENTS

Portfolio investments are comprised of the following:

	2015		2014	
	Carrying Value	Market Value	Carrying Value	Market Value
The One Investment Program	\$ 501,497	\$ 501,381	\$ -	\$ -
Money Market Fund				
Bond Fund	1,008,623	1,008,623	-	-
	\$ 1,510,120	\$ 1,510,004	\$ -	\$ -

Returns on these investments range from .51% to 1.31%.

7. DEFERRED REVENUE-GENERAL

In 2015 the Municipality entered into an agreement with the Ministry of Agriculture, Food and Rural Affairs under the Ontario Community Infrastructure Fund-application based program, to obtain funding for the reconstruction of the Doe Lake Road bridge. The terms of the agreement contain certain transfer stipulations, based on eligible costs and milestones. The maximum funding eligible under this agreement is \$1,737,803 and expires in March 2018.

Details of the deferred revenue reported on the Consolidated Statement of Financial Position are as follows:

	2015	2014
Balance, beginning of year:		
Other	\$ 460	\$ 104
	460	104
Received during the year:		
Doe Lake Road bridge	1,303,352	-
Other funding	2,297	460
Interest earned	9,084	-
	1,314,733	460
Recognized in revenue during the year	(225,177)	(104)
Balance, end of year	\$ 1,090,016	\$ 460
Doe Lake Road bridge	\$ 1,087,703	\$ -
Other deferred revenue	2,313	460
Balance, end of year	\$ 1,090,016	\$ 460

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

8. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Municipality receives payments in lieu of parkland under the Planning Act and federal gas tax funding under an agreement with the Association of Municipalities of Ontario. Legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

In the case of payments in lieu of parkland, revenue recognition occurs when the Municipality has approved eligible expenditures for park and other public recreation purposes. Gas tax revenue recognition occurs when the Municipality has approved the expenditures for eligible capital works. Historically, the Municipality has applied its gas tax funding to local road and bridge improvements.

Details of the deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position are as follows:

	2015	2014
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 29,576	\$ 28,626
Federal Gas Tax	82,501	76,953
	<u>112,077</u>	<u>105,579</u>
Received during the year:		
Recreational land (the Planning Act)	11,243	950
Federal Gas Tax	79,454	81,501
Interest earned	677	1,047
	<u>91,374</u>	<u>83,498</u>
Recognized in revenue during the year	<u>(161,950)</u>	<u>(77,000)</u>
Balance, end of year	\$ 41,501	\$ 112,077
Recreational land (the Planning Act)	\$ 41,009	\$ 29,576
Federal Gas Tax	492	82,501
Balance, end of year	\$ 41,501	\$ 112,077

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2015

9. MUNICIPAL DEBT

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

	2015	2014
Proportionate share of Fire Department Royal Bank of Canada term loan, due November 2016, repayable in monthly payments of \$1,162, including interest calculated at 2.96%. As security for the loan, the Fire Department has pledged equipment to which the loan relates (proportionate share of carrying value \$14,741)	\$ 6,272	\$ 11,915

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

	Principal	Interest
2016	\$ 6,272	\$ 119

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

	2015	2014
Principal payments	\$ 5,643	\$ 5,965
Interest	293	449
	\$ 5,936	\$ 6,414

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

10. CREDIT FACILITY AGREEMENT

The Municipality has a credit facility agreement with the Royal Bank of Canada of \$350,000 (2014 \$350,000) which was unused at the end of the year. As security, the Municipality has pledged its revenue.

11. TANGIBLE CAPITAL LEASE

The Municipality leases equipment in conjunction with the other contributing municipalities of the the Armour, Ryerson and Burk's Falls Memorial Arena and Community Centre. This liability is accounted for on the Consolidated Statement of Financial Position at the present value of future minimum lease payments, using a discount rate of 2.66%. Future minimum lease payments are as follows:

	2015	2014
2016	\$ 684	\$ -
2017	684	-
2018	684	-
2019	684	-
2020	684	-
2021 onwards	114	-
Total minimum lease payments	3,534	-
Less amount representing interest	(236)	-
Present value of future minimum capital lease payments	\$ 3,298	\$ -

Interest of \$30 (2014 \$64) relating to capital lease obligations has been reported on the Consolidated Statement of Operations.

12. EMPLOYEE BENEFITS PAYABLE

Under the sick leave benefits plan, unused sick leave can accumulate to a prescribed maximum and qualifying employees may become entitled to a cash payment when they leave the Municipality's employment. The sick leave benefit liability estimates the use of accumulated sick leave prior to retirement, as well as any lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The liability for these accumulated days amounted to \$5,255 (2014 \$23,392) at the end of the year.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

13. 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 in 2011 an application to expand the existing site to accept an additional 4,800 cubic metres of waste was approved. In 2011 an estimated 48,800 cubic metres of the original design capacity was closed, and an estimated 10,000 cubic metre area remains open.

The liability for the landfill site is recorded at \$679,771 (2014 \$650,145) and represents the present value of closure and post-closure costs for 100% of the closed site area and 80% of the open site area, using an estimated long-term borrowing rate of 1.64% (2014 1.41%) and inflation rate of 1.6% (2014 1.7%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$721,224 (2014 \$755,300), leaving an amount to be recognized of \$41,453 (2014 \$105,155). The estimated remaining capacity of the site is approximately 2,000 cubic metres, estimated to be filled in 2016. Post-closure care is estimated to be required for a period of 25 years.

The Municipality has recognized \$339,886 (2014 \$299,067) in the financial statements related to its proportionate share of this liability.

The Municipality has reserves of \$222,200 (2014 \$199,466) related to the landfill site that could be used to fund this liability.

14. CONTRACTUAL OBLIGATIONS

In 2015 the Municipality entered into the following agreements:

- (a) Consulting agreement with Tulloch Engineering Inc. in the amount of \$142,380 plus HST to complete contract administration services for the Doe Lake Road Bridge project. Of this, \$7,676 of work was completed by the end of the year. The balance of the contract is expected to be paid in 2016.
- (b) Construction contract with MTM-2 Contracting Inc. in the amount of \$2,131,972 plus HST for the replacement of Doe Lake Road Bridge. Of this, \$132,603 of work was completed by the end of the year. The balance of the contract is expected to be paid in 2016.
- (c) Agreement with Greenside Electric in the amount of \$32,545 plus HST for the installation of a photovoltaic system on the roof of the municipal garage. \$2,000 under this contract was paid by the end of the year. The balance of the contract is expected to be paid in 2016.

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

15. TANGIBLE CAPITAL ASSETS

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

2015							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 579,309	\$ 1,558,142	\$ 583,778	\$ 1,586,776	\$ 18,168,301	\$ -	\$ 22,476,306
Additions and betterments	46,231	47,224	26,467	211,437	410,352	340,467	1,082,178
Contributed assets	24,479	79,271	32,451	28,517	836,060	-	1,000,778
Disposals and writedowns	-	(18,940)	(13,444)	(122,941)	(280,632)	-	(435,957)
BALANCE, END OF YEAR	650,019	1,665,697	629,252	1,703,789	19,134,081	340,467	24,123,305
ACCUMULATED AMORTIZATION							
Balance, beginning of year	193,151	647,333	276,948	788,473	8,458,398	-	10,364,303
Annual amortization	55,990	42,050	35,150	101,419	342,547	-	577,156
Accumulated amortization- contributed shared services assets	15,966	31,348	13,068	14,758	-	-	75,140
Amortization disposals	-	(10,556)	(12,263)	(122,941)	(280,632)	-	(426,392)
BALANCE, END OF YEAR	265,107	710,175	312,903	781,709	8,520,313	-	10,590,207
TANGIBLE CAPITAL ASSETS-NET	\$ 384,912	\$ 955,522	\$ 316,349	\$ 922,080	\$ 10,613,768	\$ 340,467	\$ 13,533,098

2014							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 557,840	\$ 1,557,596	\$ 567,838	\$ 1,505,715	\$ 13,547,076	\$ -	\$ 17,736,065
Additions and betterments	21,469	2,013	40,515	292,500	305,810	-	662,307
Contributed assets	-	-	-	-	5,020,342	-	5,020,342
Disposals and writedowns	-	(1,467)	(24,575)	(211,439)	(704,927)	-	(942,408)
BALANCE, END OF YEAR	579,309	1,558,142	583,778	1,586,776	18,168,301	-	22,476,306
ACCUMULATED AMORTIZATION							
Balance, beginning of year	162,865	608,815	255,740	912,468	8,829,925	-	10,769,813
Annual amortization	30,286	39,142	31,993	87,444	256,081	-	444,946
Amortization disposals	-	(624)	(10,785)	(211,439)	(627,608)	-	(850,456)
BALANCE, END OF YEAR	193,151	647,333	276,948	788,473	8,458,398	-	10,364,303
TANGIBLE CAPITAL ASSETS-NET	\$ 386,158	\$ 910,809	\$ 306,830	\$ 798,303	\$ 9,709,903	\$ -	\$ 12,112,003

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2015

16. ACCUMULATED SURPLUS

The 2015 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

	Balance Beginning of Year	Annual Surplus (Deficit)	Balance End of Year
RESERVES AND RESERVE FUNDS			
Working capital	\$ 644,659	\$ (246,659)	\$ 398,000
Capital	-	360,922	360,922
Election	-	4,491	4,491
Fire	100,783	28,136	128,919
Fire Department	92	175	267
Roads	40,000	-	40,000
Waste disposal	199,466	22,734	222,200
Recycling	42,358	-	42,358
Hazardous waste	2,644	-	2,644
Arena	46,495	3,114	49,609
Library	1,000	-	1,000
Library Board	16,760	(65)	16,695
	1,094,257	172,848	1,267,105
OTHER			
Consolidated tangible capital assets	12,112,003	1,421,095	13,533,098
General operating surplus (deficit) -			
Municipality	182,295	50,758	233,053
Cemetery	2,335	65	2,400
Library	-	(768)	(768)
Unfinanced capital	-	(121,005)	(121,005)
Unfunded amounts -			
Municipal debt	(11,915)	5,643	(6,272)
Tangible capital leases	-	(3,298)	(3,298)
Employee benefits payable	(23,392)	18,137	(5,255)
Landfill closure and post-closure liabilities	(299,067)	(40,819)	(339,886)
	\$ 13,056,516	\$ 1,502,656	\$ 14,559,172

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2015

17. 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, library services and cultural services such as museums.

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, 2015

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2015

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,364,145	\$ 2,364,145
User charges	11,503	696	1,600	13,081	-	-	49,872	12,098	-	88,850
Government transfers -										
Canada	-	-	161,950	-	-	-	1,885	17,576	-	181,411
Ontario	-	2,256	240,649	30,422	-	-	52,135	2,221	525,500	853,183
Other municipalities	-	30,915	3,300	-	-	-	1,295	-	-	35,510
Contributed tangible capital assets - net	-	15,843	836,060	14,046	-	-	59,689	-	-	925,638
Gain (loss) on disposal of tangible capital assets	(1,181)	-	14,000	-	-	-	(8,384)	-	-	4,435
Other	800	31,593	18,092	13,915	65	-	22,928	807	74,717	162,917
TOTAL REVENUE	11,122	81,303	1,275,651	71,464	65	-	179,420	32,702	2,964,362	4,616,089
EXPENSES										
Salaries, wages and benefits	418,618	129,980	298,861	129,334	-	-	136,055	26,086	-	1,138,934
Long-term debt charges (interest)	-	-	-	-	-	-	-	-	-	-
Materials	96,773	58,235	155,839	39,363	-	-	86,725	8,406	-	445,341
Contracted services	106,754	285,086	16,314	32,520	95,440	-	58,228	37,534	-	631,876
Rents and financial expenses	3,180	1,621	-	967	-	-	3,000	-	-	10,151
External transfers	8,592	293	-	-	39,686	259,274	30	2,000	-	323 309,652
Interfunctional adjustments	(800)	-	-	-	-	-	-	-	-	-
Amortization	11,208	29,446	426,218	61,709	-	-	48,575	-	-	577,156
TOTAL EXPENSES	644,325	504,761	898,075	264,693	135,126	259,274	334,613	72,566	-	3,113,433
ANNUAL SURPLUS (DEFICIT)	\$ (633,203)	\$ (423,458)	\$ 377,576	\$ (193,229)	\$ (135,061)	\$ (259,274)	\$ (155,193)	\$ (39,864)	\$ 2,964,362	\$ 1,502,656

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2015

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2014

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,179,310	\$ 2,179,310
User charges	3,546	1,072	-	21,273	-	-	47,549	6,005	-	79,445
Government transfers -										
Canada	-	-	77,000	-	-	-	-	-	-	77,058
Ontario	-	9,181	21,076	27,073	-	-	9,944	23,163	510,800	601,237
Other municipalities	-	28,601	3,300	-	-	-	1,191	-	-	33,092
Contributed tangible capital assets - net	-	-	5,020,342	-	-	-	58	-	-	5,020,342
Loss on disposal of capital assets	-	-	(50,318)	(3,999)	-	-	(293)	-	-	(54,610)
Other	778	22,194	4,277	12,945	-	-	20,541	1,150	73,763	135,648
TOTAL REVENUE	4,324	61,048	5,075,677	57,292	-	-	78,990	30,318	2,763,873	8,071,522
EXPENSES										
Salaries, wages and benefits	468,656	90,948	257,034	103,581	-	-	106,663	16,445	-	1,043,327
Long-term debt charges (interest)	-	-	-	-	-	-	-	-	-	-
Materials	106,792	62,291	235,589	28,399	-	-	83,432	6,179	-	522,682
Contracted services	112,278	259,182	21,441	81,640	93,071	-	30,624	48,880	-	647,116
Rents and financial expenses	3,571	1,491	-	-	-	-	3,675	-	-	9,289
External transfers	19,318	449	35	64	40,393	237,679	500	-	-	513
Interfunctional adjustments	(662)	-	-	-	-	-	-	-	-	297,925
Amortization	10,877	25,657	329,030	34,968	-	-	44,414	-	-	444,946
TOTAL EXPENSES	720,830	440,053	843,094	249,314	133,464	237,679	269,308	72,056	-	2,965,798
ANNUAL SURPLUS (DEFICIT)	\$ (716,506)	\$ (379,005)	\$ 4,232,583	\$ (192,022)	\$ (133,464)	\$ (237,679)	\$ (190,318)	\$ (41,738)	\$ 2,763,873	\$ 5,105,724

THE CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

18. 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	\$ (194,900)
Increase in reserves and reserve funds	89,000
ADJUSTMENTS:	
Acquisition of tangible capital assets	3,518,796
Amortization of tangible capital assets	(577,100)
Net increase in long-term debt	(1,067,591)
ANNUAL SURPLUS	\$ 1,768,205

19. 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. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2015. The results of this valuation disclosed total actuarial liabilities of \$81,924 million with respect to benefits accrued for service with actuarial assets at that date of \$74,947 million indicating an actuarial deficit of \$6,977 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2015 was \$66,367 (2014 \$56,476) for current service and is included as an expense on the Consolidated Statement of Operations.