
**THE MUNICIPAL CORPORATION OF
THE TOWNSHIP OF ARMOUR**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of The Municipal Corporation of the Township of Armour ("the Township"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, change in net financial assets and 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 Municipal Corporation of the Township of Armour as at December 31, 2018, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Consolidated 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 Consolidated Financial Statements

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

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 a 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 Consolidated 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

North Bay, Canada
May 28, 2019

Chartered Professional Accountants
Licensed Public Accountants

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash (Note 4)	\$ 2,665,344	\$ 1,500,355
Investments (Note 5)	26,780	64,662
Taxes receivable (Note 6)	480,202	430,409
Accounts receivable	130,606	172,283
Inventories held for resale	1,230	1,197
	3,304,162	2,168,906
LIABILITIES		
Accounts payable and accrued liabilities	252,745	301,446
Deferred revenue-general (Note 7)	803,839	2,094
Deferred revenue-obligatory reserve funds (Note 8)	117,772	44,874
Municipal debt (Note 9)	775,197	673,386
Accrued interest on long-term debt	4,742	3,117
Tangible capital lease (Note 10)	959	2,075
Employee benefits payable (Note 11)	4,446	4,288
Landfill closure and post-closure liability (Note 12)	136,296	132,938
	2,095,996	1,164,218
NET FINANCIAL ASSETS	1,208,166	1,004,688
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 14)	15,734,951	15,651,558
Inventories of supplies	97,135	98,522
Prepaid expenses	6,646	5,300
	15,838,732	15,755,380
ACCUMULATED SURPLUS (Note 15)	\$ 17,046,898	\$ 16,760,068

Contingencies (Note 2)
 Commitments (Note 13)

APPROVED ON BEHALF OF COUNCIL:

_____ Reeve

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 <i>(see Note 18)</i>	Actual 2018	Actual 2017
REVENUE			
Property taxes	\$ 2,727,056	\$ 2,738,077	\$ 2,672,133
User charges	66,377	95,175	96,721
Government transfers	2,083,986	1,027,267	939,297
Shared services opening surplus redistribution <i>(Note 17)</i>	(237,626)	(239,189)	-
Other	171,102	227,366	427,307
TOTAL REVENUE	4,810,895	3,848,696	4,135,458
EXPENSES			
General government	671,918	624,791	674,578
Protection to persons and property	811,653	781,690	750,982
Transportation services	1,322,765	1,184,513	1,166,980
Environmental services	199,124	191,346	212,786
Health services	145,779	146,962	143,536
Social and family services	269,620	266,598	264,125
Recreation and cultural services	290,656	264,892	323,579
Planning and development	121,003	101,074	141,172
TOTAL EXPENSES	3,832,518	3,561,866	3,677,738
ANNUAL SURPLUS <i>(Note 15)</i>	978,377	286,830	457,720
ACCUMULATED SURPLUS, BEGINNING OF YEAR	16,760,068	16,760,068	16,302,348
ACCUMULATED SURPLUS, END OF YEAR	\$ 17,738,445	\$ 17,046,898	\$ 16,760,068

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 <i>(see Note 18)</i>	Actual 2018	Actual 2017
Annual surplus	\$ 978,377	\$ 286,830	\$ 457,720
Acquisition of tangible capital assets	(3,032,233)	(1,018,082)	(654,433)
Contributed tangible capital assets	-	-	(2,075)
Shared services tangible capital assets transfer - net	234,223	231,999	-
Amortization of tangible capital assets	685,643	685,641	663,628
Loss on disposal of tangible capital assets	-	6,381	5,598
Proceeds from disposal of tangible capital assets	-	10,668	7,481
Change in supplies inventories	-	1,387	(35,927)
Change in prepaid expenses	-	(1,346)	906
Increase (decrease) in net financial assets	(1,133,990)	203,478	442,898
Net financial assets, beginning of year	1,004,688	1,004,688	561,790
Net financial assets (net debt), end of year	\$ (129,302)	\$ 1,208,166	\$ 1,004,688

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Operating transactions		
Annual surplus	\$ 286,830	\$ 457,720
Non-cash charges to operations:		
Amortization	685,641	663,628
Loss on disposal of tangible capital assets	6,381	5,598
Change in employee benefits payable	158	83
Change in landfill closure and post-closure liability	3,358	(211,179)
	<u>982,368</u>	<u>915,850</u>
Changes in non-cash items:		
Taxes receivable	(49,793)	5,770
Accounts receivable	41,677	421,874
Inventories held for resale	(33)	317
Accounts payable and accrued liabilities	(48,701)	(292,963)
Deferred revenue-general	801,745	(381)
Deferred revenue-obligatory reserve funds	72,898	(1,805)
Inventories of supplies	1,387	(35,927)
Prepaid expenses	(1,346)	906
	<u>817,834</u>	<u>97,791</u>
Cash provided by operating transactions	<u>1,800,202</u>	<u>1,013,641</u>
Capital transactions		
Acquisition of tangible capital assets	(1,018,082)	(654,433)
Contributed tangible capital assets	-	(2,075)
Shared services tangible capital assets - net	231,999	-
Proceeds from disposal of tangible capital assets	10,668	7,481
Cash applied to capital transactions	<u>(775,415)</u>	<u>(649,027)</u>
Investing transactions		
Change in investments	<u>37,882</u>	<u>(7,112)</u>
Cash provided by (applied to) investing transactions	<u>37,882</u>	<u>(7,112)</u>
Financing transactions		
Increase (decrease) in accrued interest on long-term debt	1,625	(124)
Proceeds from municipal debt	129,168	-
Debt principal repayments	(27,357)	(26,614)
Tangible capital lease repayments	(1,116)	(620)
Cash provided by (applied to) financing transactions	<u>102,320</u>	<u>(27,358)</u>
Net change in cash	1,164,989	330,144
Cash, beginning of year	1,500,355	1,170,211
Cash, end of year	\$ 2,665,344	\$ 1,500,355
Cash flow supplementary information:		
Cash paid for interest	\$ 18,496	\$ 19,272

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

Management Responsibility

The consolidated financial statements of the Municipal 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
Waste management
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 MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

(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) Cash

Cash includes cash on hand and balances held at financial institutions.

(iii) Investments

Investments are recorded at cost plus accrued interest.

(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.

(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.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

- (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.
- (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.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2018	2017
District of Parry Sound Social Services Administration Board	\$ 161,015	\$ 160,386
North Bay Parry Sound District Health Unit	40,479	40,479
District of Parry Sound (East) Home for the Aged	105,583	103,739
	\$ 307,077	\$ 304,604

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.

3. TRANSACTIONS ON BEHALF OF OTHERS

(a) During the year, \$694,846 of taxation was collected on behalf of school boards (2017 \$704,092).

(b) The Municipality administers care and maintenance trust funds totalling \$9,176 (2017 \$8,576) 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.

4. CASH

Cash is comprised of:

	2018	2017
Unrestricted cash	\$ 2,547,572	\$ 1,455,481
Restricted cash	117,772	44,874
	\$ 2,665,344	\$ 1,500,355

Federal and Provincial legislation restricts how restricted cash related to obligatory reserve funds, reported in Note 8, may be used.

5. INVESTMENTS

Investments are comprised of guaranteed investment certificates, bearing interest at rates ranging from 1.3% to 2.5% and maturing between September 19, 2019 and September 21, 2019.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

	2018	2017
Taxes receivable	\$ 516,638	\$ 432,409
Valuation allowance	(36,436)	(2,000)
	\$ 480,202	\$ 430,409

7. DEFERRED REVENUE-GENERAL

In 2018 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 Pickerel & Jack 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 \$1,098,300 and expires in March 2021.

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

	2018	2017
Balance, beginning of year:		
Other deferred revenue	\$ 2,094	\$ 2,475
	2,094	2,475
Received or receivable during the year:		
Pickerel & Jack Lake Road bridge	823,725	-
Other funding	35	2,094
Interest earned	9,334	-
	833,094	2,094
Recognized in revenue during the year	(31,349)	(2,475)
Balance, end of year	\$ 803,839	\$ 2,094
Pickerel & Jack Lake Road bridge	\$ 803,804	\$ -
Other deferred revenue	35	2,094
Balance, end of year	\$ 803,839	\$ 2,094

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

8. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Municipality receives payments in lieu of parkland under the Planning Act, building permit revenue under the Building Code Act and federal gas tax funding and provincial Main Street revitalization funding under agreements 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. Building permit revenue is recognized when applicable building expenditures are incurred. Gas tax and Main Street revitalization revenue recognition occurs when the Municipality has approved the expenditures for eligible operating expenditures and capital works.

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

	2018	2017
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 44,382	\$ 46,187
Federal Gas Tax	492	492
	<u>44,874</u>	<u>46,679</u>
Received during the year:		
Recreational land (the Planning Act)	5,139	-
Building Code Act	28,041	-
Federal Gas Tax	87,399	84,903
Main Street revitalization	38,896	-
Interest earned	1,642	219
	<u>161,117</u>	<u>85,122</u>
Recognized in revenue during the year	<u>(88,219)</u>	<u>(86,927)</u>
Balance, end of year	\$ 117,772	\$ 44,874
Recreational land (the Planning Act)	\$ 50,407	\$ 44,382
Building Code Act	28,041	-
Federal Gas Tax	-	492
Main Street revitalization	39,324	-
Balance, end of year	\$ 117,772	\$ 44,874

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

9. MUNICIPAL DEBT

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

	2018	2017
Ontario Infrastructure and Lands Corporation amortizing debenture, due November 2036, repayable in semi-annual payments of \$22,911 including interest calculated at 2.77%. As security, the Municipality has pledged future Provincial funding	\$ 646,029	\$ 673,386
Proportionate share of Fire Department Ontario Infrastructure and Lands Corporation amortizing debenture, due July 2028, repayable in monthly payments of \$15,703 including interest calculated at 2.97%. Secured by future Provincial funding	129,168	-
	\$ 775,197	\$ 673,386

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

	Principal	Interest
2019	\$ 39,392	\$ 21,454
2020	40,513	20,333
2021	41,666	19,180
2022	42,853	17,993
2023	44,073	16,773
2024 onwards	566,700	104,102
	\$ 775,197	\$ 199,835

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

	2018	2017
Principal payments	\$ 27,357	\$ 26,614
Interest	20,089	19,084
	\$ 47,446	\$ 45,698

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

10. TANGIBLE CAPITAL LEASE

The Municipality leases equipment in conjunction with the other contributing municipalities of the Armour, Ryerson and Burk's Falls Memorial Arena and Karl Crozier 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:

	2018	2017
2018	\$ -	\$ 684
2019	456	684
2020	456	684
2021	76	114
Total minimum lease payments	988	2,166
Less amount representing interest	(29)	(91)
Present value of future minimum capital lease payments	\$ 959	\$ 2,075

Interest of \$32 (2017 \$64) relating to capital lease obligations has been reported on the Consolidated Statement of Operations.

11. 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 \$4,446 (2017 \$4,288) at the end of the year.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

12. 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. In 2017 an application to expand the site capacity by an additional 27,700 cubic metres was approved.

The liability for the landfill site is recorded at \$271,969 (2017 \$265,876) and represents the present value of closure and post-closure costs for 100% of the original approved site area and 13% of the 27,700 cubic metre area, using an estimated long-term borrowing rate of 3.29% (2017 3.08%) and inflation rate of 1.6% (2017 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$439,275 (2017 \$445,664), leaving an amount to be recognized of \$167,306 (2017 \$179,788). The estimated remaining capacity of the approved site is 23,976 cubic metres (2017 25,516), estimated to be filled in 16 years. Post-closure care is estimated to be required for a period of 25 years.

The Municipality has recognized \$136,296 (2017 \$132,938) in the financial statements related to its proportionate share of this liability.

The Municipality has reserves of \$245,200 (2017 \$238,700) related to the landfill site that could be used to fund this liability.

13. COMMITMENTS

In 2017 the Municipality made a commitment to purchase approximately 35.7 acres of land from the Ministry of Transportation at a price of \$1,320 per acre. The purchase is expected to be finalized in 2019.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

14. TANGIBLE CAPITAL ASSETS

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

2018							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 612,792	\$ 1,688,601	\$ 677,153	\$ 1,729,823	\$ 21,770,309	\$ 133,112	\$ 26,611,790
Additions and betterments	30,005	13,365	28,905	149,041	732,160	64,606	1,018,082
Shared services assets redistribution	(22,984)	(326,576)	(47,391)	(30,708)	-	(332)	(427,991)
Disposals and writedowns	(488)	(791)	(4,773)	(212,166)	(298,033)	-	(516,251)
Transfer between classes	3,841	-	-	-	-	(3,841)	-
BALANCE, END OF YEAR	623,166	1,374,599	653,894	1,635,990	22,204,436	193,545	26,685,630
ACCUMULATED AMORTIZATION							
Balance, beginning of year	182,178	765,532	275,855	976,301	8,760,366	-	10,960,232
Annual amortization	11,123	35,038	38,270	96,949	504,261	-	685,641
Shared services accumulated amortization redistribution	(2,640)	(147,616)	(26,059)	(19,677)	-	-	(195,992)
Amortization disposals	(401)	(791)	(4,774)	(203,555)	(289,681)	-	(499,202)
BALANCE, END OF YEAR	190,260	652,163	283,292	850,018	8,974,946	-	10,950,679
TANGIBLE CAPITAL ASSETS-NET	\$ 432,906	\$ 722,436	\$ 370,602	\$ 785,972	\$ 13,229,490	\$ 193,545	\$ 15,734,951
2017							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 690,062	\$ 1,685,200	\$ 707,352	\$ 1,729,823	\$ 21,721,281	\$ 92,043	\$ 26,625,761
Additions and betterments	51,776	5,811	82,789	-	472,988	41,069	654,433
Contributed assets	2,075	-	-	-	-	-	2,075
Disposals and writedowns	(131,121)	(2,410)	(112,988)	-	(423,960)	-	(670,479)
BALANCE, END OF YEAR	612,792	1,688,601	677,153	1,729,823	21,770,309	133,112	26,611,790
ACCUMULATED AMORTIZATION							
Balance, beginning of year	301,321	723,887	336,171	875,000	8,717,625	-	10,954,004
Annual amortization	11,978	43,509	40,139	101,301	466,701	-	663,628
Amortization disposals	(131,121)	(1,864)	(100,455)	-	(423,960)	-	(657,400)
BALANCE, END OF YEAR	182,178	765,532	275,855	976,301	8,760,366	-	10,960,232
TANGIBLE CAPITAL ASSETS-NET	\$ 430,614	\$ 923,069	\$ 401,298	\$ 753,522	\$ 13,009,943	\$ 133,112	\$ 15,651,558

Included in tangible capital assets are leased tangible capital assets with a cost of \$2,083 (2017 \$3,125) and accumulated amortization of \$729 (2017 \$781).

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

15. ACCUMULATED SURPLUS

The 2018 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	\$ 372,815	\$ 3,670	\$ 376,485
Capital	594,760	231,545	826,305
Election	13,473	(5,643)	7,830
Fire	181,383	17,564	198,947
Fire Department	14,734	620	15,354
Roads and bridges	40,000	-	40,000
Waste disposal	238,700	6,500	245,200
Recycling	42,358	-	42,358
Hazardous waste	2,644	-	2,644
Arena	57,042	5,585	62,627
Library	1,000	-	1,000
Library Board	18,428	(1,386)	17,042
Planning and development	16,231	3,823	20,054
	1,593,568	262,278	1,855,846
OTHER			
Consolidated tangible capital assets	15,651,558	83,393	15,734,951
General operating surplus -			
Municipality	320,176	47,132	367,308
Cemetery	2,832	738	3,570
Library	4,621	(2,735)	1,886
Unfunded amounts -			
Municipal debt	(673,386)	(101,811)	(775,197)
Tangible capital leases	(2,075)	1,116	(959)
Employee benefits payable	(4,288)	77	(4,211)
Landfill closure and post-closure liabilities	(132,938)	(3,358)	(136,296)
	\$ 16,760,068	\$ 286,830	\$ 17,046,898

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

16. 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 MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,738,077	\$ 2,738,077
User charges	15,982	923	-	33,462	-	-	34,608	10,200	-	95,175
Government transfers -										
Canada	-	-	88,219	-	-	-	2,405	33,516	-	124,140
Ontario	-	5,538	79,254	42,138	-	-	8,276	2,754	680,000	817,960
Other municipalities	8,233	64,266	3,300	-	-	-	950	8,418	-	85,167
Shared services opening surplus redistribution	-	(6,594)	-	57	-	-	(230,968)	(1,684)	-	(239,189)
Gain (loss) on disposal of tangible capital assets	-	(8,611)	2,317	-	-	-	(87)	-	-	(6,381)
Other	5,258	67,931	9,264	10,448	738	-	23,852	1,500	114,756	233,747
TOTAL REVENUE	29,473	123,453	182,354	86,105	738	-	(160,964)	54,704	3,532,833	3,848,696
EXPENSES										
Salaries, wages and benefits	423,018	250,484	318,152	102,563	-	-	92,470	25,052	-	1,211,739
Long-term debt charges (interest)	-	1,751	18,338	-	-	-	32	-	-	20,121
Materials	83,745	64,448	233,257	29,847	-	-	88,258	17,707	-	517,262
Contracted services	89,903	438,789	20,950	40,988	106,483	-	34,601	57,584	-	789,298
Rents and financial expenses	2,301	1,551	1,526	1,220	-	-	2,579	428	-	9,605
External transfers	16,123	-	-	-	40,479	266,598	5,000	-	-	328,200
Interfunctional adjustments	(902)	-	-	902	-	-	-	-	-	-
Amortization	10,603	24,667	592,290	15,826	-	-	41,952	303	-	685,641
TOTAL EXPENSES	624,791	781,690	1,184,513	191,346	146,962	266,598	264,892	101,074	-	3,561,866
ANNUAL SURPLUS (DEFICIT)	\$ (595,318)	\$ (658,237)	\$ (1,002,159)	\$ (105,241)	\$ (146,224)	\$ (266,598)	\$ (425,856)	\$ (46,370)	\$ 3,532,833	\$ 286,830

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,672,133	\$ 2,672,133
User charges	10,757	755	4,643	15,320	-	-	52,471	12,775	-	96,721
Government transfers -										
Canada	-	-	84,903	-	-	-	2,116	62,160	-	149,179
Ontario	-	7,950	50,001	46,389	-	-	9,143	9,158	603,500	726,141
Other municipalities	-	54,775	3,629	-	-	-	1,295	4,278	-	63,977
Write-down of landfill closure and post-closure liability	-	-	-	211,179	-	-	-	-	-	211,179
Gain (loss) on disposal of tangible capital assets	(3,297)	-	(2,376)	-	-	-	75	-	-	(5,598)
Other	5,160	64,576	9,274	21,332	92	-	14,918	2,074	104,300	221,726
TOTAL REVENUE	12,620	128,056	150,074	294,220	92	-	80,018	90,445	3,379,933	4,135,458
EXPENSES										
Salaries, wages and benefits	432,876	254,781	327,005	116,438	-	-	127,023	33,391	-	1,291,514
Long-term debt charges (interest)	-	-	19,084	-	-	-	64	-	-	19,148
Materials	70,778	65,948	233,865	37,392	-	-	94,214	15,146	-	517,343
Contracted services	139,201	402,681	30,381	40,431	102,120	-	40,635	91,979	-	847,428
Rents and financial expenses	2,977	1,621	-	-	-	-	3,776	615	-	8,989
External transfers	19,122	25	-	-	41,416	264,125	5,000	-	-	329,688
Interfunctional adjustments	(900)	-	(329)	1,229	-	-	-	-	-	-
Amortization	10,524	25,926	556,974	17,296	-	-	52,867	41	-	663,628
TOTAL EXPENSES	674,578	750,982	1,166,980	212,786	143,536	264,125	323,579	141,172	-	3,677,738
ANNUAL SURPLUS (DEFICIT)	\$ (661,958)	\$ (622,926)	\$ (1,016,906)	\$ 81,434	\$ (143,444)	\$ (264,125)	\$ (243,561)	\$ (50,727)	\$ 3,379,933	\$ 457,720

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

17. SHARED SERVICES OPENING SURPLUS REDISTRIBUTION

In 2018 the Township of Armour, the Village of Burk's Falls and the Township of Ryerson renegotiated their proportionate contributions to the fire, waste management, arena, library and economic development shared services. As a result of the redistribution, the Municipality recorded a net decrease in its surplus of \$239,189 in 2018.

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	\$ (150,000)
Increase in reserves and reserve funds	777
Decrease in board and joint board general operating surplus	(1,293)
ADJUSTMENTS:	
Acquisition of tangible capital assets	3,032,233
Amortization of tangible capital assets	(685,643)
Net increase in long-term debt	(980,495)
Tangible capital lease repayment	424
Shared services opening surplus redistribution	(237,626)
ANNUAL DEFICIT	\$ 978,377

19. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality purchased goods and services in the amount of \$6,213 (2017 \$8,559) from a company owned by a Councillor in the 2014-2018 term of council. All related party transactions are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

20. 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million with respect to benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 2018 was \$78,728 (2017 \$76,545) for current service and is included as an expense on the Consolidated Statement of Operations.