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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

THE MUNICIPAL 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 Municipal Corporation of the Township of Armour

We have audited the accompanying consolidated financial statements of The Municipal Corporation of the Township of Armour which comprise the consolidated statement of financial position as at December 31, 2017 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 Municipal Corporation of the Township of Armour as at December 31, 2017, 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 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (Note 4)	\$ 1,500,355	\$ 1,170,211
Temporary investments (Note 5)	64,662	57,550
Taxes receivable (Note 6)	430,409	436,179
Accounts receivable	172,283	594,157
Inventories held for resale	1,197	1,514
	2,168,906	2,259,611
LIABILITIES		
Accounts payable and accrued liabilities	301,446	594,409
Deferred revenue-general (Note 7)	2,094	2,475
Deferred revenue-obligatory reserve funds (Note 8)	44,874	46,679
Municipal debt (Note 9)	673,386	700,000
Accrued interest on long-term debt	3,117	3,241
Tangible capital lease (Note 11)	2,075	2,695
Employee benefits payable (Note 12)	4,288	4,205
Landfill closure and post-closure liability (Note 13)	132,938	344,117
	1,164,218	1,697,821
NET FINANCIAL ASSETS	1,004,688	561,790
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 16)	15,651,558	15,671,757
Inventories of supplies	98,522	62,595
Prepaid expenses	5,300	6,206
	15,755,380	15,740,558
ACCUMULATED SURPLUS (Note 17)	\$ 16,760,068	\$ 16,302,348

Contingencies (Notes 2, 15)
 Commitments (Note 14)

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, 2017

	Budget 2017 <i>(see Note 19)</i>	Actual 2017	Actual 2016
REVENUE			
Property taxes	\$ 2,647,343	\$ 2,672,133	\$ 2,522,461
User charges	87,083	96,721	106,764
Government transfers	938,601	939,297	2,370,476
Other	144,070	427,307	208,015
TOTAL REVENUE	3,817,097	4,135,458	5,207,716
EXPENSES			
General government	694,707	674,578	669,873
Protection to persons and property	770,764	750,982	630,532
Transportation services	1,326,683	1,166,980	1,083,089
Environmental services	213,149	212,786	249,665
Health services	142,734	143,536	139,545
Social and family services	265,834	264,125	261,488
Recreation and cultural services	345,013	323,579	308,434
Planning and development	172,041	141,172	121,914
TOTAL EXPENSES	3,930,925	3,677,738	3,464,540
ANNUAL SURPLUS (DEFICIT) <i>(Note 17)</i>	(113,828)	457,720	1,743,176
ACCUMULATED SURPLUS, BEGINNING OF YEAR	16,302,348	16,302,348	14,559,172
ACCUMULATED SURPLUS, END OF YEAR	\$ 16,188,520	\$ 16,760,068	\$ 16,302,348

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, 2017

	Budget 2017 <i>(see Note 19)</i>	Actual 2017	Actual 2016
Annual surplus (deficit)	\$ (113,828)	\$ 457,720	\$ 1,743,176
Acquisition of tangible capital assets	(1,060,105)	(654,433)	(2,822,278)
Contributed tangible capital assets	-	(2,075)	-
Amortization of tangible capital assets	663,650	663,628	627,457
Loss on disposal of tangible capital assets	-	5,598	55,262
Proceeds from disposal of tangible capital assets	-	7,481	900
Change in supplies inventories	-	(35,927)	(13,018)
Change in prepaid expenses	-	906	(1,659)
Increase (decrease) in net financial assets	(510,283)	442,898	(410,160)
Net financial assets, beginning of year	561,790	561,790	971,950
Net financial assets, end of year	\$ 51,507	\$ 1,004,688	\$ 561,790

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, 2017

	2017	2016
Operating transactions		
Annual surplus	\$ 457,720	\$ 1,743,176
Non-cash charges to operations:		
Amortization	663,628	627,457
Loss on disposal of tangible capital assets	5,598	55,262
Change in employee benefits payable	83	(1,050)
Change in landfill closure and post-closure liability	(211,179)	4,231
	915,850	2,429,076
Changes in non-cash items:		
Taxes receivable	5,770	52,534
Accounts receivable	421,874	(481,940)
Inventories held for resale	317	269
Accounts payable and accrued liabilities	(292,963)	176,273
Deferred revenue-general	(381)	(1,087,541)
Deferred revenue-obligatory reserve funds	(1,805)	5,178
Inventories of supplies	(35,927)	(13,018)
Prepaid expenses	906	(1,659)
	97,791	(1,349,904)
Cash provided by operating transactions	1,013,641	1,079,172
Capital transactions		
Acquisition of tangible capital assets	(654,433)	(2,822,278)
Contributed tangible capital assets	(2,075)	-
Proceeds from disposal of tangible capital assets	7,481	900
Cash applied to capital transactions	(649,027)	(2,821,378)
Investing transactions		
Decrease in portfolio investments	-	1,510,120
Increase in temporary investments	(7,112)	(11,298)
Cash provided by (applied to) investing transactions	(7,112)	1,498,822
Financing transactions		
Increase (decrease) in accrued interest on long-term debt	(124)	3,241
Proceeds from municipal debt	-	700,000
Debt principal repayments	(26,614)	(6,272)
Tangible capital lease repayments	(620)	(603)
Cash provided by (applied to) financing transactions	(27,358)	696,366
Net change in cash	330,144	452,982
Cash, beginning of year	1,170,211	717,229
Cash, end of year	\$ 1,500,355	\$ 1,170,211
Cash flow supplementary information:		
Cash paid for interest	\$ 19,272	\$ 173

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, 2017

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
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 MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

(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) 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.

(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.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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.
- (ix) 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, 2017

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2017	2016
District of Parry Sound Social Services Administration Board	\$ 160,386	\$ 159,115
North Bay Parry Sound District Health Unit	40,479	40,479
District of Parry Sound (East) Home for the Aged	103,739	102,373
	\$ 304,604	\$ 301,967

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, \$704,092 of taxation was collected on behalf of school boards (2016 \$719,038).

(b) The Municipality administers care and maintenance trust funds totalling \$8,576 (2016 \$8,476) 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:

	2017	2016
Unrestricted cash	\$ 1,455,481	\$ 1,123,532
Restricted cash	44,874	46,679
	\$ 1,500,355	\$ 1,170,211

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

5. TEMPORARY INVESTMENTS

Temporary investments are comprised of guaranteed investment certificates, bearing interest at rates ranging from .5% to 2.0% and maturing between March 25, 2018 and October 20, 2018.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

	2017	2016
Taxes receivable	\$ 432,409	\$ 438,179
Valuation allowance	(2,000)	(2,000)
	\$ 430,409	\$ 436,179

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. The bridge construction was completed in 2016.

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

	2017	2016
Balance, beginning of year:		
Doe Lake Road bridge	\$ -	\$ 1,087,703
Other deferred revenue	2,475	2,313
	2,475	1,090,016
Received or receivable during the year:		
Doe Lake Road bridge	-	434,450
Other funding	2,094	2,725
Interest earned	-	15,128
	2,094	452,303
Recognized in revenue during the year	(2,475)	(1,539,844)
Balance, end of year - other deferred revenue	\$ 2,094	\$ 2,475

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

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:

	2017	2016
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 46,187	\$ 41,009
Federal Gas Tax	492	492
	<u>46,679</u>	<u>41,501</u>
Received during the year:		
Recreational land (the Planning Act)	-	4,845
Federal Gas Tax	84,903	83,426
Interest earned	219	333
	<u>85,122</u>	<u>88,604</u>
Recognized in revenue during the year	<u>(86,927)</u>	<u>(83,426)</u>
Balance, end of year	\$ 44,874	\$ 46,679
Recreational land (the Planning Act)	\$ 44,382	\$ 46,187
Federal Gas Tax	492	492
Balance, end of year	\$ 44,874	\$ 46,679

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

9. MUNICIPAL DEBT

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

	2017	2016
Ontario Infrastructure and Lands Corporation 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	\$ 673,386	\$ 700,000
	\$ 673,386	\$ 700,000

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

	Principal	Interest
2018	\$ 27,357	\$ 18,465
2019	28,120	17,702
2020	28,904	16,917
2021	29,710	16,111
2022	30,539	15,282
2023 onwards	528,756	112,744
	\$ 673,386	\$ 197,221

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

	2017	2016
Principal payments	\$ 26,614	\$ 6,272
Interest	19,084	3,334
	\$ 45,698	\$ 9,606

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

10. CREDIT FACILITY AGREEMENT

The Municipality has a credit facility agreement with the Royal Bank of Canada of \$350,000 (2016 \$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 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:

	2017	2016
2017	\$ -	\$ 684
2018	684	684
2019	684	684
2020	684	684
2021	114	114
Total minimum lease payments	2,166	2,850
Less amount representing interest	(91)	(155)
Present value of future minimum capital lease payments	\$ 2,075	\$ 2,695

Interest of \$64 (2016 \$80) 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 \$4,288 (2016 \$4,205) at the end of the year.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

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. 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 \$265,876 (2016 \$688,233) and represents the present value of closure and post-closure costs for 100% of the original approved site area and 8% of the newly-approved 27,700 cubic metre area, using an estimated long-term borrowing rate of 3.08% (2016 2.02%) and inflation rate of 1.6% (2016 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$445,664 (2016 \$688,233), leaving an amount to be recognized of \$179,788 (2016 NIL). The estimated remaining capacity of the approved site is 25,516 cubic metres (2016 NIL), estimated to be filled in 17 years. Post-closure care is estimated to be required for a period of 25 years.

The closure and post-closure liability is calculated from a number of factors which are themselves estimates, each of which can be made using different methodologies yielding highly variable results. As a result of the approval of additional site capacity in the year, and changes made in the underlying factors, the estimated liability has been reduced by \$422,357 in the year.

The Municipality has recognized \$132,938 (2016 \$344,117) in the financial statements related to its proportionate share of this liability.

The Municipality has reserves of \$238,700 (2016 \$231,100) related to the landfill site that could be used to fund this liability.

14. 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 2018.

15. CONTINGENCIES

The Municipality is involved from time to time in litigation, which arises in the normal course of business. With respect to outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation. Therefore, no provision has been made in the accompanying financial statements.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

16. TANGIBLE CAPITAL ASSETS

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

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
2016							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 650,019	\$ 1,665,697	\$ 629,252	\$ 1,703,789	\$ 19,134,081	\$ 340,467	\$ 24,123,305
Additions and betterments	40,043	90,469	96,796	38,716	2,515,146	41,108	2,822,278
Disposals and writedowns	-	(70,966)	(20,696)	(12,682)	(215,478)	-	(319,822)
Transfer between classes	-	-	2,000	-	287,532	(289,532)	-
BALANCE, END OF YEAR	690,062	1,685,200	707,352	1,729,823	21,721,281	92,043	26,625,761
ACCUMULATED AMORTIZATION							
Balance, beginning of year	265,107	710,175	312,903	781,709	8,520,313	-	10,590,207
Annual amortization	36,214	43,200	37,493	103,721	406,829	-	627,457
Amortization disposals	-	(29,488)	(14,225)	(10,430)	(209,517)	-	(263,660)
BALANCE, END OF YEAR	301,321	723,887	336,171	875,000	8,717,625	-	10,954,004
TANGIBLE CAPITAL ASSETS-NET	\$ 388,741	\$ 961,313	\$ 371,181	\$ 854,823	\$ 13,003,656	\$ 92,043	\$ 15,671,757

Included in tangible capital assets are leased tangible capital assets with a cost of \$3,125 (2016 \$3,125) and accumulated amortization of \$781 (2016 \$469).

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

17. ACCUMULATED SURPLUS

The 2017 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	\$ 369,522	\$ 3,293	\$ 372,815
Capital	584,660	10,100	594,760
Election	8,982	4,491	13,473
Fire	166,293	15,090	181,383
Fire Department	10,796	3,938	14,734
Roads and bridges	40,000	-	40,000
Waste disposal	231,100	7,600	238,700
Recycling	42,358	-	42,358
Hazardous waste	2,644	-	2,644
Arena	53,247	3,795	57,042
Library	1,000	-	1,000
Library Board	18,422	6	18,428
Planning and development	9,810	6,421	16,231
	1,538,834	54,734	1,593,568
OTHER			
Consolidated tangible capital assets	15,671,757	(20,199)	15,651,558
General operating surplus -			
Municipality	138,379	181,797	320,176
Cemetery	2,740	92	2,832
Library	1,655	2,966	4,621
Unfunded amounts -			
Municipal debt	(700,000)	26,614	(673,386)
Tangible capital leases	(2,695)	620	(2,075)
Employee benefits payable	(4,205)	(83)	(4,288)
Landfill closure and post-closure liabilities	(344,117)	211,179	(132,938)
	\$ 16,302,348	\$ 457,720	\$ 16,760,068

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

18. 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, 2017

18. 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, 2017

18. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,522,461	\$ 2,522,461
User charges	14,186	1,826	-	13,412	-	-	53,339	24,001	-	106,764
Government transfers -										
Canada	-	-	83,426	-	-	-	41,654	30,192	-	155,272
Ontario	-	6,810	1,547,153	34,355	-	-	9,419	-	562,600	2,160,337
Other municipalities	-	50,272	3,300	-	-	-	1,295	-	-	54,867
Loss on disposal of capital assets	-	(1,352)	(5,962)	(8,454)	-	-	(39,494)	-	-	(55,262)
Other	42,527	52,351	32,205	13,546	340	-	50,782	-	71,526	263,277
TOTAL REVENUE	56,713	109,907	1,660,122	52,859	340	-	116,995	54,193	3,156,587	5,207,716
EXPENSES										
Salaries, wages and benefits	418,721	178,059	314,613	133,710	-	-	121,025	31,017	-	1,197,145
Long-term debt charges (interest)	-	93	3,241	-	-	-	80	-	-	3,414
Materials	111,911	63,420	241,479	26,437	-	-	89,679	8,495	-	541,421
Contracted services	112,458	357,769	28,625	46,342	98,466	-	37,328	81,862	-	762,850
Rents and financial expenses	3,418	1,747	631	378	-	-	4,763	540	-	11,477
External transfers	13,172	37	-	-	41,079	261,488	5,000	-	-	320,776
Interfunctional adjustments	(800)	-	-	800	-	-	-	-	-	-
Amortization	10,993	29,407	494,500	41,998	-	-	50,559	-	-	627,457
TOTAL EXPENSES	669,873	630,532	1,083,089	249,665	139,545	261,488	308,434	121,914	-	3,464,540
ANNUAL SURPLUS (DEFICIT)	\$ (613,160)	\$ (520,625)	\$ 577,033	\$ (196,806)	\$ (139,205)	\$ (261,488)	\$ (191,439)	\$ (67,721)	\$ 3,156,587	\$ 1,743,176

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

19. 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	\$ (100,000)
Decrease in reserves and reserve funds	(48,442)
Increase in board and joint board general operating surplus	629
ADJUSTMENTS:	
Acquisition of tangible capital assets	1,060,105
Amortization of tangible capital assets	(663,650)
Net increase in long-term debt	(363,090)
Tangible capital lease repayment	620
ANNUAL DEFICIT	\$ (113,828)

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, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million with respect to benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 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 2017 was \$76,545 (2016 \$70,949) for current service and is included as an expense on the Consolidated Statement of Operations.

21. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality purchased goods and services in the amount of \$8,559 (2016 \$5,079) from a company owned by a Councillor. All related party transactions are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

22. COMPARATIVE FIGURES

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