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

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

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# Independent Auditor's Report

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

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, 2016 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, 2016, 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 23, 2017

Chartered Professional Accountants  
Licensed Public Accountants

**THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2016**

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,170,211	\$ 717,229
Temporary Investments (Note 4)	57,550	46,252
Taxes receivable	436,179	488,713
Accounts receivable	594,157	112,217
Portfolio investments (Note 5)	-	1,510,120
Inventories held for resale	1,514	1,783
	<b>2,259,611</b>	<b>2,876,314</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	594,409	418,136
Deferred revenue-general (Note 6)	2,475	1,090,016
Deferred revenue-obligatory reserve funds (Note 7)	46,679	41,501
Municipal debt (Note 8)	700,000	6,272
Accrued interest on long-term debt	3,241	-
Tangible capital lease (Note 10)	2,695	3,298
Employee benefits payable (Note 11)	4,205	5,255
Landfill closure and post-closure liability (Note 12)	344,117	339,886
	<b>1,697,821</b>	<b>1,904,364</b>
<b>NET FINANCIAL ASSETS</b>	<b>561,790</b>	<b>971,950</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - net (Note 13)	15,671,757	13,533,098
Inventories of supplies	62,595	49,577
Prepaid expenses	6,206	4,547
	<b>15,740,558</b>	<b>13,587,222</b>
<b>ACCUMULATED SURPLUS (Note 14)</b>	<b>\$ 16,302,348</b>	<b>\$ 14,559,172</b>

Contingencies (Note 2)

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, 2016**

	Budget 2016 <i>(see Note 16)</i>	Actual 2016	Actual 2015
<b>REVENUE</b>			
Property taxes	\$ 2,528,924	\$ 2,528,286	\$ 2,364,145
User charges	78,550	106,764	88,850
Government transfers	2,386,741	2,370,476	1,070,104
Contributed tangible capital assets - net	-	-	925,638
Investment income	6,500	12,812	10,120
Other	129,643	195,203	157,232
<b>TOTAL REVENUE</b>	<b>5,130,358</b>	<b>5,213,541</b>	<b>4,616,089</b>
<b>EXPENSES</b>			
General government	683,493	675,698	644,325
Protection to persons and property	659,508	630,532	504,761
Transportation services	1,172,585	1,083,089	898,075
Environmental services	234,450	249,665	264,693
Health services	139,779	139,545	135,126
Social and family services	261,488	261,488	259,274
Recreation and cultural services	315,549	308,434	334,613
Planning and development	259,556	121,914	72,566
<b>TOTAL EXPENSES</b>	<b>3,726,408</b>	<b>3,470,365</b>	<b>3,113,433</b>
<b>ANNUAL SURPLUS</b> <i>(Note 14)</i>	<b>1,403,950</b>	<b>1,743,176</b>	<b>1,502,656</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>14,559,172</b>	<b>14,559,172</b>	<b>13,056,516</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 15,963,122</b>	<b>\$ 16,302,348</b>	<b>\$ 14,559,172</b>

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, 2016**

	Budget 2016 <i>(see Note 16)</i>	Actual 2016	Actual 2015
Annual surplus	\$ 1,403,950	\$ 1,743,176	\$ 1,502,656
Acquisition of tangible capital assets	(4,255,613)	(2,822,278)	(1,082,178)
Contributed tangible capital assets	-	-	(1,000,778)
Accumulated amortization - contributed shared services assets	-	-	75,140
Amortization of tangible capital assets	627,400	627,457	577,156
(Gain) loss on disposal of tangible capital assets	-	55,262	(4,435)
Proceeds from disposal of tangible capital assets	900	900	14,000
Change in supplies inventories	-	(13,018)	(554)
Change in prepaid expenses	-	(1,659)	1,481
<b>Increase (decrease) in net financial assets</b>	<b>(2,223,363)</b>	<b>(410,160)</b>	<b>82,488</b>
<b>Net financial assets, beginning of year</b>	<b>971,950</b>	<b>971,950</b>	<b>889,462</b>
<b>Net financial assets, end of year</b>	<b>\$(1,251,413)</b>	<b>\$ 561,790</b>	<b>\$ 971,950</b>

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, 2016**

	2016	2015
<b>Operating transactions</b>		
Annual surplus	\$ 1,743,176	\$ 1,502,656
Non-cash charges to operations:		
Amortization	627,457	577,156
(Gain) Loss on disposal of tangible capital assets	55,262	(4,435)
Change in employee benefits payable	(1,050)	(18,137)
Change in landfill closure and post-closure liability	4,231	40,819
	<b>2,429,076</b>	<b>2,098,059</b>
Changes in non-cash items:		
Taxes receivable	52,534	(55,786)
Accounts receivable	(481,940)	(35,782)
Inventories held for resale	269	476
Accounts payable and accrued liabilities	176,273	116,689
Deferred revenue-general	(1,087,541)	1,089,556
Deferred revenue-obligatory reserve funds	5,178	(70,576)
Inventories of supplies	(13,018)	(554)
Prepaid expenses	(1,659)	1,481
	<b>(1,349,904)</b>	<b>1,045,504</b>
<b>Cash provided by operating transactions</b>	<b>1,079,172</b>	<b>3,143,563</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(2,822,278)	(1,078,682)
Contributed tangible capital assets	-	(1,000,778)
Accumulated amortization - contributed shared services assets	-	75,140
Proceeds from disposal of tangible capital assets	900	14,000
<b>Cash applied to capital transactions</b>	<b>(2,821,378)</b>	<b>(1,990,320)</b>
<b>Investing transactions</b>		
Decrease (increase) in portfolio investments	1,510,120	(1,510,120)
Decrease (increase) in temporary investments	(11,298)	287,112
<b>Cash provided by (applied to) investing transactions</b>	<b>1,498,822</b>	<b>(1,223,008)</b>
<b>Financing transactions</b>		
Increase in accrued interest on long-term debt	3,241	-
Proceeds from municipal debt	700,000	-
Debt principal repayments	(6,272)	(5,643)
Tangible capital lease repayments	(603)	(198)
<b>Cash provided by (applied to) financing transactions</b>	<b>696,366</b>	<b>(5,841)</b>
<b>Net change in cash</b>	<b>452,982</b>	<b>(75,606)</b>
<b>Cash, beginning of year</b>	<b>717,229</b>	<b>792,835</b>
<b>Cash, end of year</b>	<b>\$ 1,170,211</b>	<b>\$ 717,229</b>
<b>Cash flow supplementary information:</b>		
Cash paid for interest	\$ 173	\$ 323
Non-cash capital and financing transactions:		
Capital lease	\$ -	\$ 3,496

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, 2016

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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, 2016

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(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 MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2016

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- (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.
- (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, 2016

#### 2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2016		2015	
District of Parry Sound Social Services Administration Board	\$	159,115	\$	158,623
North Bay Parry Sound District Health Unit		40,479		39,686
District of Parry Sound (East) Home for the Aged		102,373		100,651
	<b>\$</b>	<b>301,967</b>	<b>\$</b>	<b>298,960</b>

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, \$719,038 of taxation was collected on behalf of school boards (2015 \$719,302).

(b) The Municipality administers care and maintenance trust funds totalling \$8,476 (2015 \$8,226) 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. TEMPORARY INVESTMENTS

Temporary investments are comprised of guaranteed investment certificates, bearing interest at rates ranging from .9% to 1.5% and maturing between March 25, 2017 and October 20, 2017.

#### 5. PORTFOLIO INVESTMENTS

Portfolio investments are comprised of the following:

	2016		2015	
	Carrying Value	Market Value	Carrying Value	Market Value
The One Investment Program	\$ -	\$ -	\$ 501,497	\$ 501,381
Money Market Fund	-	-	1,008,623	1,008,623
Bond Fund	-	-	-	-
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,510,120</b>	<b>\$ 1,510,004</b>

During the year the Municipality recorded revenue of \$12,812 (2015 \$10,120) related to these investments.

# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

### 6. 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:

	2016	2015
Balance, beginning of year:		
Doe Lake Road bridge	\$ 1,087,703	\$ -
Other deferred revenue	2,313	460
	<u>1,090,016</u>	<u>460</u>
Received or receivable during the year:		
Doe Lake Road bridge	434,450	1,303,352
Other funding	2,725	2,297
Interest earned	15,128	9,084
	<u>452,303</u>	<u>1,314,733</u>
Recognized in revenue during the year	<u>(1,539,844)</u>	<u>(225,177)</u>
<b>Balance, end of year</b>	<b>\$ 2,475</b>	<b>\$ 1,090,016</b>
Doe Lake Road bridge	\$ -	\$ 1,087,703
Other deferred revenue	2,475	2,313
<b>Balance, end of year</b>	<b>\$ 2,475</b>	<b>\$ 1,090,016</b>

# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

### 7. 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:

	2016	2015
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 41,009	\$ 29,576
Federal Gas Tax	492	82,501
	41,501	112,077
Received during the year:		
Recreational land (the Planning Act)	4,845	11,243
Federal Gas Tax	83,426	79,454
Interest earned	333	677
	88,604	91,374
Recognized in revenue during the year	(83,426)	(161,950)
<b>Balance, end of year</b>	<b>\$ 46,679</b>	<b>\$ 41,501</b>
Recreational land (the Planning Act)	\$ 46,187	\$ 41,009
Federal Gas Tax	492	492
<b>Balance, end of year</b>	<b>\$ 46,679</b>	<b>\$ 41,501</b>

# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

### 8. MUNICIPAL DEBT

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

	2016	2015
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	\$ 700,000	\$ -
Proportionate share of Fire Department Royal Bank of Canada term loan, repaid in 2016	-	6,272
	<b>\$ 700,000</b>	<b>\$ 6,272</b>

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

	Principal	Interest
2017	\$ 26,614	\$ 19,207
2018	27,357	18,465
2019	28,120	17,702
2020	28,904	16,917
2021	29,710	16,111
2022 onwards	559,295	128,026
	<b>\$ 700,000</b>	<b>\$ 216,428</b>

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

	2016	2015
Principal payments	\$ 6,272	\$ 5,643
Interest	3,334	293
	<b>\$ 9,606</b>	<b>\$ 5,936</b>

## THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

#### 9. CREDIT FACILITY AGREEMENT

The Municipality has a credit facility agreement with the Royal Bank of Canada of \$350,000 (2015 \$350,000) which was unused at the end of the year. As security, the Municipality has pledged its revenue.

#### 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 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:

	2016	2015
2016	\$ -	\$ 684
2017	684	684
2018	684	684
2019	684	684
2020	684	684
2021	114	114
Total minimum lease payments	2,850	3,534
Less amount representing interest	(155)	(236)
<b>Present value of future minimum capital lease payments</b>	<b>\$ 2,695</b>	<b>\$ 3,298</b>

Interest of \$80 (2015 \$30) 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 \$4,205 (2015 \$5,255) at the end of the year.



## THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended December 31, 2016

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### 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. The site has been 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.

In 2016 an application to expand the site capacity by an additional 27,700 cubic metres was filed. The expansion was approved in March 2017.

The liability for the landfill site is recorded at \$688,233 (2015 \$679,771) and represents the present value of closure and post-closure costs for 100% of the 2016 approved site area, using an estimated long-term borrowing rate of 2.02% (2015 1.64%) and inflation rate of 1.6% (2015 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$688,233 (2015 \$721,224), leaving an amount to be recognized of NIL (2015 \$41,453). The estimated remaining capacity of the approved site is NIL. Post-closure care is estimated to be required for a period of 25 years.

The Municipality has recognized \$344,117 (2015 \$339,886) in the financial statements related to its proportionate share of this liability.

The Municipality has reserves of \$231,100 (2015 \$222,200) related to the landfill site that could be used to fund this liability.

# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2016

### 13. TANGIBLE CAPITAL ASSETS

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

<b>2016</b>							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
<b>COST</b>							
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)	-
<b>BALANCE, END OF YEAR</b>	<b>690,062</b>	<b>1,685,200</b>	<b>707,352</b>	<b>1,729,823</b>	<b>21,721,281</b>	<b>92,043</b>	<b>26,625,761</b>
<b>ACCUMULATED AMORTIZATION</b>							
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)
<b>BALANCE, END OF YEAR</b>	<b>301,321</b>	<b>723,887</b>	<b>336,171</b>	<b>875,000</b>	<b>8,717,625</b>	<b>-</b>	<b>10,954,004</b>
<b>TANGIBLE CAPITAL ASSETS-NET</b>	<b>\$ 388,741</b>	<b>\$ 961,313</b>	<b>\$ 371,181</b>	<b>\$ 854,823</b>	<b>\$ 13,003,656</b>	<b>\$ 92,043</b>	<b>\$ 15,671,757</b>

<b>2015</b>							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
<b>COST</b>							
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)
<b>BALANCE, END OF YEAR</b>	<b>650,019</b>	<b>1,665,697</b>	<b>629,252</b>	<b>1,703,789</b>	<b>19,134,081</b>	<b>340,467</b>	<b>24,123,305</b>
<b>ACCUMULATED AMORTIZATION</b>							
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)
<b>BALANCE, END OF YEAR</b>	<b>265,107</b>	<b>710,175</b>	<b>312,903</b>	<b>781,709</b>	<b>8,520,313</b>	<b>-</b>	<b>10,590,207</b>
<b>TANGIBLE CAPITAL ASSETS-NET</b>	<b>\$ 384,912</b>	<b>\$ 955,522</b>	<b>\$ 316,349</b>	<b>\$ 922,080</b>	<b>\$ 10,613,768</b>	<b>\$ 340,467</b>	<b>\$ 13,533,098</b>

# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2016

### 14. ACCUMULATED SURPLUS

The 2016 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
<b>RESERVES AND RESERVE FUNDS</b>			
Working capital	\$ 398,000	\$ (28,478)	\$ 369,522
Capital	360,922	223,738	584,660
Election	4,491	4,491	8,982
Fire	128,919	37,374	166,293
Fire Department	267	10,529	10,796
Roads and bridges	40,000	-	40,000
Waste disposal	222,200	8,900	231,100
Recycling	42,358	-	42,358
Hazardous waste	2,644	-	2,644
Arena	49,609	3,638	53,247
Library	1,000	-	1,000
Library Board	16,695	1,727	18,422
Planning and development	-	9,810	9,810
	<b>1,267,105</b>	<b>271,729</b>	<b>1,538,834</b>
<b>OTHER</b>			
Consolidated tangible capital assets	13,533,098	2,138,659	15,671,757
General operating surplus (deficit) -			
Municipality	233,053	(94,674)	138,379
Cemetery	2,400	340	2,740
Library	(768)	2,423	1,655
Unfinanced capital	(121,005)	121,005	-
Unfunded amounts -			
Municipal debt	(6,272)	(693,728)	(700,000)
Tangible capital leases	(3,298)	603	(2,695)
Employee benefits payable	(5,255)	1,050	(4,205)
Landfill closure and post-closure liabilities	(339,886)	(4,231)	(344,117)
	<b>\$ 14,559,172</b>	<b>\$ 1,743,176</b>	<b>\$ 16,302,348</b>

# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

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### 15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

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

#### General Government

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

#### Protection to Persons and Property

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

#### Transportation Services

Transportation services include roadway systems and winter control.

#### Environmental Services

This segment includes solid waste management.

#### Health Services

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

#### Social and Family Services

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

#### Recreation and Culture

This segment includes parks, recreation programs, recreation facilities, 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, 2016

### 15. 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
<b>REVENUE</b>										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,528,286	\$ 2,528,286
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
<b>TOTAL REVENUE</b>	<b>56,713</b>	<b>109,907</b>	<b>1,660,122</b>	<b>52,859</b>	<b>340</b>	<b>-</b>	<b>116,995</b>	<b>54,193</b>	<b>3,162,412</b>	<b>5,213,541</b>
<b>EXPENSES</b>										
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	117,736	63,420	241,479	26,437	-	-	89,679	8,495	-	547,246
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
<b>TOTAL EXPENSES</b>	<b>675,698</b>	<b>630,532</b>	<b>1,083,089</b>	<b>249,665</b>	<b>139,545</b>	<b>261,488</b>	<b>308,434</b>	<b>121,914</b>	<b>-</b>	<b>3,470,365</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (618,985)</b>	<b>\$ (520,625)</b>	<b>\$ 577,033</b>	<b>\$ (196,806)</b>	<b>\$ (139,205)</b>	<b>\$ (261,488)</b>	<b>\$ (191,439)</b>	<b>\$ (67,721)</b>	<b>\$ 3,162,412</b>	<b>\$ 1,743,176</b>

# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2016

### 15. 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
<b>REVENUE</b>										
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
<b>TOTAL REVENUE</b>	<b>11,122</b>	<b>81,303</b>	<b>1,275,651</b>	<b>71,464</b>	<b>65</b>	<b>-</b>	<b>179,420</b>	<b>32,702</b>	<b>2,964,362</b>	<b>4,616,089</b>
<b>EXPENSES</b>										
Salaries, wages and benefits	418,618	129,980	298,861	129,334	-	-	136,055	26,086	-	1,138,934
Long-term debt charges (interest)	-	293	-	-	-	-	30	-	-	323
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	843	967	-	-	3,000	540	-	10,151
External transfers	8,592	100	-	-	39,686	259,274	2,000	-	-	309,652
Interfunctional adjustments	(800)	-	-	800	-	-	-	-	-	-
Amortization	11,208	29,446	426,218	61,709	-	-	48,575	-	-	577,156
<b>TOTAL EXPENSES</b>	<b>644,325</b>	<b>504,761</b>	<b>898,075</b>	<b>264,693</b>	<b>135,126</b>	<b>259,274</b>	<b>334,613</b>	<b>72,566</b>	<b>-</b>	<b>3,113,433</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (633,203)</b>	<b>\$ (423,458)</b>	<b>\$ 377,576</b>	<b>\$ (193,229)</b>	<b>\$ (135,061)</b>	<b>\$ (259,274)</b>	<b>\$ (155,193)</b>	<b>\$ (39,864)</b>	<b>\$ 2,964,362</b>	<b>\$ 1,502,656</b>

# THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2016

### 16. BUDGET FIGURES

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

	Budget
<b>ADOPTED BUDGET:</b>	
Decrease in general municipal operating surplus	\$ -
Decrease in unfinanced capital	121,005
Decrease in reserves and reserve funds	(48,443)
<b>ADJUSTMENTS:</b>	
Acquisition of tangible capital assets	4,255,613
Amortization of tangible capital assets	(627,400)
Proceeds from disposal of tangible capital assets	(900)
Net increase in long-term debt	(2,295,925)
<b>ANNUAL SURPLUS</b>	<b>\$ 1,403,950</b>

### 17. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. 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, 2016. The results of this valuation disclosed total actuarial liabilities of \$87,554 million with respect to benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 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 2016 was \$70,949 (2015 \$66,367) for current service and is included as an expense on the Consolidated Statement of Operations.

### 18. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality purchased goods and services in the amount of \$5,079 (2015 NIL) 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.

### 19. COMPARATIVE FIGURES

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