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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021, 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, 2021, 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
October 25, 2022

Chartered Professional Accountants
Licensed Public Accountants

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash (Note 4)	\$ 3,286,456	\$ 2,708,935
Investments (Note 5)	21,622	18,255
Taxes receivable (Note 6)	257,887	335,419
Accounts receivable	318,592	142,456
Inventories held for resale	856	833
	3,885,413	3,205,898
LIABILITIES		
Accounts payable and accrued liabilities	566,826	402,282
Accrued interest on long-term debt	3,867	4,167
Deferred revenue-general (Note 7)	14,341	18,177
Deferred revenue-obligatory reserve funds (Note 8)	175,570	39,102
Municipal debt (Note 9)	653,627	695,293
Tangible capital lease (Note 10)	-	76
Employee benefits payable (Note 11)	2,170	1,197
Landfill closure and post-closure liability (Note 12)	228,951	255,024
	1,645,352	1,415,318
NET FINANCIAL ASSETS	2,240,061	1,790,580
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 14)	17,881,408	17,902,048
Inventories of supplies	128,987	113,376
Prepaid expenses	4,489	3,847
	18,014,884	18,019,271
ACCUMULATED SURPLUS (Note 15)	\$ 20,254,945	\$ 19,809,851

Contingencies (Note 2)
Contractual Obligations (Note 13)

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget 2021 (see Note 17)	Actual 2021	Actual 2020
REVENUE			
Property taxes	\$ 2,937,003	\$ 2,943,432	\$ 2,933,692
User charges	53,713	110,042	53,212
Government transfers	1,102,443	1,228,175	1,195,549
Other	231,061	242,144	387,426
TOTAL REVENUE	4,324,220	4,523,793	4,569,879
EXPENSES			
General government	718,450	663,822	703,337
Protection to persons and property	872,797	840,032	804,632
Transportation services	1,597,588	1,500,842	1,291,520
Environmental services	225,461	237,888	288,018
Health services	160,650	160,114	162,622
Social and family services	297,580	297,501	275,252
Recreation and cultural services	341,828	310,997	272,373
Planning and development	114,327	67,503	66,791
TOTAL EXPENSES	4,328,681	4,078,699	3,864,545
ANNUAL SURPLUS (DEFICIT) (Note 15)	(4,461)	445,094	705,334
ACCUMULATED SURPLUS, BEGINNING OF YEAR	19,809,851	19,809,851	19,104,517
ACCUMULATED SURPLUS, END OF YEAR	\$ 19,805,390	\$ 20,254,945	\$ 19,809,851

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, 2021

	Budget 2021 (see Note 17)	Actual 2021	Actual 2020
Annual surplus (deficit)	\$ (4,461)	\$ 445,094	\$ 705,334
Acquisition of tangible capital assets	(1,548,468)	(1,017,107)	(1,433,594)
Contributed tangible capital assets	-	-	(44,843)
Shared services tangible capital assets transfer - net	-	3,172	(923)
Amortization of tangible capital assets	843,001	842,771	834,038
(Gain) Loss on disposal of tangible capital assets	-	98,624	(18,894)
Proceeds from disposal of tangible capital assets	30,000	93,180	78,424
Change in supplies inventories	-	(15,611)	(39,333)
Change in prepaid expenses	-	(642)	3,560
Increase (decrease) in net financial assets	(679,928)	449,481	83,769
Net financial assets, beginning of year	1,790,580	1,790,580	1,706,811
Net financial assets, end of year	\$ 1,110,652	\$ 2,240,061	\$ 1,790,580

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, 2021

	2021	2020
Operating transactions		
Annual surplus	\$ 445,094	\$ 705,334
Non-cash charges to operations:		
Contributed tangible capital assets	-	(44,843)
Amortization	842,771	834,038
(Gain) Loss on disposal of tangible capital assets	98,624	(18,894)
Change in employee benefits payable	973	198
Change in landfill closure and post-closure liability	(26,073)	76,012
	1,361,389	1,551,845
Changes in non-cash items:		
Taxes receivable	77,532	6,598
Accounts receivable	(176,136)	33,896
Inventories held for resale	(23)	367
Accounts payable and accrued liabilities	164,544	(570,338)
Accrued interest on long-term debt	(300)	(292)
Deferred revenue-general	(3,836)	(7,912)
Deferred revenue-obligatory reserve funds	136,468	(23,618)
Inventories of supplies	(15,611)	(39,333)
Prepaid expenses	(642)	3,560
	181,996	(597,072)
Cash provided by operating transactions	1,543,385	954,773
Capital transactions		
Acquisition of tangible capital assets	(1,017,107)	(1,433,594)
Shared services tangible capital assets - net	3,172	(923)
Proceeds from disposal of tangible capital assets	93,180	78,424
Cash applied to capital transactions	(920,755)	(1,356,093)
Investing transactions		
Change in investments	(3,367)	(2,690)
Cash applied to investing transactions	(3,367)	(2,690)
Financing transactions		
Debt principal repayments	(41,666)	(40,512)
Tangible capital lease repayments	(76)	(447)
Cash applied to financing transactions	(41,742)	(40,959)
Net change in cash	577,521	(444,969)
Cash, beginning of year	2,708,935	3,153,904
Cash, end of year	\$ 3,286,456	\$ 2,708,935
Cash flow supplementary information:		
Cash paid for interest	\$ 19,182	\$ 20,342

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, 2021

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, 2021

(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
 Leasehold Improvements - 20 years
 Buildings - 10 to 50 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, 2021

- (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, 2021

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2021	2020
District of Parry Sound Social Services Administration Board	\$ 162,577	\$ 162,675
North Bay Parry Sound District Health Unit	40,446	40,445
District of Parry Sound (East) Home for the Aged	134,924	112,577
	\$ 337,947	\$ 315,697

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, \$676,089 of taxation was collected on behalf of school boards (2020 \$671,980).

(b) The Municipality administers care and maintenance trust funds totalling \$9,626 (2020 \$9,376) 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:

	2021	2020
Unrestricted cash	\$ 3,110,886	\$ 2,669,833
Restricted cash	175,570	39,102
	\$ 3,286,456	\$ 2,708,935

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 1.6% and maturing May 15, 2024.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

	2021	2020
Taxes receivable	\$ 259,887	\$ 337,419
Valuation allowance	(2,000)	(2,000)
	\$ 257,887	\$ 335,419

7. DEFERRED REVENUE-GENERAL

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

	2021	2020
Balance, beginning of year:		
Ontario Cannabis Legalization Implementation Fund	\$ 11,976	\$ 15,000
Ontario Business Improvement Area Association	4,897	10,044
Other deferred revenue	1,304	1,045
	18,177	26,089
Received or receivable during the year:		
Ontario Cannabis Legalization Implementation Fund	5,000	-
Ontario Business Improvement Area Association	-	11,775
Other funding	1,087	2,342
	6,087	14,117
Recognized in revenue during the year	(9,923)	(22,029)
Balance, end of year	\$ 14,341	\$ 18,177
Ontario Cannabis Legalization Implementation Fund	\$ 13,254	\$ 11,976
Ontario Business Improvement Area Association	-	4,897
Other deferred revenue	1,087	1,304
Balance, end of year	\$ 14,341	\$ 18,177

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

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 Community-Building funding (previously gas tax) 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. Building permit revenue is recognized when applicable building expenditures are incurred. Community-Building revenue recognition occurs when the Municipality has approved the expenditures for eligible capital works.

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

	2021	2020
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 17,275	\$ 36,310
Building Code Act	21,827	15,709
Community-Building	-	10,701
	39,102	62,720
Received during the year:		
Recreational land (the Planning Act)	4,235	294
Building Code Act	44,886	6,118
Community-Building	175,912	85,791
Interest earned	1,125	1,409
	226,158	93,612
Recognized in revenue during the year	(89,690)	(117,230)
Balance, end of year	\$ 175,570	\$ 39,102
Recreational land (the Planning Act)	\$ 21,880	\$ 17,275
Building Code Act	66,713	21,827
Community-Building	86,977	-
Balance, end of year	\$ 175,570	\$ 39,102

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

9. MUNICIPAL DEBT

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

	2021	2020
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	\$ 559,295	\$ 589,005
Proportionate share of Fire Department Ontario Infrastructure and Lands Corporation amortizing debenture, due July 2028, repayable in semi-annual payments of \$15,703 including interest calculated at 2.97%. Secured by future Provincial funding	94,332	106,288
	\$ 653,627	\$ 695,293

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

	Principal	Interest
2022	\$ 42,853	\$ 17,993
2023	44,073	16,773
2024	45,328	15,518
2025	46,619	14,227
2026	47,947	12,900
2027 onwards	426,807	61,456
	\$ 653,627	\$ 138,867

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

	2021	2020
Principal payments	\$ 41,666	\$ 40,512
Interest	18,881	20,042
	\$ 60,547	\$ 60,554

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

10. TANGIBLE CAPITAL LEASE

In conjunction with the other contributing municipalities of the Armour, Ryerson and Burk's Falls Memorial Arena and Karl Crozier Community Centre, the Municipality leased telephone equipment for a 66 month term ending February 2021. 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:

	2021	2020
Total minimum lease payments	\$ -	\$ 77
Less amount representing interest	-	(1)
Present value of future minimum capital lease payments	\$ -	\$ 76

Interest of \$1 (2020 \$8) 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 \$2,170 (2020 \$1,197) at the end of the year.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**Year Ended December 31, 2021

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 March 2017 an application to expand the site capacity from 58,800 cubic metres by an additional 27,700 cubic metres was approved.

The liability for the landfill site is recorded at \$443,711 (2020 \$489,916) and represents the present value of closure and post-closure costs for 100% of the original approved site area and 44% of the 27,700 cubic metre area, using an estimated long-term borrowing rate of 2.28% (2020 1.32%) and inflation rate of 1.8% (2020 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$550,096 (2020 \$619,904), leaving an amount to be recognized of \$106,385 (2020 \$129,988). The estimated remaining capacity of the approved site is 15,554 cubic metres (2020 16,954), estimated to be filled in 11 years. Post-closure care is estimated to be required for a period of 25 years.

The Municipality has recognized \$228,951 (2020 \$255,024) in the financial statements related to its proportionate share of this liability.

The Municipality has reserves of \$258,534 (2020 \$248,531) related to the landfill site that could be used to fund this liability.

13. CONTRACTUAL OBLIGATIONS

In 2021 the Municipality awarded a paving contract to Fowler Construction Company Limited at a cost of \$41,077 plus HST. The cost is subject to adjustment based on the asphalt cement price index and/or the MTO fuel index at the time the work is performed. The project is expected to be completed in 2022.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

14. TANGIBLE CAPITAL ASSETS

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

2021							
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 921,901	\$ 1,586,902	\$ 766,239	\$ 1,943,518	\$ 24,509,320	\$ 62,408	\$ 29,790,288
Additions and betterments	199,259	114,808	29,327	338,400	308,364	26,949	1,017,107
Shared services assets redistribution	(1,971)	(199)	(5,326)	-	-	-	(7,496)
Disposals and writedowns	(66,388)	-	(9,237)	(245,316)	(152,283)	-	(473,224)
BALANCE, END OF YEAR	1,052,801	1,701,511	781,003	2,036,602	24,665,401	89,357	30,326,675
ACCUMULATED AMORTIZATION							
Balance, beginning of year	246,652	721,333	357,351	919,971	9,642,933	-	11,888,240
Annual amortization	20,433	41,877	42,896	117,920	619,645	-	842,771
Shared services accumulated amortization redistribution	(1,727)	(31)	(2,566)	-	-	-	(4,324)
Amortization disposals	(822)	-	(8,731)	(153,842)	(118,025)	-	(281,420)
BALANCE, END OF YEAR	264,536	763,179	388,950	884,049	10,144,553	-	12,445,267
TANGIBLE CAPITAL ASSETS-NET	\$ 788,265	\$ 938,332	\$ 392,053	\$ 1,152,553	\$ 14,520,848	\$ 89,357	\$ 17,881,408
2020							
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 847,821	\$ 1,534,761	\$ 738,854	\$ 1,879,429	\$ 22,657,800	\$ 1,131,375	\$ 28,790,040
Additions and betterments	71,461	29,090	43,422	197,679	1,062,940	29,002	1,433,594
Contributed assets	-	-	-	-	44,843	-	44,843
Shared services assets redistribution	1,064	107	1,118	-	-	-	2,289
Disposals and writedowns	(3,916)	(3,040)	(17,155)	(133,590)	(279,200)	(43,577)	(480,478)
Transfer between classes	5,471	25,984	-	-	1,022,937	(1,054,392)	-
BALANCE, END OF YEAR	921,901	1,586,902	766,239	1,943,518	24,509,320	62,408	29,790,288
ACCUMULATED AMORTIZATION							
Balance, beginning of year	214,896	683,266	328,812	931,511	9,315,299	-	11,473,784
Annual amortization	34,728	39,923	43,323	117,332	598,732	-	834,038
Shared services accumulated amortization redistribution	944	15	407	-	-	-	1,366
Amortization disposals	(3,916)	(1,871)	(15,191)	(128,872)	(271,098)	-	(420,948)
BALANCE, END OF YEAR	246,652	721,333	357,351	919,971	9,642,933	-	11,888,240
TANGIBLE CAPITAL ASSETS-NET	\$ 675,249	\$ 865,569	\$ 408,888	\$ 1,023,547	\$ 14,866,387	\$ 62,408	\$ 17,902,048

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

14. TANGIBLE CAPITAL ASSETS (continued)

Included in tangible capital assets are leased tangible capital assets with a cost of NIL (2020 \$2,083) and accumulated amortization of NIL (2020 \$1,146).

15. ACCUMULATED SURPLUS

The 2021 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	\$ 382,470	\$ 2,730	\$ 385,200
COVID-19 funding	57,060	(19,722)	37,338
Benefits	-	8,587	8,587
Capital	976,438	467,893	1,444,331
Election	16,354	3,735	20,089
Fire	242,264	49,954	292,218
Fire Department	1,470	-	1,470
Roads and bridges	40,000	-	40,000
Waste disposal	248,531	10,003	258,534
Recycling	42,358	-	42,358
Hazardous waste	2,644	-	2,644
Hospital	10,000	10,000	20,000
Parks	53,559	44,132	97,691
Arena	64,727	23,995	88,722
Library	1,000	-	1,000
Library Board	22,631	2,741	25,372
Planning and development	37,918	10,000	47,918
	2,199,424	614,048	2,813,472
OTHER			
Consolidated tangible capital assets	17,902,048	(20,640)	17,881,408
General operating surplus -			
Municipality	650,397	(218,673)	431,724
Cemetery	4,195	473	4,668
Library	4,180	(451)	3,729
ACED	1,197	3,495	4,692
Unfunded amounts -			
Municipal debt	(695,293)	41,666	(653,627)
Tangible capital leases	(76)	76	-
Employee benefits payable	(1,197)	(973)	(2,170)
Landfill closure and post-closure liabilities	(255,024)	26,073	(228,951)
	\$ 19,809,851	\$ 445,094	\$ 20,254,945

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

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 unconditional grants such as the Municipality's annual Ontario Municipal Partnership Fund grant.

In the preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of administration costs and rent to specific segments.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,943,432	\$ 2,943,432
User charges	11,350	3,875	6,130	32,296	-	-	20,012	36,379	-	110,042
Government transfers -										
Canada	-	-	89,690	-	-	-	83,749	14,672	-	188,111
Ontario	-	12,654	87,570	23,906	-	-	102,490	6,188	772,933	1,005,741
Other municipalities	513	28,768	3,300	764	-	-	978	-	-	34,323
Gain (loss) on disposal of tangible capital assets	-	807	(90,632)	-	-	-	-	(8,799)	-	(98,624)
Other	968	115,155	18,635	46,794	473	-	14,866	346	143,531	340,768
TOTAL REVENUE	12,831	161,259	114,693	103,760	473	-	222,095	48,786	3,859,896	4,523,793
EXPENSES										
Salaries, wages and benefits	483,681	303,880	444,916	136,336	-	-	94,821	20,496	-	1,484,130
Long-term debt charges (interest)	-	2,907	15,974	-	-	-	1	-	-	18,882
Materials	75,053	81,798	272,287	30,327	4,070	-	85,066	5,467	-	554,068
Contracted services	93,137	421,112	26,284	51,449	114,998	-	47,331	39,957	-	794,268
Rents and financial expenses	2,097	1,551	8,566	4,871	-	-	3,755	-	-	20,840
External transfers	6,107	24	-	-	41,046	297,501	18,047	1,015	-	363,740
Interfunctional adjustments	(6,349)	5,317	(1,152)	2,184	-	-	-	-	-	-
Amortization	10,096	23,443	733,967	12,721	-	-	61,976	568	-	842,771
TOTAL EXPENSES	663,822	840,032	1,500,842	237,888	160,114	297,501	310,997	67,503	-	4,078,699
ANNUAL SURPLUS (DEFICIT)	\$ (650,991)	\$ (678,773)	\$ (1,386,149)	\$ (134,128)	\$ (159,641)	\$ (297,501)	\$ (88,902)	\$ (18,717)	\$ 3,859,896	\$ 445,094

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,933,692	\$ 2,933,692
User charges	13,979	1,658	2,710	12,985	-	-	7,866	14,014	-	53,212
Government transfers -										
Canada	-	-	97,208	-	-	-	2,540	12,349	-	112,097
Ontario	60,000	9,239	88,402	25,933	-	-	6,123	8,689	864,900	1,063,286
Other municipalities	-	15,836	3,300	-	-	-	1,030	-	-	20,166
Gain (loss) on disposal of tangible capital assets	-	(1,217)	16,276	-	-	-	(1,170)	5,005	-	18,894
Other	1,216	106,664	104,053	5,643	268	-	30,719	-	119,969	368,532
TOTAL REVENUE	75,195	132,180	311,949	44,561	268	-	47,108	40,057	3,918,561	4,569,879
EXPENSES										
Salaries, wages and benefits	447,939	269,665	364,728	116,149	-	-	86,434	19,402	-	1,304,317
Long-term debt charges (interest)	-	3,259	16,783	-	-	-	8	-	-	20,050
Materials	79,002	62,150	166,050	33,856	-	-	77,081	5,170	-	423,309
Contracted services	159,611	438,412	21,330	99,373	121,577	-	40,899	39,126	-	920,328
Rents and financial expenses	2,218	1,551	17,889	1,935	-	-	4,572	-	-	28,165
External transfers	10,493	24	-	-	41,045	275,252	5,000	2,524	-	334,338
Interfunctional adjustments	(5,956)	4,915	(5,884)	3,983	-	-	2,942	-	-	-
Amortization	10,030	24,656	710,624	32,722	-	-	55,437	569	-	834,038
TOTAL EXPENSES	703,337	804,632	1,291,520	288,018	162,622	275,252	272,373	66,791	-	3,864,545
ANNUAL SURPLUS (DEFICIT)	\$ (628,142)	\$ (672,452)	\$ (979,571)	\$ (243,457)	\$ (162,354)	\$ (275,252)	\$ (225,265)	\$ (26,734)	\$ 3,918,561	\$ 705,334

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

17. 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)
Decrease in reserves and reserve funds	(70,911)
Decrease in joint board general operating surplus	(1,141)
ADJUSTMENTS:	
Acquisition of tangible capital assets	1,548,468
Amortization of tangible capital assets	(843,001)
Proceeds from disposal of tangible capital assets	(30,000)
Net increase in long-term debt	(458,334)
Tangible capital lease repayment	458
ANNUAL DEFICIT	\$ (4,461)

18. 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, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million with respect to benefits accrued for service with actuarial assets at that date of \$117,665 million indicating an actuarial deficit of \$3,131 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 2021 was \$95,800 (2020 \$87,861) for current service and is included as an expense on the Consolidated Statement of Operations.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

19. IMPACTS OF COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

In 2021 the Municipality received COVID-19 operating funding in the amount of \$63,033, and applied \$19,722 of its Safe Restart funding reserve to cover pandemic-related operating pressures in the year. 2021 costs of \$82,755 have been identified, relating to employee wages and benefits, rentals, the purchase of COVID-19 supplies and supplemental levies. At the end of the year, the Municipality has a reserve balance of \$37,338 of unspent COVID-19 operating funding to be used to cover related costs in future years.

The Municipality also received \$100,000 funding under the Investing in Canada Infrastructure Program - COVID-19 Resilience Infrastructure Stream that was applied to the construction of an outside ice rink in 2021.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Municipality for future periods.