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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, 2020, 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, 2020, 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
August 24, 2021

Chartered Professional Accountants
Licensed Public Accountants

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash (Note 4)	\$ 2,708,935	\$ 3,153,904
Investments (Note 5)	18,255	15,565
Taxes receivable (Note 6)	335,419	342,017
Accounts receivable	142,456	176,352
Inventories held for resale	833	1,200
	3,205,898	3,689,038
LIABILITIES		
Accounts payable and accrued liabilities	402,282	972,620
Accrued interest on long-term debt	4,167	4,459
Deferred revenue-general (Note 7)	18,177	26,089
Deferred revenue-obligatory reserve funds (Note 8)	39,102	62,720
Municipal debt (Note 9)	695,293	735,805
Tangible capital lease (Note 10)	76	523
Employee benefits payable (Note 11)	1,197	999
Landfill closure and post-closure liability (Note 12)	255,024	179,012
	1,415,318	1,982,227
NET FINANCIAL ASSETS	1,790,580	1,706,811
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 14)	17,902,048	17,316,256
Inventories of supplies	113,376	74,043
Prepaid expenses	3,847	7,407
	18,019,271	17,397,706
ACCUMULATED SURPLUS (Note 15)	\$ 19,809,851	\$ 19,104,517

Contingencies (Note 2)
Contractual Obligations (Note 13)

APPROVED ON BEHALF OF COUNCIL:

Reeve

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, 2020

	Budget 2020 (see Note 17)	Actual 2020	Actual 2019
REVENUE			
Property taxes	\$ 2,897,511	\$ 2,933,692	\$ 2,816,767
User charges	64,379	53,212	79,277
Government transfers	1,057,797	1,195,549	2,364,925
Other	263,486	387,426	494,380
TOTAL REVENUE	4,283,173	4,569,879	5,755,349
EXPENSES			
General government	775,913	703,337	583,065
Protection to persons and property	874,327	804,632	855,495
Transportation services	1,658,317	1,291,520	1,250,018
Environmental services	221,184	288,018	229,087
Health services	156,000	162,622	150,355
Social and family services	275,680	275,252	271,209
Recreation and cultural services	331,982	272,373	288,119
Planning and development	109,922	66,791	70,382
TOTAL EXPENSES	4,403,325	3,864,545	3,697,730
ANNUAL SURPLUS (DEFICIT) (Note 15)	(120,152)	705,334	2,057,619
ACCUMULATED SURPLUS, BEGINNING OF YEAR	19,104,517	19,104,517	17,046,898
ACCUMULATED SURPLUS, END OF YEAR	\$ 18,984,365	\$ 19,809,851	\$ 19,104,517

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, 2020

	Budget 2020 (see Note 17)	Actual 2020	Actual 2019
Annual surplus (deficit)	\$ (120,152)	\$ 705,334	\$ 2,057,619
Acquisition of tangible capital assets	(1,897,753)	(1,433,594)	(2,174,741)
Contributed tangible capital assets	-	(44,843)	(176,000)
Shared services tangible capital assets transfer - net	-	(923)	(611)
Amortization of tangible capital assets	833,955	834,038	738,166
(Gain) Loss on disposal of tangible capital assets	-	(18,894)	31,881
Proceeds from disposal of tangible capital assets	-	78,424	-
Change in supplies inventories	-	(39,333)	23,092
Change in prepaid expenses	-	3,560	(761)
Increase (decrease) in net financial assets	(1,183,950)	83,769	498,645
Net financial assets, beginning of year	1,706,811	1,706,811	1,208,166
Net financial assets, end of year	\$ 522,861	\$ 1,790,580	\$ 1,706,811

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, 2020

	2020	2019
Operating transactions		
Annual surplus	\$ 705,334	\$ 2,057,619
Non-cash charges to operations:		
Contributed tangible capital assets	(44,843)	(176,000)
Amortization	834,038	738,166
(Gain) Loss on disposal of tangible capital assets	(18,894)	31,881
Change in employee benefits payable	198	(3,447)
Change in landfill closure and post-closure liability	76,012	42,716
	1,551,845	2,690,935
Changes in non-cash items:		
Taxes receivable	6,598	138,185
Accounts receivable	33,896	(45,746)
Inventories held for resale	367	30
Accounts payable and accrued liabilities	(570,338)	719,875
Deferred revenue-general	(7,912)	(777,750)
Deferred revenue-obligatory reserve funds	(23,618)	(55,052)
Inventories of supplies	(39,333)	23,092
Prepaid expenses	3,560	(761)
	(596,780)	1,873
Cash provided by operating transactions	955,065	2,692,808
Capital transactions		
Acquisition of tangible capital assets	(1,433,594)	(2,174,741)
Shared services tangible capital assets - net	(923)	(611)
Proceeds from disposal of tangible capital assets	78,424	-
Cash applied to capital transactions	(1,356,093)	(2,175,352)
Investing transactions		
Change in investments	(2,690)	11,215
Cash provided by (applied to) investing transactions	(2,690)	11,215
Financing transactions		
Decrease in accrued interest on long-term debt	(292)	(283)
Debt principal repayments	(40,512)	(39,392)
Tangible capital lease repayments	(447)	(436)
Cash applied to financing transactions	(41,251)	(40,111)
Net change in cash	(444,969)	488,560
Cash, beginning of year	3,153,904	2,665,344
Cash, end of year	\$ 2,708,935	\$ 3,153,904
Cash flow supplementary information:		
Cash paid for interest	\$ 20,342	\$ 21,474

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, 2020

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, 2020

(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, 2020

- (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, 2020

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2020	2019
District of Parry Sound Social Services Administration Board	\$ 162,675	\$ 162,321
North Bay Parry Sound District Health Unit	40,445	41,893
District of Parry Sound (East) Home for the Aged	112,577	108,888
	\$ 315,697	\$ 313,102

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, \$671,980 of taxation was collected on behalf of school boards (2019 \$680,194).

(b) The Municipality administers care and maintenance trust funds totalling \$9,376 (2019 \$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:

	2020	2019
Unrestricted cash	\$ 2,669,833	\$ 3,091,184
Restricted cash	39,102	62,720
	\$ 2,708,935	\$ 3,153,904

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 redeemable investment certificates, bearing interest at .9% and maturing October 15, 2021.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

	2020	2019
Taxes receivable	\$ 337,419	\$ 344,017
Valuation allowance	(2,000)	(2,000)
	\$ 335,419	\$ 342,017

7. DEFERRED REVENUE-GENERAL

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

	2020	2019
Balance, beginning of year:		
Pickerel & Jack Lake Road bridge	\$ -	\$ 803,803
Ontario Cannabis Legalization Implementation Fund	15,000	-
Ontario Business Improvement Area Association	10,044	-
Other deferred revenue	1,045	35
	26,089	803,838
Received or receivable during the year:		
Pickerel & Jack Lake Road bridge	-	28,028
Ontario Cannabis Legalization Implementation Fund	-	15,000
Ontario Business Improvement Area Association	11,775	30,000
Other funding	2,342	1,045
Interest earned	-	17,522
	14,117	91,595
Recognized in revenue during the year	(22,029)	(869,344)
Balance, end of year	\$ 18,177	\$ 26,089
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
Balance, end of year	\$ 18,177	\$ 26,089

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

8. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Municipality receives payments in lieu of parkland under the Planning Act, building permit revenue under the Building Code Act and federal gas tax funding and provincial Main Street revitalization funding under agreements with the Association of Municipalities of Ontario. Legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

In the case of payments in lieu of parkland, revenue recognition occurs when the Municipality has approved eligible expenditures for park and other public recreation purposes. Building permit revenue is recognized when applicable building expenditures are incurred. Gas tax and Main Street revitalization revenue recognition occurs when the Municipality has approved the expenditures for eligible operating expenditures and capital works.

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

	2020	2019
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 36,310	\$ 50,407
Building Code Act	15,709	28,041
Federal Gas Tax	10,701	-
Main Street revitalization	-	39,324
	62,720	117,772
Received during the year:		
Recreational land (the Planning Act)	294	6,530
Building Code Act	6,118	-
Federal Gas Tax	85,791	174,818
Interest earned	1,409	2,789
	93,612	184,137
Recognized in revenue during the year	(117,230)	(239,189)
Balance, end of year	\$ 39,102	\$ 62,720
Recreational land (the Planning Act)	\$ 17,275	\$ 36,310
Building Code Act	21,827	15,709
Federal Gas Tax	-	10,701
Balance, end of year	\$ 39,102	\$ 62,720

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

9. MUNICIPAL DEBT

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

	2020	2019
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	\$ 589,005	\$ 617,909
Proportionate share of Fire Department Ontario Infrastructure and Lands Corporation amortizing debenture, due July 2028, repayable in monthly payments of \$15,703 including interest calculated at 2.97%. Secured by future Provincial funding	106,288	117,896
	\$ 695,293	\$ 735,805

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

	Principal	Interest
2021	\$ 41,666	\$ 19,180
2022	42,853	17,993
2023	44,073	16,773
2024	45,328	15,518
2025	46,619	14,227
2026 onwards	474,754	74,356
	\$ 695,293	\$ 158,047

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

	2020	2019
Principal payments	\$ 40,512	\$ 39,392
Interest	20,042	21,171
	\$ 60,554	\$ 60,563

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

10. TANGIBLE CAPITAL LEASE

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

	2020	2019
2020	\$ -	\$ 456
2021	77	76
Total minimum lease payments	77	532
Less amount representing interest	(1)	(9)
Present value of future minimum capital lease payments	\$ 76	\$ 523

Interest of \$8 (2019 \$20) 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 \$1,197 (2019 \$999) at the end of the year.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
Year Ended December 31, 2020

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 \$489,916 (2019 \$345,708) and represents the present value of closure and post-closure costs for 100% of the original approved site area and 39% of the 27,700 cubic metre area, using an estimated long-term borrowing rate of 1.32% (2019 2.69%) and inflation rate of 1.6% (2019 1.7%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$619,904 (2019 \$532,141), leaving an amount to be recognized of \$129,988 (2019 \$185,433). The estimated remaining capacity of the approved site is 16,954 cubic metres (2019 22,436), estimated to be filled in 12 years. Post-closure care is estimated to be required for a period of 25 years.

The Municipality has recognized \$255,024 (2019 \$179,012) in the financial statements related to its proportionate share of this liability.

The Municipality has reserves of \$248,531 (2019 \$233,608) related to the landfill site that could be used to fund this liability.

13. CONTRACTUAL OBLIGATIONS

In 2020 the Municipality agreed to purchase a tandem axle truck from Freightliner North Bay at a cost of \$266,128 plus HST. The truck is expected to be delivered in 2021.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

14. TANGIBLE CAPITAL ASSETS

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

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
2019							
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 623,166	\$ 1,374,599	\$ 689,774	\$ 1,600,110	\$ 22,204,436	\$ 193,545	\$ 26,685,630
Additions and betterments	182,763	16,986	75,044	269,276	657,966	972,706	2,174,741
Contributed assets	26,090	149,910	-	-	-	-	176,000
Shared services assets redistribution	(1,683)	654	12,089	-	-	-	11,060
Disposals and writedowns	-	(7,388)	(38,053)	-	(204,602)	(7,348)	(257,391)
Transfer between classes	17,485	-	-	10,043	-	(27,528)	-
BALANCE, END OF YEAR	847,821	1,534,761	738,854	1,879,429	22,657,800	1,131,375	28,790,040
ACCUMULATED AMORTIZATION							
Balance, beginning of year	190,260	652,163	305,671	827,639	8,974,946	-	10,950,679
Annual amortization	19,585	36,836	42,484	103,872	535,389	-	738,166
Shared services accumulated amortization redistribution	5,051	77	5,321	-	-	-	10,449
Amortization disposals	-	(5,810)	(24,664)	-	(195,036)	-	(225,510)
BALANCE, END OF YEAR	214,896	683,266	328,812	931,511	9,315,299	-	11,473,784
TANGIBLE CAPITAL ASSETS-NET	\$ 632,925	\$ 851,495	\$ 410,042	\$ 947,918	\$ 13,342,501	\$ 1,131,375	\$ 17,316,256

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

14. TANGIBLE CAPITAL ASSETS (continued)

Included in tangible capital assets are leased tangible capital assets with a cost of \$2,083 (2019 \$2,083) and accumulated amortization of \$1,146 (2019 \$937).

15. ACCUMULATED SURPLUS

The 2020 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	\$ 379,652	\$ 2,818	\$ 382,470
COVID-19 funding	-	57,060	57,060
Capital	1,404,475	(428,037)	976,438
Election	12,091	4,263	16,354
Fire	227,167	15,097	242,264
Fire Department	5,057	(3,587)	1,470
Roads and bridges	40,000	-	40,000
Waste disposal	233,608	14,923	248,531
Recycling	42,358	-	42,358
Hazardous waste	2,644	-	2,644
Hospital	-	10,000	10,000
Parks	63,881	(10,322)	53,559
Arena	59,727	5,000	64,727
Library	1,000	-	1,000
Library Board	17,885	4,746	22,631
Planning and development	27,918	10,000	37,918
	2,517,463	(318,039)	2,199,424
OTHER			
Consolidated tangible capital assets	17,316,256	585,792	17,902,048
General operating surplus -			
Municipality	180,921	469,476	650,397
Cemetery	3,927	268	4,195
Library	2,289	1,891	4,180
ACED	-	1,197	1,197
Unfunded amounts -			
Municipal debt	(735,805)	40,512	(695,293)
Tangible capital leases	(523)	447	(76)
Employee benefits payable	(999)	(198)	(1,197)
Landfill closure and post-closure liabilities	(179,012)	(76,012)	(255,024)
	\$ 19,104,517	\$ 705,334	\$ 19,809,851

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

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, 2020

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, 2020

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2019

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,816,767	\$ 2,816,767
User charges	14,958	1,406	392	17,029	-	-	34,242	11,250	-	79,277
Government transfers -										
Canada	-	-	164,949	-	-	-	2,009	2,404	-	169,362
Ontario	-	10,504	923,302	41,530	-	-	45,902	2,900	1,094,700	2,118,838
Other municipalities	-	67,851	3,300	-	-	-	1,030	4,544	-	76,725
Shared services opening surplus redistribution	-	-	-	873	-	-	4,301	-	-	5,174
Loss on disposal of tangible capital assets	(1,579)	(7,348)	(9,565)	(13,389)	-	-	-	-	-	(31,881)
Other	-	75,554	16,386	4,690	357	-	280,880	5,025	138,195	521,087
TOTAL REVENUE	13,379	147,967	1,098,764	50,733	357	-	368,364	26,123	4,049,662	5,755,349
EXPENSES										
Salaries, wages and benefits	432,837	289,029	370,214	106,695	-	-	112,651	16,465	-	1,327,891
Long-term debt charges (interest)	-	3,600	17,571	-	-	-	20	-	-	21,191
Materials	66,312	85,572	208,297	31,347	-	-	77,179	6,140	-	474,847
Contracted services	60,290	443,740	5,170	63,471	107,862	-	42,123	39,836	-	762,492
Rents and financial expenses	1,599	1,551	18,283	4,202	-	-	3,343	157	-	29,135
External transfers	17,745	48	-	-	42,493	271,209	5,000	-	-	336,495
Interfunctional adjustments	(6,373)	5,442	(791)	1,722	-	-	-	-	-	-
Restructuring net expense	-	-	-	-	-	-	-	7,513	-	7,513
Amortization	10,655	26,513	631,274	21,650	-	-	47,803	271	-	738,166
TOTAL EXPENSES	583,065	855,495	1,250,018	229,087	150,355	271,209	288,119	70,382	-	3,697,730
ANNUAL SURPLUS (DEFICIT)	\$ (569,686)	\$ (707,528)	\$ (151,254)	\$ (178,354)	\$ (149,998)	\$ (271,209)	\$ 80,245	\$ (44,259)	\$ 4,049,662	\$ 2,057,619

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

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	(572,622)
Decrease in joint board general operating surplus	(2,289)
ADJUSTMENTS:	
Acquisition of tangible capital assets	1,897,753
Amortization of tangible capital assets	(833,955)
Net increase in long-term debt	(459,487)
Tangible capital lease repayment	448
ANNUAL DEFICIT	\$ (120,152)

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million with respect to benefits accrued for service with actuarial assets at that date of \$109,844 million indicating an actuarial deficit of \$3,211 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 2020 was \$87,861 (2019 \$86,662) for current service and is included as an expense on the Consolidated Statement of Operations.

19. IMPACTS OF COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being 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 and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Municipality has received Safe Restart funding in the amount of \$155,300 to cover pandemic-related costs and has identified \$98,240 in related costs in 2020. The costs include a \$10,601 decrease in revenue related to the suspension of interest on taxes, \$29,924 wages and benefits for isolation pay and COVID-19 related work and \$57,715 additional expenses relating to the purchase of COVID-19 supplies and supplemental levies. Unspent Safe Restart funding in the amount of \$57,060 has been transferred to reserves to be used to cover related costs in future years.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, 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.