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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022, 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, 2022, 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 22, 2023

Chartered Professional Accountants
Licensed Public Accountants

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

| | 2022 | 2021 |
|---|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash (Note 4) | \$ 3,940,601 | \$ 3,286,456 |
| Investments (Note 5) | 22,079 | 21,622 |
| Taxes receivable (Note 6) | 330,194 | 257,887 |
| Accounts receivable | 153,209 | 318,592 |
| Inventories held for resale | 3,526 | 856 |
| | 4,449,609 | 3,885,413 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 698,556 | 570,693 |
| Deferred revenue-general (Note 7) | 243,934 | 14,341 |
| Deferred revenue-obligatory reserve funds (Note 8) | 189,932 | 175,570 |
| Municipal debt (Note 9) | 610,774 | 653,627 |
| Employee benefits payable (Note 10) | 3,111 | 2,170 |
| Landfill closure and post-closure liability (Note 11) | 170,102 | 228,951 |
| | 1,916,409 | 1,645,352 |
| NET FINANCIAL ASSETS | 2,533,200 | 2,240,061 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets - net (Note 12) | 18,159,363 | 17,881,408 |
| Inventories of supplies | 93,133 | 128,987 |
| Prepaid expenses | 11,358 | 4,489 |
| | 18,263,854 | 18,014,884 |
| ACCUMULATED SURPLUS (Note 13) | \$ 20,797,054 | \$ 20,254,945 |

Contingencies (Note 2)

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, 2022

| | Budget 2022 (see Note 16) | Actual 2022 | Actual 2021 |
|---|---------------------------------|----------------------|----------------------|
| REVENUE | | | |
| Property taxes | \$ 3,012,258 | \$ 3,042,779 | \$ 2,943,432 |
| User charges | 71,596 | 125,567 | 110,042 |
| Government transfers | 1,166,897 | 1,138,299 | 1,228,175 |
| Restructuring net revenue (Note 15) | - | 2,600 | - |
| Other | 305,814 | 628,716 | 242,144 |
| TOTAL REVENUE | 4,556,565 | 4,937,961 | 4,523,793 |
| EXPENSES | | | |
| General government | 747,338 | 713,739 | 663,822 |
| Protection to persons and property | 898,138 | 907,247 | 840,032 |
| Transportation services | 1,589,320 | 1,517,388 | 1,500,842 |
| Environmental services | 250,311 | 264,852 | 237,888 |
| Health services | 173,000 | 172,052 | 160,114 |
| Social and family services | 296,610 | 294,781 | 297,501 |
| Recreation and cultural services | 436,741 | 444,865 | 310,997 |
| Planning and development | 94,008 | 80,928 | 67,503 |
| TOTAL EXPENSES | 4,485,466 | 4,395,852 | 4,078,699 |
| ANNUAL SURPLUS (Note 13) | 71,099 | 542,109 | 445,094 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 20,254,945 | 20,254,945 | 19,809,851 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 20,326,044 | \$ 20,797,054 | \$ 20,254,945 |

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, 2022

| | Budget 2022 (see Note 16) | Actual 2022 | Actual 2021 |
|--|---------------------------------|---------------------|---------------------|
| Annual surplus | \$ 71,099 | \$ 542,109 | \$ 445,094 |
| Acquisition of tangible capital assets | (1,615,689) | (1,053,894) | (1,017,107) |
| Contributed tangible capital assets | - | (93,998) | - |
| Shared services tangible capital assets transfer - net | - | 5,553 | 3,172 |
| Amortization of tangible capital assets | 857,555 | 857,635 | 842,771 |
| (Gain) Loss on disposal of tangible capital assets | - | (11,470) | 98,624 |
| Proceeds from disposal of tangible capital assets | 23,920 | 18,219 | 93,180 |
| Change in supplies inventories | - | 35,854 | (15,611) |
| Change in prepaid expenses | - | (6,869) | (642) |
| Increase (decrease) in net financial assets | (663,115) | 293,139 | 449,481 |
| Net financial assets, beginning of year | 2,240,061 | 2,240,061 | 1,790,580 |
| Net financial assets, end of year | \$ 1,576,946 | \$ 2,533,200 | \$ 2,240,061 |

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, 2022

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Operating transactions | | |
| Annual surplus | \$ 542,109 | \$ 445,094 |
| Non-cash charges to operations: | | |
| Contributed tangible capital assets | (93,998) | - |
| Amortization | 857,635 | 842,771 |
| (Gain) Loss on disposal of tangible capital assets | (11,470) | 98,624 |
| Change in employee benefits payable | 941 | 973 |
| Change in landfill closure and post-closure liability | (58,849) | (26,073) |
| | 1,236,368 | 1,361,389 |
| Changes in non-cash items: | | |
| Taxes receivable | (72,307) | 77,532 |
| Accounts receivable | 165,383 | (176,136) |
| Inventories held for resale | (2,670) | (23) |
| Accounts payable and accrued liabilities | 127,863 | 164,244 |
| Deferred revenue-general | 229,593 | (3,836) |
| Deferred revenue-obligatory reserve funds | 14,362 | 136,468 |
| Inventories of supplies | 35,854 | (15,611) |
| Prepaid expenses | (6,869) | (642) |
| | 491,209 | 181,996 |
| Cash provided by operating transactions | 1,727,577 | 1,543,385 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (1,053,894) | (1,017,107) |
| Shared services tangible capital assets - net | 5,553 | 3,172 |
| Proceeds from disposal of tangible capital assets | 18,219 | 93,180 |
| Cash applied to capital transactions | (1,030,122) | (920,755) |
| Investing transactions | | |
| Change in investments | (457) | (3,367) |
| Cash applied to investing transactions | (457) | (3,367) |
| Financing transactions | | |
| Debt principal repayments | (42,853) | (41,666) |
| Tangible capital lease repayments | - | (76) |
| Cash applied to financing transactions | (42,853) | (41,742) |
| Net change in cash | 654,145 | 577,521 |
| Cash, beginning of year | 3,286,456 | 2,708,935 |
| Cash, end of year | \$ 3,940,601 | \$ 3,286,456 |
| Cash flow supplementary information: | | |
| Cash paid for interest | \$ 17,992 | \$ 19,182 |

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, 2022

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, 2022

(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, 2022

- (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, 2022

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

| | 2022 | 2021 |
|--|-------------------|-------------------|
| District of Parry Sound Social Services Administration Board | \$ 164,946 | \$ 162,577 |
| North Bay Parry Sound District Health Unit | 41,774 | 40,446 |
| District of Parry Sound (East) Home for the Aged | 129,835 | 134,924 |
| | \$ 336,555 | \$ 337,947 |

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, \$689,682 of taxation was collected on behalf of school boards (2021 \$676,089).

(b) The Municipality administers care and maintenance trust funds totaling \$9,826 (2021 \$9,626) 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:

| | 2022 | 2021 |
|-------------------|---------------------|---------------------|
| Unrestricted cash | \$ 3,750,669 | \$ 3,110,886 |
| Restricted cash | 189,932 | 175,570 |
| | \$ 3,940,601 | \$ 3,286,456 |

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, 2022

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

| | 2022 | 2021 |
|---------------------|-------------------|-------------------|
| Taxes receivable | \$ 332,194 | \$ 259,887 |
| Valuation allowance | (2,000) | (2,000) |
| | \$ 330,194 | \$ 257,887 |

7. DEFERRED REVENUE-GENERAL

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

| | 2022 | 2021 |
|--|-------------------|------------------|
| Balance, beginning of year: | | |
| Ontario Cannabis Legalization Implementation Fund | \$ 13,254 | \$ 11,976 |
| Ontario Business Improvement Area Association | - | 4,897 |
| Other deferred revenue | 1,087 | 1,304 |
| | 14,341 | 18,177 |
| Received during the year: | | |
| FedNor Northern Ontario Development Program-Implement Brand Strategy | 34,812 | - |
| Northern Ontario Regional Development Support (NORDS) | 192,674 | 5,000 |
| Other funding | 488 | 1,087 |
| Interest earned | 5,064 | - |
| | 233,038 | 6,087 |
| Recognized in revenue during the year | (3,445) | (9,923) |
| Balance, end of year | \$ 243,934 | \$ 14,341 |
| FedNor Northern Ontario Development Program-Implement Brand Strategy | \$ 34,812 | \$ - |
| Northern Ontario Regional Development Support (NORDS) | 197,738 | |
| Ontario Cannabis Legalization Implementation Fund | 10,993 | 13,254 |
| Other deferred revenue | 391 | 1,087 |
| Balance, end of year | \$ 243,934 | \$ 14,341 |

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022

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, Federal Community-Building funding (previously gas tax) under an agreement with the Association of Municipalities of Ontario and Ontario Community Infrastructure Fund funding under an agreement with the Ministry of Infrastructure. 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 and Ontario Community Infrastructure Fund 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:

| | | 2022 | 2021 |
|---------------------------------------|-----------|----------------|-------------------|
| Balance, beginning of year: | | | |
| Recreational land (the Planning Act) | \$ | 21,880 | \$ 17,275 |
| Building Code Act | | 66,713 | 21,827 |
| Community-Building | | 86,977 | - |
| | | 175,570 | 39,102 |
| Received during the year: | | | |
| Recreational land (the Planning Act) | | 13,233 | 4,235 |
| Building Code Act | - | | 44,886 |
| Community-Building | | 89,690 | 175,912 |
| Ontario Community Infrastructure Fund | | 176,932 | 87,003 |
| Interest earned | | 5,361 | 1,692 |
| | | 285,216 | 313,728 |
| Recognized in revenue during the year | | (270,854) | (177,260) |
| Balance, end of year | \$ | 189,932 | \$ 175,570 |
| Recreational land (the Planning Act) | \$ | 1,529 | \$ 21,880 |
| Building Code Act | | 56,579 | 66,713 |
| Community-Building | | 67,704 | 86,977 |
| Ontario Community Infrastructure Fund | | 64,120 | - |
| Balance, end of year | \$ | 189,932 | \$ 175,570 |

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

9. MUNICIPAL DEBT

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

| | 2022 | 2021 |
|---|-------------------|-------------------|
| 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 | \$ 528,756 | \$ 559,295 |
| 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 | 82,018 | 94,332 |
| | \$ 610,774 | \$ 653,627 |

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

| | Principal | Interest |
|--------------|-------------------|-------------------|
| 2023 | \$ 44,073 | \$ 16,773 |
| 2024 | 45,328 | 15,518 |
| 2025 | 46,619 | 14,227 |
| 2026 | 47,947 | 12,900 |
| 2027 | 49,312 | 11,534 |
| 2028 onwards | 377,495 | 49,922 |
| | \$ 610,774 | \$ 120,874 |

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

| | 2022 | 2021 |
|--------------------|------------------|------------------|
| Principal payments | \$ 42,853 | \$ 41,666 |
| Interest | 17,685 | 18,881 |
| | \$ 60,538 | \$ 60,547 |

10. 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 \$3,111 (2021 \$2,170) at the end of the year.

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022

11. 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 \$343,191 (2021 \$443,711) and represents the present value of closure and post-closure costs for 100% of the original approved site area and 47% of the 27,700 cubic metre area, using an estimated long-term borrowing rate of 4.38% (2021 2.28%) and inflation rate of 2.4% (2021 1.8%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$420,957 (2021 \$550,096), leaving an amount to be recognized of \$77,766 (2021 \$106,385). The estimated remaining capacity of the approved site is 14,734 cubic metres (2021 15,554), estimated to be filled in 12 years. Post-closure care is estimated to be required for a period of 25 years.

As a result of changes to assumptions made in 2022 relating to the borrowing rate and the inflation rate underlying the estimated liability, the estimated liability has been reduced by approximately \$132,000.

The Municipality has recognized \$170,102 (2021 \$228,951) in the financial statements related to its proportionate share of this liability.

The Municipality has reserves of \$299,524 (2021 \$258,534) 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, 2022

12. TANGIBLE CAPITAL ASSETS

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

| 2022 | | | | | | | |
|---|----------------------------|--------------------------------------|-------------------------|---------------------|----------------------|---------------------------|----------------------|
| | Land and Land Improvements | Buildings and Leasehold Improvements | Machinery and Equipment | Vehicles | Roads and Bridges | Assets Under Construction | TOTAL |
| COST | | | | | | | |
| Balance, beginning of year | \$ 1,052,801 | \$ 1,701,511 | \$ 781,003 | \$ 2,036,602 | \$ 24,665,401 | \$ 89,357 | \$ 30,326,675 |
| Additions and betterments | 280,685 | 91,739 | 135,775 | 155,513 | 389,267 | 915 | 1,053,894 |
| Contributed assets | 100 | - | - | - | 93,898 | - | 93,998 |
| Shared services assets redistribution | (8,210) | (796) | (7,996) | - | - | - | (17,002) |
| Disposals and writedowns | (7,258) | (4,743) | (40,449) | (83,593) | (145,921) | - | (281,964) |
| BALANCE, END OF YEAR | 1,318,118 | 1,787,711 | 868,333 | 2,108,522 | 25,002,645 | 90,272 | 31,175,601 |
| ACCUMULATED AMORTIZATION | | | | | | | |
| Balance, beginning of year | 264,536 | 763,179 | 388,950 | 884,049 | 10,144,553 | - | 12,445,267 |
| Annual amortization | 26,153 | 44,000 | 48,260 | 120,525 | 618,697 | - | 857,635 |
| Shared services accumulated amortization redistribution | (7,588) | (153) | (3,708) | - | - | - | (11,449) |
| Amortization disposals | (7,258) | (4,687) | (40,337) | (83,593) | (139,340) | - | (275,215) |
| BALANCE, END OF YEAR | 275,843 | 802,339 | 393,165 | 920,981 | 10,623,910 | - | 13,016,238 |
| TANGIBLE CAPITAL ASSETS-NET | \$ 1,042,275 | \$ 985,372 | \$ 475,168 | \$ 1,187,541 | \$ 14,378,735 | \$ 90,272 | \$ 18,159,363 |
| 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 |

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

13. ACCUMULATED SURPLUS

The 2022 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 | \$ 385,200 | \$ 3,575 | \$ 388,775 |
| COVID-19 funding | 37,338 | (34,555) | 2,783 |
| Benefits | 8,587 | 7,916 | 16,503 |
| Capital | 1,444,331 | 170,342 | 1,614,673 |
| Election | 20,089 | - | 20,089 |
| Fire | 292,218 | (74,317) | 217,901 |
| Fire Department | 1,470 | - | 1,470 |
| Roads and bridges | 40,000 | - | 40,000 |
| Waste disposal | 258,534 | 40,990 | 299,524 |
| Recycling | 42,358 | - | 42,358 |
| Hazardous waste | 2,644 | - | 2,644 |
| Hospital | 20,000 | 10,000 | 30,000 |
| Parks | 97,691 | 16,074 | 113,765 |
| Arena | 88,722 | 13,491 | 102,213 |
| Library | 1,000 | - | 1,000 |
| Library Board | 25,372 | 1,750 | 27,122 |
| Planning and development | 47,918 | 20,000 | 67,918 |
| | 2,813,472 | 175,266 | 2,988,738 |
| OTHER | | | |
| Consolidated tangible capital assets | 17,881,408 | 277,955 | 18,159,363 |
| General operating surplus - | | | |
| Municipality | 431,724 | (15,134) | 416,590 |
| Cemetery | 4,668 | 453 | 5,121 |
| Library | 3,729 | (1,892) | 1,837 |
| ACED | 4,692 | 4,700 | 9,392 |
| Unfunded amounts - | | | |
| Municipal debt | (653,627) | 42,853 | (610,774) |
| Employee benefits payable | (2,170) | (941) | (3,111) |
| Landfill closure and post-closure liabilities | (228,951) | 58,849 | (170,102) |
| | \$ 20,254,945 | \$ 542,109 | \$ 20,797,054 |

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

14. 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, 2022

14. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2022

| | 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,042,779 | \$ 3,042,779 |
| User charges | 5,078 | 9,641 | 1,826 | 37,158 | - | - | 31,559 | 40,305 | - | 125,567 |
| Government transfers - | | | | | | | | | | |
| Canada | - | - | 111,318 | - | - | - | 168 | 19,749 | - | 131,235 |
| Ontario | - | 8,646 | 115,003 | 32,861 | - | - | 118,181 | 4,090 | 698,800 | 977,581 |
| Other municipalities | - | 22,165 | 3,300 | 2,738 | - | - | 1,280 | - | - | 29,483 |
| Gain on disposal of tangible capital assets | - | 10,321 | 255 | - | - | - | 894 | - | - | 11,470 |
| Restructuring net revenue | - | - | - | - | - | - | - | 2,600 | - | 2,600 |
| Other | 1,060 | 161,056 | 103,495 | 77,499 | 453 | - | 86,633 | - | 187,050 | 617,246 |
| TOTAL REVENUE | 6,138 | 211,829 | 335,197 | 150,256 | 453 | - | 238,715 | 66,744 | 3,928,629 | 4,937,961 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 505,087 | 341,176 | 444,568 | 133,708 | - | - | 131,320 | 23,556 | - | 1,579,415 |
| Long-term debt charges (interest) | - | 2,544 | 15,141 | - | - | - | - | - | - | 17,685 |
| Materials | 93,753 | 93,496 | 281,153 | 61,635 | - | - | 140,104 | 4,266 | - | 674,407 |
| Contracted services | 98,834 | 430,744 | 27,807 | 45,095 | 122,625 | - | 91,966 | 52,931 | - | 870,002 |
| Rents and financial expenses | 2,317 | 1,551 | 15,433 | 10,879 | - | - | 5,418 | 8 | - | 35,606 |
| External transfers | 11,644 | - | - | - | 49,427 | 294,781 | 5,250 | - | - | 361,102 |
| Interfunctional adjustments | (7,992) | 8,131 | (1,714) | 1,575 | - | - | - | - | - | - |
| Amortization | 10,096 | 29,605 | 735,000 | 11,960 | - | - | 70,807 | 167 | - | 857,635 |
| TOTAL EXPENSES | 713,739 | 907,247 | 1,517,388 | 264,852 | 172,052 | 294,781 | 444,865 | 80,928 | - | 4,395,852 |
| ANNUAL SURPLUS (DEFICIT) | \$ (707,601) | \$ (695,418) | \$ (1,182,191) | \$ (114,596) | \$ (171,599) | \$ (294,781) | \$ (206,150) | \$ (14,184) | \$ 3,928,629 | \$ 542,109 |

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022

14. 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, 2022

15. RESTRUCTURING NET REVENUE

In 2019 the Municipality entered into a joint services agreement for Almaguin Community Economic Development ("ACED"). The agreement included the following independent organizations:

- The Corporation of the Township of Perry;
- The Municipal Corporation of the Township of Armour;
- The Corporation of the Township of Ryerson;
- The Corporation of the Village of Sundridge;
- The Almaguin Highlands Chamber of Commerce;
- The Corporation of the Municipality of Magnetawan;
- The Corporation of the Municipality of the Village of Burk's Falls;
- The Corporation of the Township of Strong;
- The Corporation of the Village of South River;
- The Corporation of the Municipality of Powassan;
- The Corporation of the Township of Joly.

The Corporation of the Municipality of Magnetawan withdrew from the agreement effective June 9, 2022 and the Corporation of the Municipality of Powassan withdrew effective December 31, 2022. The assets, liabilities and surplus at the time of withdrawal were retained by ACED.

In 2022 the Municipality recorded net revenue of \$2,600 as a result of this restructuring. The value of the tangible assets received is recorded as a shared services assets redistribution in Note 12.

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 |
|---|------------------|
| ADOPTED BUDGET: | |
| Decrease in general municipal operating surplus | \$ (150,000) |
| Decrease in reserves and reserve funds | (54,894) |
| Decrease in joint board general operating surplus | (1,075) |
| ADJUSTMENTS: | |
| Acquisition of tangible capital assets | 1,615,689 |
| Amortization of tangible capital assets | (857,555) |
| Proceeds from disposal of tangible capital assets | (23,920) |
| Net increase in long-term debt | (457,146) |
| ANNUAL SURPLUS | \$ 71,099 |

THE MUNICIPAL CORPORATION OF THE TOWNSHIP OF ARMOUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

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, 2022. The results of this valuation disclosed total actuarial liabilities of \$130,306 million with respect to benefits accrued for service with actuarial assets at that date of \$123,628 million indicating an actuarial deficit of \$6,678 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 2022 was \$105,898 (2021 \$95,800) for current service and is included as an expense on the Consolidated Statement of Operations.

18. COMPARATIVE FIGURES

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