

**CORPORATION OF THE TOWNSHIP OF ARMSTRONG**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

# **CORPORATION OF THE TOWNSHIP OF ARMSTRONG**

## **INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

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	Page
<b>MANAGEMENT'S RESPONSIBILITY</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>STATEMENTS</b>	
1 - Consolidated Statement of Financial Position	4
2 - Consolidated Statement of Operations and Accumulated Surplus	5
3 - Consolidated Statement of Net Debt	6
4 - Consolidated Statement of Cash Flows	7
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	8
<b>SCHEDULES</b>	
1 - Consolidated Schedule of Accumulated Surplus	19
2 - Consolidated Schedule of Tangible Capital Assets	20
3 - Consolidated Schedule of Property and Other Taxes	21
4 - Consolidated Schedule of Expenditures by Object	22
5 - Consolidated Schedule of Segment Disclosure	23

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**MANAGEMENT'S RESPONSIBILITY**

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To the Inhabitants and Ratepayers of Corporation of the Township of Armstrong

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council and the audit committee are composed primarily of councillors who are neither management nor employees of the municipality. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the municipality's external auditors.

MNP LLP is appointed by the Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the committee and management to discuss their audit findings.

May 22, 2019

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Mayor

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Councillor

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Council, Inhabitants and Ratepayers of Corporation of the Township of Armstrong

### Opinion

We have audited the accompanying consolidated financial statements of Corporation of the Township of Armstrong which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of operations and accumulated surplus, net debt 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 consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the Township of Armstrong as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis of 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 municipality 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.

### Emphasis of Matter

We draw your attention to note 18 which describes prior period adjustments relating to a correction of recorded expenses duplicated in error.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the municipality'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 municipality'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 municipality'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 municipality 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 municipality 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.

Timmins, Ontario  
May 22, 2019

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountant

**MNP**  
LLP

**CORPORATION OF THE TOWNSHIP OF ARMSTRONG**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31**

	2018	2017 <i>Restated</i>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 641,030	\$ 474,068
Temporary investments (Note 3)	202,677	216,571
Taxes receivable (Note 4)	46,335	55,565
Accounts receivable	95,656	220,675
Due from related parties (Note 7)	45,159	8,311
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,030,857</b>	<b>975,190</b>
<b>LIABILITIES</b>		
Bank indebtedness (Note 12)	-	225,000
Accounts payable and accrued liabilities	285,121	171,289
Deferred revenue - general	4,785	4,295
Deferred revenue - obligatory reserve fund (Note 8)	247,656	169,157
Landfill closure and post-closure liability (Note 15)	413,403	392,255
Net long-term liabilities (Note 10)	473,084	674,108
Obligation under capital lease (Note 11)	37,453	48,364
<b>TOTAL LIABILITIES</b>	<b>1,461,502</b>	<b>1,684,468</b>
<b>NET DEBT</b>	<b>(430,645)</b>	<b>(709,278)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	8,413,833	8,799,525
Inventories	6,791	6,433
Prepaid expenses	31,371	32,609
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>8,451,995</b>	<b>8,838,567</b>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	<b>\$ 8,021,350</b>	<b>\$ 8,129,289</b>
<b>CONTINGENT LIABILITIES (Note 17)</b>		

Approved by:

\_\_\_\_\_  
 Mayor

\_\_\_\_\_  
 Councillor

See accompanying notes.

## CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31

	-----2018-----		2017 <i>Restated</i>
	Budget	Actual	
<b>REVENUES</b>			
Municipal taxation ( <i>Schedule 3</i> )	\$ 1,238,238	\$ 1,224,539	\$ 1,147,186
Taxation from other governments	1,800	14,356	14,277
User charges - water and sewer	565,816	566,689	548,217
Province of Ontario Grants - operating	453,400	462,424	505,504
Other revenue ( <i>Note 13</i> )	400,190	617,006	580,637
<b>TOTAL REVENUES</b>	<b>2,659,444</b>	<b>2,885,014</b>	<b>2,795,821</b>
<b>EXPENDITURES</b>			
General government	608,731	545,401	476,895
Protection to persons and property	307,210	327,248	333,646
Transportation services	812,118	877,808	1,072,054
Environmental services	611,042	642,046	674,612
Health services	193,298	191,789	178,495
Social and family services	139,825	141,582	140,614
Recreation and cultural services	254,965	359,786	342,171
Planning and development	8,150	35,544	35,623
<b>TOTAL EXPENDITURES (<i>Schedule 4</i>)</b>	<b>2,935,339</b>	<b>3,121,204</b>	<b>3,254,110</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>			
<b>BEFORE UNDERNOTED</b>	<b>(275,895)</b>	<b>(236,190)</b>	<b>(458,289)</b>
Gain (loss) on disposal of tangible capital assets	-	554	(526,458)
Government transfers for capital	366,600	127,697	135,149
<b>ANNUAL DEFICIT</b>	<b>90,705</b>	<b>(107,939)</b>	<b>(849,598)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>8,129,289</b>	<b>8,129,289</b>	<b>8,978,887</b>
<b>ACCUMULATED SURPLUS, END OF YEAR (<i>Schedule 1</i>)</b>	<b>\$ 8,219,994</b>	<b>\$ 8,021,350</b>	<b>\$ 8,129,289</b>

See accompanying notes.

## CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## CONSOLIDATED STATEMENT OF NET DEBT

YEAR ENDED DECEMBER 31

	-----2018-----		2017
	Budget	Actual	<i>Restated</i>
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 90,705	<b>\$ (107,939)</b>	\$ (849,598)
Acquisition and construction of tangible capital assets	-	<b>(196,610)</b>	(276,821)
Amortization of tangible capital assets	-	<b>582,302</b>	636,064
Disposal of tangible capital assets	-	-	545,062
Acquisition of inventories	-	<b>(358)</b>	(408)
Use of prepaid expenses	-	<b>1,238</b>	894
	-	<b>386,572</b>	904,791
<b>CHANGE IN NET DEBT</b>	90,705	<b>278,633</b>	55,193
<b>NET DEBT BEGINNING OF YEAR</b>	(709,278)	<b>(709,278)</b>	(764,471)
<b>NET DEBT, END OF YEAR</b>	\$ (618,573)	<b>\$ (430,645)</b>	\$ (709,278)



## CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

	2018	2017 <i>Restated</i>
<b>OPERATIONS</b>		
Annual deficit	\$ (107,939)	\$ (849,598)
Non-cash items:		
Loss (gain) on disposal of tangible capital assets	(554)	532,264
Amortization of tangible capital assets	582,302	636,064
	<b>473,809</b>	<b>318,730</b>
Changes in working capital accounts		
Taxes receivable	9,230	33,887
Accounts receivable	125,019	(139,312)
Prepaid expenses	1,238	894
Inventories	(358)	(408)
Accounts payable and accrued liabilities	113,832	(125,645)
Deferred revenue - general	490	(2,302)
Deferred revenue - obligatory reserve fund	78,499	75,744
Landfill closure and post-closure liability	21,148	9,136
	<b>349,098</b>	<b>(148,006)</b>
<b>NET INCREASE IN CASH FROM OPERATIONS</b>	<b>822,907</b>	<b>170,724</b>
<b>INVESTING</b>		
Acquisition and construction of tangible capital assets	(196,610)	(276,821)
Proceeds on disposal of tangible capital assets	554	12,800
Proceeds on disposal of temporary investments	13,894	6,141
<b>NET DECREASE IN CASH FROM INVESTING</b>	<b>(182,162)</b>	<b>(257,880)</b>
<b>FINANCING</b>		
Advances from related parties	(36,848)	(1,883)
Repayment of long term debt	(201,024)	(139,824)
Repayment of obligation under capital lease	(10,911)	(14,426)
Bank indebtedness issued (repaid)	(225,000)	225,000
<b>NET INCREASE (DECREASE) IN CASH FROM FINANCING</b>	<b>(473,783)</b>	<b>68,867</b>
<b>NET CHANGE IN CASH</b>	<b>166,962</b>	<b>(18,289)</b>
CASH RESOURCES, beginning of year	474,068	492,357
<b>CASH RESOURCES, end of year</b>	<b>\$ 641,030</b>	<b>\$ 474,068</b>

See accompanying notes.

# **CORPORATION OF THE TOWNSHIP OF ARMSTRONG**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

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### **1. NATURE OF OPERATIONS**

Corporation of the Township of Armstrong, (the municipality), is a single tier municipality located in Northern Ontario. It is subject to provincial statutes such as the Municipal Act, the Municipal Affairs Act and related legislation.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the municipality are the representations of management and have been prepared in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are summarized below.

#### **(a) BASIS OF CONSOLIDATION**

##### **(i) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the municipality and which are owned or controlled by the municipality. In addition, the reporting entity includes a proportionate share of the assets, liabilities, revenues, expenditures and accumulated surplus balances of certain joint local boards. These consolidated financial statements include:

##### **100% CONSOLIDATED**

Corporation of the Township of Armstrong Public Library Board

##### **PROPORTIONATELY CONSOLIDATED**

Temiskaming Municipal Building Association

All interfund assets and liabilities and sources of financing and expenditures have been eliminated in these consolidated financial statements.

##### **(ii) Non-consolidated entities**

The following joint local boards are not consolidated:

District of Timiskaming Social Services Administration Board ("DTSSAB")  
Timiskaming Health Unit ("THU")

##### **(iii) Accounting for School Board Transactions**

The taxation, other revenues and expenditures and assets and liabilities, with respect to the operations of the school boards, are not reflected in the municipal position of these consolidated financial statements.

# **CORPORATION OF THE TOWNSHIP OF ARMSTRONG**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**YEAR ENDED DECEMBER 31, 2018**

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(a) BASIS OF CONSOLIDATION (CONT'D)**

##### **(iv) Cemetery Perpetual Care Trust Fund**

The Cemetery Perpetual Care Trust Fund and its related operations administered by the municipality are not included in the consolidated financial statements, but are reported separately on the Cemetery Perpetual Care Trust Fund Statement of Financial Position and the Statement of Continuity.

#### **(b) BASIS OF ACCOUNTING**

##### **(i) Accrual Accounting and Revenue Recognition**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the acquisition of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services are performed or the tangible capital assets are acquired.

##### **(ii) Taxes Receivable and Related Revenues**

Property tax billings are prepared by the municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). 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. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes, however, can be subject to appeal. Any tax adjustments that result from appeals are recorded when the result of the appeal process is known.

The municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

##### **(iii) Cash and cash equivalents**

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

##### **(iv) Government Transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

# CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2018

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) BASIS OF ACCOUNTING (CONT'D)

#### (v) Measurement Uncertainty (Use of estimates)

The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year-end. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Landfill closure and post closure liability is based on estimated capacity used to date.

#### Taxes receivable

Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation, and is reduced by an allowance for doubtful accounts. Management's estimate of the allowance is based upon their assessment of the ultimate collectability of tax receivables.

#### (vi) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, prepaid expenses and inventories of fuel.

#### (vii) 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. Contributed tangible assets are recorded at their fair value at the date of contribution.

#### Capital lease

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

# CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2018

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Amortization

Tangible capital assets are amortized annually on a straight-line basis over the estimated useful life as follows:

	<u>YEARS</u>
Land	indefinite
Buildings	25-50
Computer Software	2
Engineered structures	
Water system	10-60
Wastewater system	10-60
Roads, bridges and sidewalks	10-20
Machinery and equipment	2-20
Vehicles	3-20

#### Long-term debt

Long-term financing received to fund tangible capital asset purchases is recognized in the period the financing is acquired and recorded as an increase in long-term debt.

Repayments of long-term financing are recognized as a decrease in long-term debt.

#### (viii) Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The municipality performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in surplus for the year.

#### (ix) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

#### (x) Provisions for site rehabilitation

The Ontario Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. A liability is recognized beginning when the landfill first accepts waste to the date the landfill stops accepting waste. The liability for closure and post-closure care is recognized as the site capacity is used and is equal to a proportion of the estimated total expenditure required for closure and post-closure care. The estimated total expenditure represents the sum of discounted future cash flows associated with closure and post-closure care considering current technology, the length of the post-closure care period and current environmental regulations. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future revenue generation, are expensed in the current year.

# CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2018

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (xi) Net financial assets (net debt)

The municipality's financial statements are presented so as to highlight net financial assets (net debt) as the measurement of financial position. The net financial assets (net debt) of the municipality is determined by its financial assets less its liabilities. Net financial assets (net debt) combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

#### (xii) Financial Instruments

The municipality recognizes its financial instruments when the municipality becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section PS 3420 Inter-entity Transactions.

At initial recognition, the municipality may irrevocably elect to subsequently measure any financial instrument at fair value. The municipality has not made such an election during the year.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

### 3. TEMPORARY INVESTMENTS

Temporary investments consist of guaranteed investment certificates with interest rates between 1.15% and 2.31% (2017: 0.50% - 1.56%) maturing in 2019, and mutual fund units in fixed income securities.

### 4. TAXES RECEIVABLE

	<b>2018</b>	2017
Tax receivable - Current	\$ 29,202	\$ 38,378
Tax receivable - Arrears	<b>20,061</b>	20,115
	<b>49,263</b>	58,493
Less: allowance for doubtful accounts	<b>(2,928)</b>	(2,928)
	<b>\$ 46,335</b>	\$ 55,565

### 5. OPERATIONS OF SCHOOL BOARDS

During 2018, the municipality collected and transferred property taxes totaling \$471,742 (2017 - \$445,425) on behalf of area school boards.

# CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2018

### 6. CONTRIBUTIONS TO NON-CONSOLIDATED JOINT LOCAL BOARDS

Further to Note 2(a)(ii), contributions were made by the municipality to non-consolidated joint local boards as follows:

	2018	2017
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 268,562	\$ 253,125
Timiskaming Health Unit ("THU")	49,393	36,311
	<b>\$ 317,955</b>	<b>\$ 289,436</b>

The municipality is contingently liable for its share of any accumulated deficits as at the end of the year for these boards. The municipality's share of the accumulated surplus or deficit of these boards is not available as at the date of these consolidated financial statements.

### 7. DUE FROM RELATED PARTIES

The balances due from Corporation of the Township of Armstrong Public Library Board, an entity that the municipality controls, and Earleton Timiskaming Regional Airport Authority and Temiskaming Municipal Building Association, entities that the municipality shares control of with other entities, are non-interest bearing and unsecured with no fixed terms of repayment.

	2018	2017
Earleton Timiskaming Regional Airport Authority	\$ 7,815	\$ 3,083
Temiskaming Municipal Building Association	37,174	4,134
Corporation of Township of Armstrong Public Library Board	170	1,094
	<b>\$ 45,159</b>	<b>\$ 8,311</b>

### 8. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

Deferred revenue - obligatory reserve funds is comprised of federal gasoline tax revenue transferred to the municipality through the Association of Municipalities of Ontario (AMO).

# CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2018

### 9. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

#### (a) RETIREMENT BENEFITS

The municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan on behalf of its employees. 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.

The amount contributed to OMERS for 2018 was \$79,726 (2017 - \$79,298) for current service and is included as an expenditure on the Consolidated Statement of Financial Activities and Accumulated Surplus.

#### (b) LIABILITY FOR POST EMPLOYMENT BENEFITS

There is no plan whereby unused sick leave can accumulate and employees become entitled to a cash payment when leaving the municipality's employment. There are no significant post employment benefits and there is no liability recorded for possible payments.

### 10. NET LONG-TERM LIABILITIES

	2018	2017
BNS term loan bearing interest at prime (2018 - 3.95%, 2017 - 3.20%), repayable in monthly principal payments of \$9,252 plus interest, maturing October 31, 2021, secured by General Security Agreement.	\$ 308,084	\$ 419,108
BNS term loan bearing interest at prime (2018 - 3.95%, 2017 - 3.20%), repayable in monthly principal payments of \$7,500 plus interest, maturing October 15, 2020, secured by General Security Agreement.	165,000	255,000
	<b>\$ 473,084</b>	<b>\$ 674,108</b>

Principal repayments on long-term debt in each of the next three years assuming long-term debt subject to refinancing is renewed, are estimated as follows:

Year	Principal	Interest	Total
2019	\$ 201,024	\$ 11,057	\$ 212,081
2020	186,024	5,313	191,337
2021	86,036	1,110	87,146
	<b>\$ 473,084</b>	<b>\$ 17,480</b>	<b>\$ 490,564</b>



# CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2018

### 11. OBLIGATION UNDER CAPITAL LEASE

	2018	2017
Equipment under capital lease, bearing interest at 6.82%, repayable in minimum annual lease payments of \$14,246 annually including interest.	\$ 37,453	\$ 48,364

Minimum lease payments related to the obligation under capital lease are as follows:

2019	\$ 14,246
2020	14,246
2021	14,246
Total minimum lease payments	42,738
Less: amount representing future interest	(5,285)
	\$ 37,453

### 12. BANK INDEBTEDNESS

At December 31, 2018, the municipality had a \$300,000 (2017 - \$300,000) revolving line of credit available. The facility bears interest at the bank prime rate 3.95% (2017 - 3.20%) and is secured by general security agreement. At the year end date, Nil (2017 - \$255,000) was drawn on this facility.

### 13. OTHER REVENUE

The balance reported as "Other Revenue" on the Consolidated Statement of Financial Activities and Accumulated Surplus consists of the following:

	2018	2017
Cemetery revenue	\$ 17,021	\$ 15,735
Investment income	6,947	3,406
Licences, memberships and administration fees	115,623	130,082
Penalties and interest revenue	13,207	17,151
Protection services - 911, fire and other	75,658	60,337
Rental fees - recreation, equipment and other	164,738	207,574
User charges - other than water and sewer	160,554	75,337
Other revenue	63,258	71,015
	\$ 617,006	\$ 580,637

# CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2018

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### 14. FINANCIAL INSTRUMENTS

The municipality, as part of its operations carries a number of financial instruments. It is management's opinion that the municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

#### Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

#### Risk Management

The municipality manages its credit risk by establishing an allowance for doubtful accounts based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The municipality has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the municipality has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The municipality is exposed to this risk mainly in respect of its receipt of funds from its customers and ratepayers, and other related sources, long term debt and accounts payable.

Contractual maturities of long-term debt and capital leases are disclosed in Notes 10 and 11.

The municipality manages the liquidity risk resulting from its accounts payable, long-term debt, and capital leases by investing in liquid assets, such as guaranteed investment certificates.

### 15. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Environmental law requires appropriate closure and post-closure care of landfill sites. This would include final covering and landscaping of the site and ongoing environmental monitoring, site inspection, and maintenance. The estimated total liability of \$764,006 (2017 - \$764,006) represents total future cash flows required for closure and post-closure activities for 13 years subsequent to closure, discounted at a rate of 2.00%.

The reported liability of \$413,403 (2017 - \$392,255) was calculated based on the cumulative capacity used to date, compared to the total estimated capacity at that date. The estimated remaining capacity is 118,190 cubic metres, and existing sites are expected to reach capacity in the year 2030.

The municipality has provided a reserve to fund future capital expenditures, and closure and post-closure costs. At December 31, 2018, the balance of this reserve was \$190,170 (2017 - \$190,170).

# **CORPORATION OF THE TOWNSHIP OF ARMSTRONG**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**YEAR ENDED DECEMBER 31, 2018**

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### **16. SEGMENTED INFORMATION**

The municipality is a diversified municipal government institution that provides a wide range of services to its ratepayers, including police, fire, roadways, sewer, water and other services. For management reporting purposes, the municipality's operations and activities are organized and reported by segment. Segments were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Revenue from taxation is reported in the general government segment in accordance with the municipality's budget.

#### **GENERAL GOVERNMENT**

This segment reflects the administrative operations of the municipality. Those costs that relate directly to the administration of the various segments have been allocated to the appropriate segment.

#### **PROTECTION**

Protection is comprised of police service (delivered by the Ontario Provincial Police through agreement with the municipality) and fire service (delivered by the municipality). The mandate of the police service is to ensure the safety of the lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders, and enforce the law. The fire services department is responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires.

#### **RECREATION AND CULTURAL SERVICES**

The municipality provides recreation and leisure services such as fitness and aquatic programs and library service.

#### **PLANNING AND DEVELOPMENT**

The planning, property and development department provides a diverse group of services. It ensures acceptable quality of building construction and maintenance of properties through enforcement of construction codes and building standards. It facilitates economic development by providing services for the approval of all land development plans and the processing of building permit applications.

#### **HEALTH SERVICES**

The municipality provides, through participation in joint local boards, ambulance and public health services.

#### **TRANSPORTATION SERVICES**

The public works department is responsible for the delivery of municipal public works services related to planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting.

# CORPORATION OF THE TOWNSHIP OF ARMSTRONG

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2018

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### 16. SEGMENTED INFORMATION (CONT'D)

#### ENVIRONMENTAL SERVICES

Environmental services consists of three distinct utilities - water, wastewater and solid waste disposal. The public works department provides drinking water to citizens of Armstrong, collects and treats wastewater, and provides collection, disposal and waste minimization programs and facilities for solid waste.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to services based on the net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

### 17. CONTINGENT LIABILITIES

The municipality becomes involved in claims and litigations in the normal course of operations. As the outcome of these matters cannot be determined at the date of the consolidated financial statements, any settlements or awards will be recorded in the period in which they are determinable.

### 18. PRIOR PERIOD ADJUSTMENT

Prior period comparative figures have been restated to account for a correction of recorded expenses duplicated in error. The effect of these changes on the 2017 comparative figures were as follows:

	<b>As Previously Reported</b>	<b>Prior Period Adjustment</b>	<b>As Restated</b>
Accounts payable and accrued liabilities	\$ 284,319	\$ (113,030)	\$ 171,289
Net debt	\$ (822,308)	\$ 113,030	\$ (709,278)
General Government expenditures	\$ 589,925	\$ (113,030)	\$ 476,895
Annual Surplus (Deficit)	\$ (962,627)	\$ 113,030	\$ (849,597)
Accumulated Surplus, end of year	\$ 8,016,260	\$ 113,030	\$ 8,129,290

**CORPORATION OF THE TOWNSHIP OF ARMSTRONG****CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS**

YEAR ENDED DECEMBER 31

	2018	2017 <i>Restated</i>
<b>RESERVE FUNDS</b>		
Computer equipment	\$ 24,248	\$ 24,248
Federal Gas Tax rebate	40,375	40,375
Fire department equipment	30,050	30,050
Local improvements	60,600	30,300
Road equipment	148,322	123,322
Water meters	112,672	95,872
Water/sewer/garbage	89,625	116,625
Sewer	70,200	30,000
<b>TOTAL RESERVE FUNDS</b>	<b>576,092</b>	490,792
<b>RESERVES</b>		
Landfill site	190,170	190,170
<b>TOTAL RESERVES</b>	<b>190,170</b>	190,170
<b>TOTAL RESERVE FUNDS AND RESERVES</b>	<b>766,262</b>	680,962
<b>SURPLUS (DEFICIT)</b>		
Invested in Tangible Capital Assets	8,418,188	8,799,525
General Revenue Fund- Municipality	(1,184,909)	(1,378,346)
General Revenue Fund- TMBA	21,809	27,148
	<b>7,255,088</b>	7,448,327
<b>ACCUMULATED SURPLUS</b>	<b>\$ 8,021,350</b>	\$ 8,129,289

SCHEDULE 2

**CORPORATION OF THE TOWNSHIP OF ARMSTRONG**

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**

YEAR ENDED DECEMBER 31

	General Capital Assets						Infrastructure		Totals	
	Land	Land Improvements	Buildings	Vehicles	Equipment	Computer Software	Roads, Streets and Bridges	Water and Sewer	2018	2017
<b>Cost</b>										
Opening costs	\$ 485,282	\$ 108,011	\$ 1,162,192	\$ 704,462	\$ 1,351,960	\$ 1,164	\$ 7,173,351	\$ 7,247,424	\$ 18,233,846	\$ 25,668,445
Additions during the year	-	-	6,843	42,775	55,681	143	12,611	78,557	196,610	276,821
Disposals and adjustments	-	-	-	(2,353)	-	-	-	-	(2,353)	(7,711,420)
Closing costs	485,282	108,011	1,169,035	744,884	1,407,641	1,307	7,185,962	7,325,981	18,428,103	18,233,846
<b>Accumulated Amortization</b>										
Opening accum'd amortization	-	12,979	764,201	414,534	706,218	1,026	5,155,790	2,379,573	9,434,321	15,964,618
Amortization	-	5,400	25,196	41,029	78,491	99	246,376	185,711	582,302	636,064
Disposals and adjustments	-	-	-	(2,353)	-	-	-	-	(2,353)	(7,166,361)
Closing accum'd amortization	-	18,379	789,397	453,210	784,709	1,125	5,402,166	2,565,284	10,014,270	9,434,321
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$ 485,282</b>	<b>\$ 89,632</b>	<b>\$ 379,638</b>	<b>\$ 291,674</b>	<b>\$ 622,932</b>	<b>\$ 182</b>	<b>\$ 1,783,796</b>	<b>\$ 4,760,697</b>	<b>\$ 8,413,833</b>	<b>\$ 8,799,525</b>

Tangible capital assets include assets under capital lease with a gross cost of \$62,610 (2017 - \$62,610), and accumulated amortization of \$25,044 (2017 - \$12,522).

**CORPORATION OF THE TOWNSHIP OF ARMSTRONG**  
**CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES**  
**YEAR ENDED DECEMBER 31**

	2018	2017
<b>MUNICIPAL TAXATION</b>		
Residential Property Tax	\$ 705,909	\$ 644,793
Commercial and Industrial Tax	425,577	416,111
Farmland	93,053	86,282
	<b>\$ 1,224,539</b>	<b>\$ 1,147,186</b>

**CORPORATION OF THE TOWNSHIP OF ARMSTRONG**

**CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT**

**YEAR ENDED DECEMBER 31**

	<b>2018</b>	2017 <i>Restated</i>
Amortization of tangible capital assets	\$ 582,302	\$ 636,064
Bank charges and short-term interest	2,540	2,841
Contracted and general services	210,338	190,114
Interest on long-term debt	26,470	24,315
Bad debts (recovered)	7,138	(27,725)
Materials, goods and utilities	1,255,906	1,425,242
Salaries and wages	1,036,510	1,003,259
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,121,204</b>	<b>\$ 3,254,110</b>



SCHEDULE 5

**CORPORATION OF THE TOWNSHIP OF ARMSTRONG**

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE**

**YEAR ENDED DECEMBER 31, 2018**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Consolidated
<b>Revenues</b>									
Taxation*	\$ 172,197	\$ 133,208	\$ 354,392	\$ 263,537	\$ 78,069	\$ 57,632	\$ 148,065	\$ 17,439	\$ 1,224,539
Sales of services and user fees	-	-	-	566,689	-	-	-	-	566,689
Government transfers	-	-	521,348	59,127	-	-	9,646	-	590,121
Taxation from other governments	14,356	-	-	-	-	-	-	-	14,356
Other	524,376	38,344	-	-	17,021	-	37,716	103	617,560
<b>Total Revenues</b>	<b>710,929</b>	<b>171,552</b>	<b>875,740</b>	<b>889,353</b>	<b>95,090</b>	<b>57,632</b>	<b>195,427</b>	<b>17,542</b>	<b>3,013,265</b>
<b>Expenses</b>									
Amortization	11,101	46,625	281,053	216,427	780	-	24,938	1,378	582,302
Bad debts	7,138	-	-	-	-	-	-	-	7,138
Contracted services	27,051	-	-	-	173,039	10,248	-	-	210,338
Interest and bank charges	15,479	3,335	7,556	2,640	-	-	-	-	29,010
Materials and other	153,343	223,524	254,477	258,674	17,970	131,334	195,310	21,274	1,255,906
Salaries and benefits	321,945	53,763	334,735	169,679	-	-	143,496	12,892	1,036,510
<b>Total Expenditures</b>	<b>536,057</b>	<b>327,247</b>	<b>877,821</b>	<b>647,420</b>	<b>191,789</b>	<b>141,582</b>	<b>363,744</b>	<b>35,544</b>	<b>3,121,204</b>
<b>Annual surplus (deficit)</b>	<b>\$ 174,872</b>	<b>\$ (155,695)</b>	<b>\$ (2,081)</b>	<b>\$ 241,933</b>	<b>\$ (96,699)</b>	<b>\$ (83,950)</b>	<b>\$ (168,317)</b>	<b>\$ (18,002)</b>	<b>\$ (107,939)</b>

\* Taxation is allocated among the segments based on the proportionate share of total expenditures.