

CORPORATION OF THE TOWNSHIP OF ARMSTRONG
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

CORPORATION OF THE TOWNSHIP OF ARMSTRONG
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YEAR ENDED DECEMBER 31, 2021

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MANAGEMENT'S RESPONSIBILITY

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 consolidated financial statements.

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. Council 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 Council and management to discuss their audit findings.

April 13, 2022


Amy Vickery-Menard, CMO - Clerk-Treasurer

INDEPENDENT AUDITOR'S REPORT

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, 2021 and the consolidated statements of operations and accumulated surplus, changes in net financial assets (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, 2021 and the results of its consolidated operations and its consolidated 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.

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 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
April 13, 2022

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

	2021	2020
FINANCIAL ASSETS		
Cash	\$ 1,474,673	\$ 1,048,944
Temporary investments (Note 3)	12,625	29,973
Taxes receivable (Note 4)	74,279	51,477
Accounts receivable	155,211	99,426
Due from related parties (Note 9)	-	22,549
TOTAL FINANCIAL ASSETS	1,716,788	1,252,369
LIABILITIES		
Accounts payable and accrued liabilities	194,759	169,240
Deferred revenue - general	5,725	5,535
Deferred revenue - obligatory reserve fund (Note 7)	424,898	266,571
Landfill closure and post-closure liability (Note 8)	454,138	453,312
Due to related parties (Note 9)	435	-
Net long-term liabilities (Note 11)	-	86,036
Obligation under capital lease (Note 12)	-	13,326
TOTAL LIABILITIES	1,079,955	994,020
NET FINANCIAL ASSETS	636,833	258,349
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	7,679,435	7,920,258
Inventories	7,794	6,056
Prepaid expenses	46,952	40,145
TOTAL NON-FINANCIAL ASSETS	7,734,181	7,966,459
ACCUMULATED SURPLUS (Schedule 1)	\$ 8,371,014	\$ 8,224,808
CONTINGENT LIABILITIES (Note 18)		

Approved by:


 Mayor


 Councillor

See accompanying notes.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31

	-----2021-----		
	Budget	Actual	2020
REVENUES			
Municipal taxation (<i>Schedule 3</i>)	\$ 1,411,896	\$ 1,399,859	\$ 1,331,545
Taxation from other governments	1,850	44,786	14,287
User charges - water and sewer	582,100	581,816	575,605
Province of Ontario grants - operating	537,959	411,452	413,917
Government of Canada grants - operating	400,938	36,425	14,882
Other revenue (<i>Note 14</i>)	334,043	527,390	414,890
TOTAL REVENUES	3,268,786	3,001,728	2,765,126
EXPENDITURES			
General government	929,214	662,852	551,777
Protection to persons and property	350,826	333,828	333,698
Transportation services	746,447	756,050	743,278
Environmental services	781,088	708,211	700,659
Health services	204,678	208,831	198,718
Social and family services	141,124	133,414	141,178
Recreation and cultural services	251,599	323,567	299,777
Planning and development	27,735	20,165	23,433
TOTAL EXPENDITURES (<i>Schedule 4</i>)	3,432,711	3,146,918	2,992,518
ANNUAL SURPLUS (DEFICIT)			
BEFORE UNDERNOTED	(163,925)	(145,190)	(227,399)
Gain on disposal of tangible capital assets	80,000	160,000	40,500
Government transfers for capital	177,914	131,396	113,663
ANNUAL SURPLUS (DEFICIT)	93,989	146,206	(73,236)
ACCUMULATED SURPLUS,			
BEGINNING OF YEAR	8,224,808	8,224,808	8,298,044
ACCUMULATED SURPLUS, END OF YEAR			
(<i>Schedule 1</i>)	\$ 8,318,797	\$ 8,371,014	\$ 8,224,808

CORPORATION OF THE TOWNSHIP OF ARMSTRONG
CONSOLIDATED STATEMENT OF NET FINANCIAL ASSETS (NET DEBT)
YEAR ENDED DECEMBER 31

	-----2021-----		2020
	Budget	Actual	
ANNUAL SURPLUS (DEFICIT)	\$ 93,989	\$ 146,206	\$ (73,236)
Acquisition and construction of tangible capital assets	(547,705)	(246,106)	(132,724)
Amortization of tangible capital assets	486,929	486,929	499,029
Use (acquisition) of inventories	-	(1,738)	1,095
Acquisition of prepaid expenses	-	(6,807)	(1,063)
	(60,776)	232,278	366,337
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	33,213	378,484	293,101
NET FINANCIAL ASSETS (NET DEBT) BEGINNING OF YEAR	258,349	258,349	(34,752)
NET FINANCIAL ASSETS END OF YEAR	\$ 291,562	\$ 636,833	\$ 258,349

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

	2021	2020
OPERATIONS		
Annual surplus (deficit)	\$ 146,206	\$ (73,236)
Non-cash items:		
Gain on disposal of tangible capital assets	(160,000)	(40,500)
Amortization of tangible capital assets	486,929	499,029
	473,135	385,293
Changes in working capital accounts		
Taxes receivable	(22,802)	4,473
Accounts receivable	(55,785)	(5,281)
Prepaid expenses	(6,807)	(1,063)
Inventories	(1,738)	1,095
Accounts payable and accrued liabilities	25,519	(31,515)
Deferred revenue - general	190	300
Deferred revenue - obligatory reserve fund	158,327	95,888
Landfill closure and post-closure liability	826	18,887
	97,730	82,784
CASH PROVIDED BY OPERATING ACTIVITIES	570,865	468,077
CAPITAL		
Acquisition and construction of tangible capital assets	(246,106)	(132,724)
Proceeds on disposal of tangible capital assets	160,000	40,500
Acquisition (sale) of temporary investments	17,348	(384)
CASH USED IN CAPITAL TRANSACTIONS	(68,758)	(92,608)
FINANCING		
Repayment (advances) from related parties	22,984	(12,992)
Repayment of long term debt	(99,362)	(198,489)
CASH USED IN FINANCING ACTIVITIES	(76,378)	(211,481)
NET CHANGE IN CASH	425,729	163,988
CASH RESOURCES, beginning of year	1,048,944	884,956
CASH RESOURCES, end of year	\$ 1,474,673	\$ 1,048,944

See accompanying notes.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

Impact on operations of COVID-19 (coronavirus)

In early March 2020 the impact of the global outbreak of COVID-19 began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The municipality's operations were impacted by COVID-19 due to the closure of certain operations, suspension and/or delay of programs and projects and increased cleaning and supply costs.

The impact of COVID-19 has been partially offset by available Government programs for which the municipality was eligible. During the year, the municipality received a one-time COVID-19 capital grant from the Province of Ontario to assist with capital expenditures stemming from the outbreak.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the municipality as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause changes to required service delivery, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the municipality's business and financial condition.

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. These consolidated financial statements include:

100% CONSOLIDATED

Corporation of the Township of Armstrong Public Library Board

(ii) Non-consolidated entities

The following joint local boards are not consolidated:

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

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

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

(a) BASIS OF CONSOLIDATION (CONT'D)

(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.

(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 Financial Activities.

(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. Expenditures 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.

User charges and fees relate to water, sewer, garbage collection and other fees imposed on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year are deferred and reported as liabilities.

(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 local school boards as mandated by 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.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

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

(b) BASIS OF ACCOUNTING (CONT'D)

(iv) Government Transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the municipality. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(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. 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 taxes receivable from the respective ratepayers.

(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.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

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

(b) BASIS OF ACCOUNTING (CONT'D)

(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.

Leases

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 are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized using the straight-line method, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of
 - the specific tangible asset; or
 - there is a substantial physical change to the specified tangible asset.

Amortization

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

	<u>YEARS</u>
Land	indefinite
Land improvements	20
Buildings	25-50
Engineered structures	
Water and sewer	10-60
Roads, streets and bridges	10-20
Equipment	2-20
Vehicles	3-20

(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.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

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

(b) BASIS OF ACCOUNTING (CONT'D)

(ix) Inventories

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

(x) Deferred revenue

Deferred revenue represents user charges and other fees which have been collected for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(xi) Deferred revenue - Obligatory reserve fund

Deferred revenue - obligatory reserve fund represents recreational land contributions and gasoline tax contributions under the authority of provincial or federal legislation and municipal by-laws. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(xii) Reserves and reserve fund

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are recorded as an adjustment to the respective fund when approved.

(xiii) 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, 2021

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

(xiv) 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.

(xv) 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 a guaranteed investment certificate with an interest rate of 0.90% (2020: 0.45%) maturing in 2022.

4. TAXES RECEIVABLE

	2021	2020
Taxes receivable - Current	\$ 41,952	\$ 25,502
Taxes receivable - Arrears	32,327	43,006
	74,279	68,508
Less: allowance for doubtful accounts	-	(17,031)
	\$ 74,279	\$ 51,477

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

5. OPERATIONS OF SCHOOL BOARDS

During 2021, the municipality collected and transferred property taxes totaling \$426,381 (2020 - \$462,435) on behalf of area school boards.

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:

	2021	2020
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 279,770	\$ 279,581
Timiskaming Health Unit ("THU")	51,998	49,522
	\$ 331,768	\$ 329,103

The municipality is contingently liable for its share of any accumulated deficits as at the end of the year for these boards.

7. DEFERRED REVENUE - OBLIGATORY RESERVE FUND

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

8. 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 (2020 - \$764,006) represents total future cash flows required for closure and post-closure activities for 15 years subsequent to closure, discounted at a rate of 2.00%.

The reported liability of \$454,138 (2020 - \$453,312) was calculated based on the cumulative capacity used to date, compared with the total estimated capacity at that date. The estimated remaining capacity is 73,750 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, 2021, the balance of this reserve was \$190,170 (2020 - \$190,170).

9. DUE FROM (TO) RELATED PARTIES

The balances due from (to) Earlington Timiskaming Regional Airport Authority and Temiskaming Municipal Services Association, entities controlled jointly by the municipality along with other area municipalities, are non-interest bearing and unsecured with no fixed terms of repayment.

Due from related parties

	2021	2020
Earlington Timiskaming Regional Airport Authority	\$ -	\$ 21,780
Temiskaming Municipal Services Association	-	769
	\$ -	\$ 22,549

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

9. DUE FROM (TO) RELATED PARTIES (CONT'D)

Due to related parties

	2021	2020
Temiskaming Municipal Services Association	435	-

10. 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 2021 was \$56,823 (2020 - \$65,498) 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.

11. NET LONG-TERM LIABILITIES

	2021	2020
Loan repaid during the year	\$ -	\$ 86,036

12. OBLIGATION UNDER CAPITAL LEASE

	2021	2020
Equipment under capital lease repaid during the year	\$ -	\$ 13,326

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

13. BANK INDEBTEDNESS

At December 31, 2021, the municipality has a \$300,000 (2020 - \$300,000) revolving line of credit available. The facility bears interest at the bank prime rate (2.45%; 2020 - 2.45%) and is secured by general security agreement. At the year end date, Nil (2020 - Nil) was drawn on this facility.

14. OTHER REVENUE

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

	2021	2020
Cemetery revenue	\$ 18,597	\$ 18,230
Investment income	1,026	4,570
Licences, memberships and administration fees	75,375	74,017
Penalties and interest revenue	16,099	14,104
Protection services - 911, fire and other	48,357	39,726
Rental fees - recreation, equipment and other	141,581	112,523
User charges - other than water and sewer	122,670	91,664
Other revenue	103,685	60,056
	\$ 527,390	\$ 414,890

15. 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, liquidity, market, other price 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.

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.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the municipality manages exposure through its normal operating and financing activities. The municipality is exposed to interest rate risk primarily through its floating interest rate bank indebtedness, fixed rate GIC and credit facilities.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

15. FINANCIAL INSTRUMENTS (CONT'D)

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 11 and 12.

The municipality manages the liquidity risk resulting from its accounts payable, long-term debt, and capital leases by maintaining cash and investing in other liquid assets.

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 SERVICES

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.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED DECEMBER 31, 2021

16. SEGMENTED INFORMATION (CONT'D)

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.

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. BUDGET INFORMATION

The Budget was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require full accrual basis. The budget figures anticipated transfers to reserves for revenues in excess of current year expenditures. As a result, the budget figures presented in the consolidated statements of financial activities and changes in net financial assets (net debt) represent the Budget adopted by Council with adjustments as follows:

YEAR ENDED DECEMBER 31

Budgeted surplus for the year	\$ 534,472
Add:	
Transfer to reserves	46,447
Less:	
Amortization	486,930
<hr/>	
Budgeted surplus per consolidated statement of financial activities	\$ 93,989

18. 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.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG**CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS****YEAR ENDED DECEMBER 31**

	2021	2020
RESERVE FUNDS		
Computer equipment	\$ 24,248	\$ 33,749
Federal Gas Tax rebate	40,375	40,375
Fire department equipment	31,623	31,623
Local improvements	56,123	56,123
Public works equipment	168,322	168,322
Water meters	101,510	101,510
Water/sewer/garbage	182,229	155,729
Sewer	151,258	112,758
Parkland development	117,400	-
TOTAL RESERVE FUNDS	873,088	700,189
RESERVES		
Landfill site	190,170	190,170
Working capital	268,620	290,086
TOTAL RESERVES	458,790	480,256
TOTAL RESERVE FUNDS AND RESERVES	1,331,878	1,180,445
SURPLUS (DEFICIT)		
Invested in Tangible Capital Assets	7,679,435	7,920,258
General Revenue Fund- Municipality	(640,299)	(875,895)
	7,039,136	7,044,363
ACCUMULATED SURPLUS	\$ 8,371,014	\$ 8,224,808

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	Roads, Streets and Bridges	Water and Sewer	2021	2020	
Cost										
Opening costs	\$ 485,282	\$ 108,011	\$ 1,200,552	\$ 720,503	\$ 1,430,551	\$ 7,304,009	\$ 7,668,605	\$ 18,917,513	\$ 18,806,744	
Additions during the year	8,779	-	-	-	47,510	189,817	-	246,106	132,724	
Disposals and adjustments	-	-	-	-	-	-	-	-	(21,955)	
Closing costs	494,061	108,011	1,200,552	720,503	1,478,061	7,493,826	7,668,605	19,163,819	18,917,513	
Accumulated Amortization										
Opening accum'd amortization	-	29,180	838,919	508,330	925,676	5,745,750	2,949,400	10,997,255	10,520,181	
Amortization	-	5,401	24,371	23,707	67,452	178,947	187,051	486,929	499,029	
Disposals and adjustments	-	-	-	-	-	-	-	-	(21,955)	
Closing accum'd amortization	-	34,581	863,290	532,037	993,128	5,924,697	3,136,451	11,484,184	10,997,255	
Net Book Value of Tangible Capital Assets	\$ 494,061	\$ 73,430	\$ 337,262	\$ 188,466	\$ 484,933	\$ 1,569,129	\$ 4,532,154	\$ 7,679,435	\$ 7,920,258	

Tangible capital assets include assets under capital lease with a gross cost of \$Nil (2020 - \$62,610), and accumulated amortization of \$Nil (2020 - \$50,088).

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES

YEAR ENDED DECEMBER 31

	----2021----		
	Budget	Actual	2020
MUNICIPAL TAXATION			
Residential property tax	\$ 817,211	\$ 805,174	\$ 749,381
Commercial and industrial tax	473,064	473,064	463,753
Farmland	121,621	121,621	118,411
	\$ 1,411,896	\$ 1,399,859	\$ 1,331,545

SCHEDULE 4

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT

YEAR ENDED DECEMBER 31

	2021	2020
Amortization of tangible capital assets	\$ 486,929	\$ 499,029
Bank charges and short-term interest	3,081	2,903
Contracted and general services	302,703	222,538
Interest on long-term debt	1,867	6,434
Bad debts (recovery)	(13,117)	14
Materials, goods and utilities	1,328,303	1,268,849
Salaries and wages	1,037,151	992,751
TOTAL EXPENDITURES	\$ 3,146,917	\$ 2,992,518

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

YEAR ENDED DECEMBER 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Consolidated
Revenues									
Municipal taxation*	\$ 294,766	\$ 148,511	\$ 336,346	\$ 315,064	\$ 92,903	\$ 59,352	\$ 143,946	\$ 8,971	\$ 1,399,859
User charges - water/garbage/sewer	-	-	-	581,816	-	-	-	-	581,816
Government grants - operating and capital	-	-	490,541	58,482	-	-	30,250	-	579,273
Taxation from other governments	44,786	-	-	-	-	-	-	-	44,786
Other revenue	594,122	40,906	-	-	18,597	-	11,678	22,087	687,390
Total Revenues	933,674	189,417	826,887	955,362	111,500	59,352	185,874	31,058	3,293,124
Expenses									
Amortization	8,987	28,542	212,546	214,711	780	-	18,978	2,385	486,929
Bad debts	(13,117)	-	-	-	-	-	-	-	(13,117)
Contracted services	94,481	-	-	-	198,108	10,114	-	-	302,703
Interest and bank charges	4,741	-	-	208	-	-	-	-	4,949
Materials and other	201,874	247,426	229,899	295,438	9,943	123,300	202,643	17,780	1,328,303
Salaries and benefits	365,886	57,860	313,605	197,854	-	-	101,946	-	1,037,151
Total Expenditures	662,852	333,828	756,050	708,211	208,831	133,414	323,567	20,165	3,146,918
Annual surplus (deficit)	\$ 270,822	\$ (144,411)	\$ 70,837	\$ 247,151	\$ (97,331)	\$ (74,062)	\$ (137,693)	\$ 10,893	\$ 146,206

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

