
CORPORATION OF THE TOWNSHIP OF ARMSTRONG
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31 2017

CORPORATION OF THE TOWNSHIP OF ARMSTRONG
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YEARS ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

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, 2017 and the consolidated statements of financial activities and accumulated surplus, net debt and cash flows for the year then ended, and summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Timmins, Ontario
May 2, 2018

MNP LLP

MNP LLP
Chartered Professional Accountants
Licensed Public Accountant

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

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 474,068	\$ 492,357
Temporary investments (Note 3)	216,571	222,712
Taxes receivable (Note 4)	55,565	89,452
Accounts receivable	220,675	81,365
Due from related parties (Note 7)	8,311	6,428
TOTAL FINANCIAL ASSETS	975,190	892,314
LIABILITIES		
Bank indebtedness (Note 12)	225,000	-
Accounts payable and accrued liabilities	284,318	296,934
Deferred revenue - general	4,295	6,597
Deferred revenue - obligatory reserve fund (Note 8)	169,157	93,413
Landfill closure and post-closure liability (Note 15)	392,255	383,119
Net long-term liabilities (Note 10, Schedule 5)	674,108	876,722
Obligation under capital lease (Note 11)	48,364	-
TOTAL LIABILITIES	1,797,497	1,656,785
NET DEBT	(822,307)	(764,471)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	8,799,525	9,703,830
Inventories	6,433	6,025
Prepaid expenses	32,609	33,503
TOTAL NON-FINANCIAL ASSETS	8,838,567	9,743,358
ACCUMULATED SURPLUS (Schedule 1)	\$ 8,016,260	\$ 8,978,887
CONTINGENT LIABILITIES (Note 17)		

Approved by:

 Mayor

 Councillor

See accompanying notes.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND ACCUMULATED SURPLUS

YEARS ENDED DECEMBER 31

	-----2017-----		2016
	Budget	Actual	
REVENUES			
Municipal taxation (<i>Schedule 3</i>)	\$ 1,193,430	\$ 1,147,186	\$ 1,164,980
Taxation from other governments	1,800	14,277	14,858
User charges - water and sewer	542,680	548,217	535,130
Province of Ontario Grants - operating	479,100	505,504	487,187
Government of Canada Grants - operating	-	-	136
Other revenue (<i>Note 13</i>)	519,585	580,638	477,994
TOTAL REVENUES	2,736,595	2,795,822	2,680,285
EXPENDITURES			
General government	589,071	589,925	640,721
Protection to persons and property	318,039	333,646	353,820
Transportation services	809,310	1,072,054	1,164,722
Environmental services	478,370	674,612	988,703
Health services	190,796	178,495	179,535
Social and family services	145,877	140,614	144,151
Recreation and cultural services	272,290	342,171	303,301
Planning and development	20,250	35,623	32,748
TOTAL EXPENDITURES (<i>Schedule 4</i>)	2,824,003	3,367,140	3,807,701
ANNUAL DEFICIT			
BEFORE UNDERNOTED	(87,408)	(571,318)	(1,127,416)
Gain (loss) on disposal of tangible capital assets	-	(526,458)	3,000
Government transfers for capital	66,000	135,149	76,707
ANNUAL DEFICIT	(21,408)	(962,627)	(1,047,709)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	8,978,887	8,978,887	10,026,596
ACCUMULATED SURPLUS, END OF YEAR (<i>Schedule 1</i>)	\$ 8,957,479	\$ 8,016,260	\$ 8,978,887

See accompanying notes.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG
CONSOLIDATED STATEMENT OF NET DEBT
YEARS ENDED DECEMBER 31

	----2017----		2016
	Budget	Actual	
ANNUAL DEFICIT	\$ (21,408)	\$ (962,627)	\$ (1,047,709)
Acquisition and construction of tangible capital assets	-	(276,821)	(184,235)
Amortization of tangible capital assets	-	636,064	856,101
Disposal of tangible capital assets	-	545,062	-
Decrease (increase) in inventories	-	(408)	996
Decrease (increase) in prepaid expenses	-	894	(1,851)
	-	904,791	671,011
CHANGE IN NET DEBT	(21,408)	(57,836)	(376,698)
NET DEBT BEGINNING OF YEAR	(764,471)	(764,471)	(387,773)
NET DEBT, END OF YEAR	\$ (785,879)	\$ (822,307)	\$ (764,471)

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

	2017	2016
OPERATIONS		
Annual deficit	\$ (962,627)	\$ (1,047,709)
Add (deduct): Loss (gain) on disposal of tangible capital asset	532,264	(3,000)
Add: Amortization of tangible capital assets	636,064	856,101
	<u>205,701</u>	<u>(194,608)</u>
SOURCES (USES):		
Decrease (increase) in taxes receivable	33,887	(62,583)
Decrease (increase) in accounts receivable	(139,312)	47,732
Increase in prepaid expenses	894	(1,851)
Decrease in inventory	(408)	996
Increase (decrease) in accounts payable and accrued liabilities	(12,616)	46,866
Increase (decrease) in deferred revenue - general	(2,302)	839
Increase in deferred revenue - obligatory reserve fund	75,744	60,579
Increase in provision for landfill closure and post-closure costs	9,136	340,122
	<u>(34,977)</u>	<u>432,700</u>
NET INCREASE IN CASH FROM OPERATIONS	<u>170,724</u>	<u>238,092</u>
INVESTING		
Acquisition and construction of tangible capital assets	(276,821)	(184,235)
Proceeds on disposal of tangible capital assets	12,800	3,000
Decrease in temporary investments	6,141	179,673
NET DECREASE IN CASH FROM INVESTING	<u>(257,880)</u>	<u>(1,562)</u>
FINANCING		
Advances from related parties	(1,883)	1,014
Long-term liabilities repaid	(139,824)	(243,024)
Capital lease repayments	(14,426)	-
Bank indebtedness issued	225,000	-
NET INCREASE (DECREASE) IN CASH FROM FINANCING	<u>68,867</u>	<u>(242,010)</u>
NET CHANGE IN CASH	<u>(18,289)</u>	<u>(5,480)</u>
CASH, beginning of year	492,357	497,837
CASH, end of year	<u>\$ 474,068</u>	<u>\$ 492,357</u>

See accompanying notes.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017

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) Consolidated Entities

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

Earlton Timiskaming Regional Airport Municipal Services Board - for period ended February 28th, 2017 (Note 2)

Timiskaming 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)

YEARS ENDED DECEMBER 31, 2017

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) 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)

YEARS ENDED DECEMBER 31, 2017

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

(b) BASIS OF ACCOUNTING (CONT'D)

(iv) Measurement Uncertainty

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. Financial statement items subject to measurement uncertainty include allowance for doubtful accounts, amortization of tangible capital assets, landfill closure and post closure liability, and contingencies. Actual results could differ from these estimates.

(v) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus or deficit, provides the consolidated change in net debt for the year.

(vi) 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. The cost, less residual value, of the tangible capital assets is amortized 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

One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

On February 28, 2017, the municipality transferred its tangible capital assets pertaining to airport operations to a newly established government not-for-profit corporation operating as Earleton Temiskaming Regional Airport Authority. The organization continues to operate with the same representatives from the thirteen area municipalities.

(vii) Inventories

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

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2017

3. TEMPORARY INVESTMENTS

Temporary investments consist of guaranteed investment certificates with interest rates between 0.50% and 1.56% maturing in 2018, and mutual fund units in fixed income securities.

4. TAXES RECEIVABLE

	2017	2016
Tax receivable - Current	\$ 38,378	\$ 79,176
Tax receivable - Arrears	20,115	13,204
	58,493	92,380
Less: allowance for doubtful accounts	(2,928)	(2,928)
	\$ 55,565	\$ 89,452

5. OPERATIONS OF SCHOOL BOARDS

During 2017, the municipality collected and transferred property taxes totaling \$445,425 (2016 - \$438,569) 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:

	2017	2016
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 253,125	\$ 259,204
Timiskaming Health Unit ("THU")	36,311	51,459
	\$ 289,436	\$ 310,663

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. As at December 31, 2017, there existed no contingent liabilities in relation to these entities.

7. DUE FROM RELATED PARTIES

The balances due from Earlton Timiskaming Regional Airport Authority and Temiskaming Municipal Building Association are non-interest bearing and unsecured with no fixed terms of repayment.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2017

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).

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 2017 was \$79,298 (2016 - \$73,136) 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.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
YEARS ENDED DECEMBER 31, 2017

10. NET LONG-TERM LIABILITIES

	2017	2016
BNS term loan bearing interest at prime, repayable in monthly principal payments of \$9,252 plus interest, maturing October 31, 2021, secured by General Security Agreement (Schedule 5).	\$ 419,108	\$ 530,132
BNS term loan bearing interest at prime, repayable in monthly principal payments of \$7,500 plus interest, maturing October 15, 2020, secured by General Security Agreement (Schedule 5).	255,000	345,000
BNS term loan bearing interest at prime, repaid during the year (Schedule 5).	-	1,590
	\$ 674,108	\$ 876,722

11. OBLIGATION UNDER CAPITAL LEASE

Equipment under capital lease, bearing interest at 6.82%, repayable in minimum lease payments of \$14,000 annually including interest. Future minimum lease payments under the capital lease are as follows:

	2017
2018	\$ 14,246
2019	14,246
2020	14,246
2021	14,246
Total minimum lease payments	56,984
Less: amount representing future interest	(8,620)
	\$ 48,364

12. BANK INDEBTEDNESS

The municipality has a \$300,000 revolving line of credit available. The facility bears interest at the bank prime rate and is secured by general security agreement. At the year end date, \$255,000 was drawn on this facility.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2017

13. OTHER REVENUE

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

	2017	2016
Cemetery revenue	\$ 15,735	\$ 9,870
Investment income	3,406	3,995
Licences, memberships and administration fees	130,082	126,343
Penalties and interest revenue	17,151	1,505
Protection services - 911, fire and other	60,337	66,785
Rental fees - recreation, equipment and other	207,574	160,259
User charges - other than water and sewer	75,337	42,854
Other revenue	71,016	66,383
	\$ 580,638	\$ 477,994

14. FINANCIAL INSTRUMENTS

The municipality is exposed to various risks through its financial instruments. The following analysis provides information about the municipality's risk exposure and concentration as of December 31, 2017.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The municipality is exposed to credit risk from customers and ratepayers. An allowance for doubtful accounts is established 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. The municipality is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debt and accounts payable.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2017

15. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Public sector accounting principles require the disclosure of the net present value of landfill closure and post-closure care expenditures.

Closure involves capping the site with a compacted impermeable clay layer, a layer of topsoil, the re-introduction of a vegetative cover and the construction of surface drainage controls. Post-closure care will involve routine inspections, cap maintenance, and ground water sampling and analysis, if applicable. The reported liability is based on estimates and assumptions with respect to events extending over a 15 year period using information available to management pursuant to an engineering report commissioned in 2016. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, if and when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the municipality's average long-term borrowing rate of 2%.

Total landfill closure and post-closure care expenditures are estimated at \$764,006 (2016 - \$764,006). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. To date, approximately 51.3% (2016 - 50.1%) of the site's capacity has been used. Accordingly, as at December 31, 2017 an amount of \$392,255 (2016 - \$383,119) is reported as a liability in the accounts payable and accrued liabilities balance on the Consolidated Statement of Financial Position.

The estimated remaining capacity of the landfill site is 48.7% (125,517 cubic metres) of its total estimated capacity and its estimated remaining life is 14 years, after which the period for post-closure care is estimated to be 13 years.

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.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2017

16. SEGMENTED INFORMATION (CONT'D)

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.

The municipality also owns the Earltown Timiskaming Regional Airport property. Airport operations are conducted by Earltown Timiskaming Regional Airport Municipal Services Board, a joint municipal services board.

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.

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2017

17. CONTINGENT LIABILITIES

The municipality is 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

YEARS ENDED DECEMBER 31

	2017	2016
RESERVE FUNDS		
Computer equipment	\$ 24,248	\$ 24,248
Federal Gas Tax rebate	40,375	40,375
Fire department equipment	30,050	30,050
Local improvements	30,300	-
Road equipment	123,322	98,322
Water meters	95,872	95,872
Water/sewer/garbage	116,625	101,625
Sewer	30,000	15,000
TOTAL RESERVE FUNDS	490,792	405,492
RESERVES		
Landfill site	190,170	286,790
TOTAL RESERVES	190,170	286,790
TOTAL RESERVE FUNDS AND RESERVES	680,962	692,282
SURPLUS (DEFICIT)		
Invested in Tangible Capital Assets	8,799,525	9,694,384
General Revenue Fund- Municipality	(1,491,375)	(1,452,399)
General Revenue Fund- ETRA	-	17,472
General Revenue Fund- TMBA	27,148	27,148
TOTAL SURPLUS	7,335,298	8,286,605
ACCUMULATED SURPLUS	\$ 8,016,260	\$ 8,978,887

SCHEDULE 2

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEARS ENDED DECEMBER 31

	General Capital Assets						Infrastructure		Totals	
	Land	Land Improvements	Buildings	Vehicles	Equipment	Computer Software	Roads, Streets and Bridges	Water and Sewer	2017	2016
Cost										
Opening costs	\$ 710,032	\$ 24,342	\$ 1,821,204	\$ 1,118,141	\$ 2,196,518	\$ 1,193	\$ 12,577,844	\$ 7,219,171	\$ 25,668,445	\$ 25,484,210
Additions during the year	-	83,669	10,681	-	87,896	91	66,231	28,253	276,821	184,235
Disposals and write downs	(224,750)	-	(669,693)	(413,678)	(932,455)	(120)	(5,470,724)	-	(7,711,420)	-
Closing costs	485,282	108,011	1,162,192	704,463	1,351,959	1,164	7,173,351	7,247,424	18,233,846	25,668,445
Accumulated Amortization										
Opening accum'd amortization	-	7,578	1,089,110	791,329	1,567,575	982	10,308,326	2,201,718	15,964,618	15,108,514
Amortization	-	5,401	25,001	36,127	71,364	128	320,188	177,855	636,064	856,101
Disposals and write downs	-	-	(349,910)	(412,922)	(932,721)	(84)	(5,470,724)	-	(7,166,361)	-
Closing accum'd amortization	-	12,979	764,201	414,534	706,218	1,026	5,155,790	2,379,573	9,434,321	15,964,615
Net Book Value of Tangible Capital Assets	\$ 485,282	\$ 95,032	\$ 397,991	\$ 289,929	\$ 645,741	\$ 138	\$ 2,017,561	\$ 4,867,851	\$ 8,799,525	\$ 9,703,830

* Total capital assets were acquired at a cost of \$276,821 of which \$62,610 of equipment were acquired by capital lease.

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

	2017	2016
TAXATION		
Residential Property Tax	\$ 644,793	\$ 669,253
Commercial and Industrial Tax	416,111	415,863
Farmland	86,282	79,864
	\$ 1,147,186	\$ 1,164,980

SCHEDULE 4

CORPORATION OF THE TOWNSHIP OF ARMSTRONG

CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT

YEARS ENDED DECEMBER 31

	2017	2016
Amortization of tangible capital assets	\$ 636,064	\$ 856,101
Bank charges and short-term interest	2,841	2,433
Contracted and general services	190,114	196,151
Interest on long-term debt	24,315	27,319
Bad debts and tax write-offs recovered	(27,725)	-
Materials, goods and utilities	1,538,272	1,756,084
Salaries and wages	1,003,259	969,613
TOTAL EXPENDITURES	\$ 3,367,140	\$ 3,807,701

SCHEDULE 5

CORPORATION OF THE TOWNSHIP OF ARMSTRONG
CONSOLIDATED SCHEDULE OF NET LONG-TERM LIABILITIES
YEAR ENDED DECEMBER 31, 2017

	Date of Issue (mm/dd/yy)	Term	Amount of Issue	Rate of Interest	Net Long-Term Liabilities	Payments		Total
						-----2017-----		
						Principal	Interest	
GENERAL MUNICIPAL ACTIVITIES								
Combined Fire Truck/Grader Loan	07/10/13	4 yrs	\$ 210,000	Prime	\$ -	\$ 1,590	\$ 4	\$ 1,594
Planning, Development and Environmental Services:								
Airport Subdivision, Pumping Station and Sewage Treatment Facility Project	01/17/12	9 yrs	\$ 1,167,018	Prime	419,108	111,024	14,377	125,401
Culvert Project	10/19/15	5 yrs	\$ 450,000	Prime	255,000	90,000	8,201	98,201
TOTAL GENERAL MUNICIPAL ACTIVITIES					\$ 674,108	\$ 202,614	\$ 22,582	\$ 225,196

SUMMARY OF YEARLY LONG-TERM LIABILITY REPAYMENTS FOR GENERAL MUNICIPAL ACTIVITIES (NOTE 10)

Year	Principal	Interest	Total
2018	\$ 201,024	\$ 16,818	\$ 217,842
2019	201,024	11,057	212,081
2020	186,024	5,313	191,337
2021	86,036	1,110	87,146
	\$ 674,108	\$ 34,298	\$ 708,406

SCHEDULE 6

CORPORATION OF THE TOWNSHIP OF ARMSTRONG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
YEAR ENDED DECEMBER 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Consolidated
Revenues									
Taxation*	\$ 200,988	\$ 113,673	\$ 365,250	\$ 229,841	\$ 60,813	\$ 47,907	\$ 116,577	\$ 12,137	\$ 1,147,186
Sales of services and user fees	-	-	-	548,216	-	-	-	-	548,216
Government transfers	-	-	542,228	85,149	-	-	13,276	-	640,653
Taxation from other governments	14,277	-	-	-	-	-	-	-	14,277
Other	(71,307)	39,240	2,000	-	15,735	-	61,191	7,322	54,181
Total Revenues	143,958	152,913	909,478	863,206	76,548	47,907	191,044	19,459	2,404,513
Expenses									
Amortization	11,560	39,918	355,047	203,433	780	-	23,919	1,407	636,064
Bad debts and tax write-offs	(27,725)	-	-	-	-	-	-	-	(27,725)
Contracted services	19,402	-	-	-	159,767	10,945	-	-	190,114
Interest and bank charges	15,722	2	8,669	2,763	-	-	-	-	27,156
Materials and other	270,378	240,665	387,206	284,253	17,948	129,669	185,089	23,064	1,538,272
Salaries and benefits	300,587	53,061	321,133	184,163	-	-	133,162	11,153	1,003,259
Total Expenditures	589,924	333,646	1,072,055	674,612	178,495	140,614	342,170	35,624	3,367,140
Annual surplus (deficit)	\$ (445,966)	\$ (180,733)	\$ (162,577)	\$ 188,594	\$ (101,947)	\$ (92,707)	\$ (151,126)	\$ (16,165)	\$ (962,627)

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

