

Consolidated Financial Statements of

**CORPORATION OF THE TOWNSHIP OF CENTRAL
FRONTENAC**

Year ended December 31, 2018

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Year ended December 31, 2018

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

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CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC TRUST FUNDS

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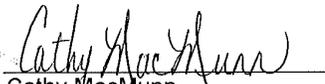
Management's Responsibility for the Consolidated Financial Statements

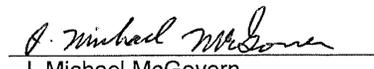
The accompanying consolidated financial statements of the Corporation of the Township of Central Frontenac (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.


Cathy MacMunn
Clerk / Administrator


J. Michael McGovern
Treasurer



INDEPENDENT AUDITOR'S REPORT

To: The Members of Council, Inhabitants and Ratepayers of:
Corporation of The Township of Central Frontenac

Opinion

We have audited the accompanying consolidated financial statements of Corporation of The Township of Central Frontenac which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporation of The Township of Central Frontenac as at December 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation of The Township of Central Frontenac 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.

Other Matter

The consolidated financial statements of the Corporation of The Township of Central Frontenac for the year ended December 31, 2017 were audited by other accountants. The previous accountants expressed an unmodified opinion on those statements on April 24, 2018.

Responsibilities of Management and Those Charged with Governance for the 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 Corporation of The Township of Central Frontenac'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 Corporation of The Township of Central Frontenac or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation of The Township of Central Frontenac's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 Corporation of The Township of Central Frontenac'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 entity'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 Corporation of The Township of Central Frontenac 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.

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.

Kingston, Ontario
April 23, 2019

MNP LLP
**Chartered Professional Accountants
Licensed Public Accountants**

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 5,825,398	\$ 3,747,687
Investments (note 2)	564,685	552,373
Taxes receivable	1,052,146	1,130,875
Accounts receivable	773,331	783,757
	8,215,560	6,214,692
Liabilities:		
Accounts payable and accrued liabilities	2,059,151	1,842,598
Deferred revenue	500,581	175,208
Deferred revenue - Obligatory Reserve Fund (note 9)	(9,479)	(18,372)
Long-term liabilities (note 3)	2,162,569	966,861
Landfill closure and post-closure liability (note 11)	845,067	786,065
Employee post-employment benefits (note 6)	215,228	214,960
	5,773,117	3,967,320
Net financial assets	2,442,443	2,247,372
Non-financial assets:		
Tangible capital assets (note 14)	34,957,098	34,353,098
Other assets	80,445	52,642
	35,037,543	34,405,740
Contingent liabilities (note 13)		
Accumulated municipal surplus (note 15)	\$ 37,479,986	\$ 36,653,112

Approved by the Corporation of the Township of Central Frontenac

_____ Council Member

_____ Council Member

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
Revenue:			
Property taxation	\$ 7,845,896	\$ 7,772,385	\$ 7,331,271
Licenses, permits, and rents	160,172	152,162	204,913
User charges	231,975	364,083	379,395
Government grants	4,115,377	2,296,668	2,096,522
Other municipalities	130,634	137,783	130,906
Penalties and interest on taxes	194,000	192,300	201,611
Investment income	40,100	92,090	60,409
Other	85,350	187,196	132,451
Contributed tangible capital assets	-	-	303,002
Loss on disposal of tangible capital assets	-	(14,529)	(142,714)
Total revenue	12,803,504	11,180,138	10,697,766
Expenses: (note 12)			
General government	1,380,242	1,440,535	1,179,256
Protection to persons and property	2,443,316	2,439,813	2,304,424
Transportation services	5,753,369	5,417,331	5,120,002
Environmental services	419,708	346,550	239,386
Health services	157,021	128,522	154,130
Recreation and cultural services	395,721	525,015	471,002
Planning and development	97,594	55,498	73,799
Total expenses	10,646,971	10,353,264	9,541,999
Annual surplus	2,156,533	826,874	1,155,767
Accumulated municipal surplus, beginning of year		36,653,112	35,497,345
Accumulated municipal surplus, end of year		\$ 37,479,986	\$ 36,653,112

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Consolidated Statement of Change in Net Financial Assets

For the Year Ended December 31, 2018 , with comparative information for 2017

	2018	2017
Annual surplus	\$ 826,874	\$ 1,155,767
Acquisition of tangible capital assets	(2,456,306)	(2,502,801)
Amortization of tangible assets	1,837,778	1,673,262
Loss on disposal of tangible capital assets	14,529	142,714
	222,875	468,942
Increase in other assets	(27,804)	(12,795)
Change in net financial assets	195,071	456,147
Net financial assets, beginning of year	2,247,372	1,791,225
Net financial assets, end of year	\$ 2,442,443	\$ 2,247,372

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Operating activities:		
Annual surplus	\$ 826,874	\$ 1,155,767
Items not involving cash:		
Amortization	1,837,778	1,673,262
Disposal of and adjustments to tangible capital assets	14,529	142,714
Change in non-cash assets and liabilities:		
Taxes receivable	78,729	149,903
Accounts Receivable	10,426	(66,396)
Accounts payable and accrued liabilities	216,553	222,512
Deferred Revenue	325,373	156,168
Deferred revenue - obligatory reserve funds	8,893	12,921
Landfill closure and post-closure liability	59,002	(147,066)
Employee post-employment benefits	268	2,561
Other assets	(27,804)	(12,795)
Net change in cash from operating activities	3,350,621	3,289,551
Capital activities:		
Acquisition of tangible capital assets	(2,456,306)	(2,502,801)
Net change in cash from capital activities	(2,456,306)	(2,502,801)
Financing activities:		
Principal repayments on long-term liabilities	1,195,708	(237,628)
Net change in cash from financing activities:	1,195,708	(237,628)
Investing activities:		
Increase of investments	(12,312)	(13,740)
Increase in cash	2,077,711	535,382
Cash, beginning of year	3,747,687	3,212,305
Cash, end of year	\$ 5,825,398	\$ 3,747,687

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Township of Central Frontenac are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of consolidation:

i. Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenue, expenses and fund balances 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 Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

Frontenac Community Arena (proportionately consolidated)

Proportionate consolidation:

The Frontenac Community Arena is accounted for using the proportionate consolidation method of accounting and reporting, whereby the Township's pro-rata share of each of the assets, liabilities, revenue and expenses is combined on a line-by-line basis in the financial statements.

ii. Non-consolidated entities:

There are no entities owned or controlled by the Township that are not consolidated.

iii. Accounting for County and school board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards and Frontenac County are not reflected in the municipal fund balances of these consolidated financial statements.

iv. Trust funds and related operations

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the "Trust Funds Statements of Continuity and Statements of Financial Position".

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies: (continued):

(b) Landfill closure and post-closure liabilities:

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(c) Deferred revenue:

The Township receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include landfill closure and post-closure liability, employee post-employment benefits and the useful life of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(e) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(f) Government transfers:

Government transfers are recognized as revenue when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies: (continued):

(g) Deferred revenue - obligatory reserve funds:

The Township receives restricted contributions under the authority of provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(h) 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 ordinary course of operations.

i. Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Landfill and land improvements	3 - 50
Buildings and building improvements	10 - 60
Machinery, equipment, and furniture	3 - 60
Vehicles	4 - 12
Computer software	5
Roads and road infrastructure	14 - 50
Bridges and bridges infrastructure	14 - 50

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies: (continued):

(h) Non-financial assets: (continued):

iii. Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

iv. Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

v. Interest capitalization:

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(i) Employee post-employment benefits:

The Township accrues its obligations for the employee benefit plan. The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, will be amortized over the average remaining service life of the related employee groups.

(j) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

2. Investments:

Investments consist primarily of government and corporate bonds. Investments have a market value of \$529,259 at December 31, 2018 (2017 - \$522,208).

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

3. Long-term liabilities:

- (a) The balance of the long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2018	2017
Bank loan for the medical centre, repayable in blended monthly payments of \$2,781, bearing interest at 2.37% and due April 2021	\$ 301,246	\$ 327,144
Bank loan for the solar panel project, repayable in blended monthly payments of \$868, bearing interest at 4.19% and due July 2021	25,502	34,639
Bank for 5th Lake Road, repayable in blended monthly payments of \$18,383, bearing interest at 2.28% and due October 2020	396,034	605,078
Bank loan for Fire & Public Works Equipment, repayable in blended semi-annual payments of \$156,122, bearing interest at 3.0% and due December 2023	1,439,787	-
	<u>\$ 2,162,569</u>	<u>\$ 966,861</u>

- (b) Principal due on long-term liabilities is summarized as follows:

2019	\$ 521,030
2020	498,484
2021	541,301
2022	296,398
2023	305,356
	<u>\$ 2,162,569</u>

- (c) The long-term liabilities in note (3.a), issued in the name of the Township, have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt replacement limit prescribed by the Ministry of Municipal Affairs and Housing.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

4. Line of credit:

The Township's financial agreement with its bank provides for an operating credit facility of up to \$4,000,000 to finance operating expenses. Interest on funds drawn is charged at the bank's prime rate less 0.5%. As at December 31, 2018, there was \$Nil (2017 - \$Nil) drawn on the operating credit facility.

5. Operations of School Boards and the Corporation of the County of Frontenac:

During the year, requisitions were made by the school boards and the Corporation of the County of Frontenac requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards		Frontenac County	
	2018	2017	2018	2017
Amount requisitioned and collected	\$ 1,682,773	\$ 1,708,662	\$ 1,596,743	\$ 1,522,099

6. Employee post employment benefit liability:

The Township provides extended health care ("employee non-pension retirement benefit") to its employees. Extended health care is available to early retirees up to the age of 65.

An independent actuarial study of the employee non-pension retirement benefit has been undertaken. The most recent valuation of the employee non-pension retirement benefit was completed at December 31, 2018.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2018, based on an actuarial update, the accrued benefit obligation was \$138,508 (2017 - \$95,570).

The significant actuarial assumptions adopted in estimating the Township's accrued benefit obligation are as follows:

Discount rate	4.0% per annum
Health benefits escalation	10.0% per annum, scaling down over 15 years to 5.0% thereafter
Dental benefits escalation	5.0% per annum
Expected average remaining service life	12 years

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

6. Employee post employment benefit liability: (continued):

Information with respect to the Township's non-pension retirement obligations is as follows:

	2018	2017
Accrued benefit liability, beginning of year	\$ 214,960	\$ 212,398
Current Service Cost	8,835	7,686
Interest cost	3,778	4,694
Amortization of actuarial loss	(12,345)	(9,818)
Accrued benefit liability, end of year	215,228	214,960
The accrued benefit liability at December 31 includes the following components:		
Accrued benefit obligation, end of year	138,508	95,570
Actuarial gain	-	30,325
Pre-existing unamortized actuarial gain	76,720	89,065
Accrued benefit liability, end of year	\$ 215,228	\$ 214,960

7. Trust funds:

Trust funds administered by the municipality amounting to \$247,557 (2017 - \$237,369) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

8. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on February 13, 2018. Amortization was not contemplated on development of the budget and, as such, has not been included. The approved budget to the budget figures reported in these consolidated financial statements is listed below:

		2018 Budget
Reported on Consolidated Statement of Operations:		
Revenue, approved budget, reported on the Consolidated Statement of Operations		\$12,803,504
Expenses, reported on the Consolidated Statement of Operations		10,646,971
Add: capital budget	\$ 5,941,388	-
Less: amortization estimate	(1,958,592)	-
Expenses, approved budget	14,629,767	-
		<u>\$ 2,156,533</u>
Budget adjustments:		
Capital budget		\$(5,941,388)
Amortization expense		1,958,592
Budget not reported on statements:		
Debt repayments		(609,259)
New capital debt		2,867,642
Net reserve and reserve fund transfers		(432,120)
		<u>\$(2,156,533)</u>

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

9. Deferred revenues – obligatory reserve funds:

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as federal, provincial, and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the municipality are summarized below:

	2018	2017
Deferred Revenue - Obligatory Reserve Funds	\$ (9,479)	\$ (31,293)
Parkland	-	12,921
Federal gas tax receipts	145,113	140,969
Utilization of reserve funds	(145,113)	(140,969)
Balance, end of year	(9,479)	(18,372)
Analyzed as follows:		
Parkland	\$ (9,479)	\$ (18,372)

10. Pension agreements:

During the year, the municipality agreed to make contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 33 (2017 - 30) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for current services in 2018 was \$109,413 (2017 - \$138,518).

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

11. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a sixty-nine year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Township currently has two active and three inactive landfill sites. Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated rate of 2% for inflation and discounted at an average long-term borrowing rate of 4%. The estimated total landfill closure and post-closure care expenses are calculated to be \$1,115,008 (2017 - \$1,110,906). For sites that are still active, the estimated liability for these expenses is recognized as the landfill site's capacity is used. For sites that are inactive, the estimated liability for these expenses is recognized immediately. Included in liabilities at December 31, 2018 an amount of \$845,067 (2017 - \$786,065) has been recognized to date with respect to landfill closure and post-closure liabilities recognized to date.

The estimated remaining capacity of the landfill sites ranges from 12% to 68% of total estimated capacity and the estimated remaining life ranges from 5 to 34 years, after which the period for post-closure care is estimated to be 25 years.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

12. Supplementary information:

	2018	2017
Expenses by object:		
Salaries, wages, employee and employee benefits	\$ 3,018,536	\$ 2,873,586
Materials, services, rents and financial expenses	3,486,428	3,096,293
Contracted Services - Policing	1,246,179	1,262,908
Contracting Services - Other	572,747	623,826
Transfer to others	147,124	156,630
Change in landfill closure and post-closure liability	59,022	(147,066)
Change to employee post-employment benefits	269	2,561
Amortization	1,822,959	1,673,261
Total	\$ 10,353,264	\$ 9,541,999

13. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2018, management believes that the Township has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Township's financial position.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

14. Tangible capital assets

Cost	Balance at December 31, 2017	Additions	Disposals/ adjustments	Balance at December 31, 2018
Land	\$ 1,061,989	\$ -	\$ -	\$ 1,061,989
Landfill and land improvements	241,194	235,590	-	476,784
Buildings and building improvements	6,958,109	95,224	(14,916)	7,038,417
Machinery, equipment, and furniture	1,180,771	665,736	(4,458)	1,842,049
Vehicles	5,651,616	535,363	-	6,186,979
Computer software	171,244	80,708	-	251,952
Roads and road infrastructure	73,935,159	376,332	(158)	74,311,333
Bridges and bridge infrastructure	8,590,748	692,807	(187,416)	9,096,139
Frontenac Community Arena	589,878	32,178	-	622,056
Assets under construction	576,577	118,827	(376,459)	318,945
Total	\$ 98,957,285	\$ 2,832,765	\$ (583,407)	\$ 101,206,643

Accumulated amortization	Balance at December 31, 2017	Amortization expense	Disposals	Balance at December 31, 2018
Landfill and land improvements	\$ 67,603	\$ 9,892	\$ -	\$ 77,495
Building and building improvements	2,512,953	228,130	(5,377)	2,735,706
Machinery, equipment, and furniture	411,889	120,446	(3,954)	528,381
Vehicles	2,558,326	336,816	-	2,895,142
Computer software	53,177	39,303	-	92,480
Roads and road infrastructure	54,027,204	899,048	158	54,926,094
Bridges and bridge infrastructure	4,762,436	184,390	(182,931)	4,763,895
Frontenac Community Arena	210,599	19,753	-	230,352
	\$ 64,604,187	\$ 1,837,778	\$ (192,420)	\$ 66,249,545

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

14. Tangible capital assets (continued):

	Net book value December 31, 2017	Net book value December 31, 2018
Land	\$ 1,061,989	\$ 1,061,989
Landfill and land improvements	173,591	399,289
Buildings and building improvements	4,445,156	4,302,711
Machinery, equipment, and furniture	768,882	1,313,668
Vehicles	3,111,238	3,291,837
Computer software	100,119	159,472
Roads and road infrastructure	19,907,955	19,385,239
Bridges and bridge infrastructure	3,828,312	4,332,244
Frontenac Community Arena	379,279	391,704
Assets under construction	576,577	318,945
	<u>\$ 34,353,098</u>	<u>\$ 34,957,098</u>

(a) Assets under construction:

Assets under construction having a value of \$318,945 (2017 - \$576,577) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Works of Art and Historical Treasures:

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(c) Write-down of Tangible Capital Assets:

The write-down of tangible capital assets during the year was \$Nil (2017 - \$Nil).

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

15. Accumulated municipal surplus:

Accumulated municipal surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017
Surplus	\$ 2,635,176	\$ 1,871,822
Recreation Operations	66,735	51,756
Investment in tangible capital assets:		
Tangible capital assets	34,565,394	33,973,819
Long-term liabilities	(2,162,569)	(966,861)
Frontenac Community Arena	391,704	379,279
Unfunded landfill closure and post-closure liability	(845,067)	(786,065)
Employee post-employment benefits	\$ (215,228)	\$ (214,960)
Reserves set aside for specific purposes by Council for:		
Working capital	\$ 134,285	\$ 356,797
Contingencies	725,465	855,778
Roads equipment	703,251	386,561
General government	52,000	52,000
Recreation and culture	348,533	191,220
Environmental	168,094	46,694
Protection	472,409	28,674
Health	97,571	92,571
Total reserves	2,701,608	2,010,295
Reserve funds set aside for specific purpose by legislation, regulation or agreement for:		
Roads	118,474	116,666
Recreation	38,481	35,447
Health Services	174,955	172,284
Other	10,323	9,630
Total reserve funds	342,233	334,027
Accumulated municipal surplus	\$37,479,986	\$36,653,112

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

16. Segmented information:

The Township is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Township's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) Administration:

Includes corporate services and governance of the Township. Administration as a segment includes human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection Services:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services contract 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. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation Services:

This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.

(d) Environmental Services:

Includes the management and maintenance of waste disposal sites.

(e) Parks, Recreation, and Culture:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and the arena.

(f) Health and Cemetery Services:

Includes the management and maintenance of municipal cemeteries and transfer of grants for local health services.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

16. Segmented information: (continued):

(g) Planning and Development:

Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services.

For each segment separately reported, the segment revenue and expenses 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. These municipal services are funded primarily by property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue 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 1.

17. Commitment:

The Municipality has an agreement with the Ontario Provincial Police for the provision of police services. The total expenses included on the Statement of Operations for the year ended Decemeber 31, 2018 was \$1,246,179 (2017 - \$1,262,908).

18. Comparative Information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Schedule of Segment Disclosure

For the Year Ended December 31, 2018

	Administration	Protection Services	Transportation Services	Environmental Services	Parks, Recreation, and Culture	Health and Cemetery Services	Planning and Development	2018 Total
Revenues								
Property taxation	\$ 926,188	\$ 1,581,943	\$ 4,559,465	\$ 242,210	\$ 322,875	\$ 90,104	\$ 49,600	\$ 7,772,385
User charges	4,976	9,707	-	141,444	176,083	10,223	21,650	364,083
Government grants	2,094,775	5,352	148,473	1,680	46,388	-	-	2,296,668
Other municipalities	-	-	137,783	-	-	-	-	137,783
Investment income	91,602	-	-	-	-	488	-	92,090
Penalties and interest on taxes	192,300	-	-	-	-	-	-	192,300
Licenses, permits, and rents	2,164	114,003	1,100	-	11,915	18,972	4,007	152,161
Other	65,932	64,400	32,171	-	20,172	(597)	5,119	187,197
Loss on disposal of tangible capital assets	(14,529)	-	-	-	-	-	-	(14,529)
Total revenues	3,363,408	1,775,405	4,878,992	385,334	577,433	119,190	80,376	11,180,138
Expenses								
Salaries, wages, employee and employee benefits	739,764	550,387	1,485,020	129,998	87,180	316	26,140	3,018,805
Contracted services	-	1,270,823	389,457	-	86,617	52,407	19,622	1,818,926
Rents and financials	31,888	-	-	-	-	-	-	31,888
Materials	584,559	313,337	2,162,871	123,261	237,894	3,955	8,233	3,434,110
Change in landfill liability	-	-	-	59,022	-	-	-	59,022
External transfers to others	3,831	67,706	-	-	75,587	-	-	147,124
Long-term debt interest	1,283	-	11,673	-	-	7,474	-	20,430
Amortization of tangible assets	142,909	237,559	1,368,310	34,269	37,738	64,371	(1,504)	1,886,660
Total expenses	1,504,234	2,439,812	5,417,331	346,550	525,016	128,523	55,499	10,416,965
Annual surplus (deficit)	\$ 1,859,174	\$ (664,407)	\$ (538,339)	\$ 38,784	\$ 52,417	\$ (9,333)	\$ 24,877	\$ 763,173

The accompanying notes are an integral part of these financial statements.



INDEPENDENT AUDITOR'S REPORT

To: The Members of Council, Inhabitants and Ratepayers of:
Corporation of The Township of Central Frontenac

Opinion

We have audited the accompanying financial statements of the trust funds of Corporation of The Township of Central Frontenac which comprise the statement of financial position as at December 31, 2018 and the statement of continuity of trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Corporation of The Township of Central Frontenac as at December 31, 2018 and its statement of continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation of The Township of Central Frontenac in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Matter

The financial statements of the Corporation of The Township of Central Frontenac for the year ended December 31, 2017 were audited by other accountants. The previous accountants expressed an unmodified opinion on those statements on April 24, 2018.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Corporation of The Township of Central Frontenac'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 Corporation of The Township of Central Frontenac or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation of The Township of Central Frontenac's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Corporation of The Township of Central Frontenac'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 entity'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 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 Corporation of The Township of Central Frontenac to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Kingston, Ontario
April 23, 2019

MNP LLP
**Chartered Professional Accountants
Licensed Public Accountants**

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds

Statements of Financial Position

Year Ended December 31, 2018 with comparative information for 2017

	Cemetery Perpetual Care	Ontario Boarding Home Contract Program	Ontario Home Renewal Program	2018 Total	2017 Total
Assets					
Cash	\$ 230,772	\$ -	\$ -	\$ 230,772	\$ 220,886
Investments (note 2)	16,785	-	-	16,785	16,696
Due from revenue fund	-	-	-	-	24,466
	247,557	-	-	247,557	262,048
Liabilities and Capital Balances					
Due to revenue fund	-	-	-	-	24,679
Capital	247,557	-	-	247,557	237,369
	\$ 247,557	\$ -	\$ -	\$ 247,557	\$ 262,048

See accompany notes to financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Trust Funds

Statements of Continuity

Year Ending December 31, 2018 with comparative information for 2017

	Cemetery Perpetual Care	Ontario Boarding Home Contract Program	Ontario Home Renewal Program	2018 Total	2017 Total
Balance, beginning of year	\$ 237,369	\$ -	\$ -	\$ 237,369	\$ 247,929
Monument donations	2,843	-	-	2,843	1,400
Sale of cemetery plots	2,750	-	-	2,750	3,050
Interest earned	3,539	-	-	3,539	1,820
Transfer from (to) operations	1,056	-	-	1,056	(16,830)
Balance, end of year	\$ 247,557	\$ -	\$ -	\$ 247,557	\$ 237,369

See accompany notes to financial statements.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies

The financial statements of the Corporation of the Township of Central Frontenac (the "Township") Trust Funds are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of accounting

These statements reflect the assets, liabilities, revenue and expenses of the Trust Funds.

(b) Revenue recognition

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(c) Use of estimates:

The preparation of financial requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Investments:

The total investments held by the trust funds in the amount of \$16,785 (2017 - \$16,696) reported on the Statement of Financial Position at cost, have a market value of \$16,759 (2017 - \$17,187) as at December 31, 2018.

3. Ontario Home Renewal Program:

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards.

The Ontario Home Renewal Program was cancelled on July 16, 1993 and municipalities were prohibited from issuing further Ontario Home Renewal Program loans effective on that date. This account has been closed and transferred to the operation of the Township.

4. Ontario Boarding Home Contract Program:

The Ontario Boarding Home Contract Program was established for the purpose of providing loans to families to convert or improve their homes in order to care for mentally challenged people and is no longer active. Remaining funds have been transferred to the working fund reserves in the Township's accounts.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Notes to Financial Statements

For the Year Ended December 31, 2018

5. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.