

Consolidated Financial Statements of

**CORPORATION OF THE TOWNSHIP
OF CENTRAL FRONTENAC**

Year ended December 31, 2022

Consolidated Financial Statements of
CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Year ended December 31, 2022

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

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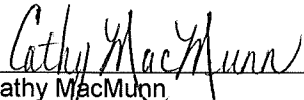
Management's Responsibility for the Consolidated Financial Statements

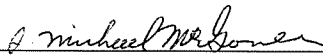
The accompanying consolidated financial statements of the Corporation of the Township of Central Frontenac (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A 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
CAO/Clerk


J. Michael McGovern
Treasurer

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

Opinion

We have audited the financial statements of Corporation of the Township of Central Frontenac (the "Municipality"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2022, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 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 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 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kingston, Ontario
May 23, 2023

MNP LLP

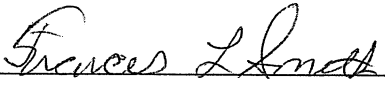
Chartered Professional Accountants
Licensed Public Accountants

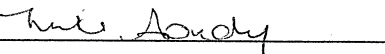
CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Consolidated Statement of Financial Position

For the Year Ended December 31

	2022	2021
Financial Assets:		
Cash (Note 2)	\$11,062,291	\$9,978,068
Investments (Note 3)	752,431	736,437
Taxes receivable	882,987	817,799
Accounts receivable	1,586,502	1,879,633
	<u>14,284,211</u>	<u>13,411,937</u>
Liabilities:		
Accounts payable and accrued liabilities	2,560,247	1,785,809
Deferred revenue	56,263	22,407
Deferred revenue - obligatory reserve funds (Note 4)	136,726	102,748
Long-term liabilities (Note 6)	3,011,692	3,415,959
Landfill closure and post-closure liability (Note 8)	1,168,410	1,268,005
Employee post-employment benefits (Note 10)	406,600	392,900
	<u>7,339,938</u>	<u>6,987,828</u>
Net financial assets	6,944,273	6,424,109
Non-financial assets		
Tangible capital assets (Note 13)	41,259,658	39,790,057
Other assets	38,154	262,864
	<u>41,297,812</u>	<u>40,052,921</u>
Accumulated Surplus (Note 14)	<u>\$48,242,085</u>	<u>\$46,477,030</u>
Contingent liabilities (Note 16)		

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

	Budget 2022	2022	2021
Revenue:			
Property taxation	\$9,377,702	\$9,506,761	\$9,149,351
User charges	267,484	427,307	417,707
Government grants	3,782,628	3,653,172	3,460,761
Other municipalities	130,634	138,587	138,878
Investment income	57,100	288,719	76,679
Penalties and interest on taxes	166,000	153,622	194,527
Licenses, permits, and rents	266,672	313,678	294,808
Gain/(Loss) on disposal of tangible capital assets		(50,840)	(88,829)
Other	166,791	256,787	281,821
	14,215,011	14,687,793	13,925,703
Expenses: (Note 15)			
General government	1,846,238	1,651,945	1,476,231
Protection services	2,901,291	2,799,356	2,498,692
Transportation services	6,861,574	7,031,042	5,728,781
Environmental services	405,135	300,837	630,367
Health and cemetery services	171,463	115,858	109,942
Parks, recreation and culture	602,425	769,149	810,660
Planning and development	221,456	254,551	163,038
	13,009,582	12,922,738	11,417,711
Annual surplus	1,205,429	1,765,055	2,507,992
Accumulated surplus, beginning of year		46,477,030	43,969,038
Accumulated surplus, end of year		\$48,242,085	\$46,477,030

The accompanying summary of significant accounting policies and 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

	Budget 2022	2022	2021
Annual surplus	\$3,717,994	\$1,765,055	\$2,507,992
Acquisition of tangible capital assets	-	(4,114,047)	(3,749,769)
Proceeds on sale of tangible capital assets	-	78,511	151,400
Amortization of tangible assets	2,456,395	2,512,565	2,319,731
Loss on disposal of tangible capital assets	-	50,840	88,829
	6,174,389	292,924	1,318,183
Increase (decrease) in other assets	-	227,240	(217,376)
Change in net financial assets	6,174,389	520,164	1,100,807
Net financial assets, beginning of year	-	6,424,109	5,323,302
Net financial assets, end of year	\$6,174,389	\$6,944,273	\$6,424,109

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

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Consolidated Statement of Cashflows

For the Year Ended December 31

	2022	2021
Operating activities:		
Annual surplus	\$1,765,055	\$2,507,992
Items not involving cash:		
Amortization Expense	2,512,565	2,319,731
Disposal of and adjustments to tangible capital assets	50,840	88,829
Change in non-cash assets and liabilities:		
Taxes receivable	(65,188)	30,447
Accounts receivable	293,131	1,032,269
Accounts payable and accrued liabilities	774,438	(563,439)
Deferred revenue	33,856	(52,692)
Obligatory reserve funds	33,978	46,878
Landfill closure and post-closure liability	(99,595)	347,216
Employee post-employment benefits	13,700	8,937
Other assets	227,240	(217,376)
Net change in cash from operating activities	5,540,020	5,548,792
Capital activities:		
Proceeds on sale of tangible capital assets	78,511	151,400
Acquisition of tangible capital assets	(4,114,047)	(3,749,769)
Net change in cash from capital activities	(4,035,536)	(3,598,369)
Financing activities:		
Advance of long-term debt	-	1,800,000
Repayment of long-term debt	(404,267)	(556,837)
Net change in cash from financing activities	(404,267)	1,243,163
Investing activities:		
Net change in cash from investing activities	15,994	79,177
Increase in cash	1,084,223	3,114,409
Cash, beginning of year	9,978,068	6,863,659
Cash, end of year	\$11,062,291	\$9,978,068

The accompanying summary of significant accounting policies and 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, 2022

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:

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 the related operations administered by the township are not consolidated that are reported separately in the "Trust Funds Statement of Continuity and Statement of Financial Position."

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

1. Significant accounting policies: (continued from previous page)

(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, ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reporting 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 agreements 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 operation 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 became 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 reasonable estimate of the amount can be made except, when, and to the extent that, stipulations by the transfer gives 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, 2022

1. Significant accounting policies: (continued from previous page)

(g) Deferred revenue - Obligatory reserve funds:

The Township receives restricted contributions under the authority of provincial legislation and Township bylaws. 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.

<u>Asset</u>	<u>Useful Life - Years</u>
Land	--
Land improvements	03-50
Buildings and building improvements	10-60
Machinery, equipment and furniture	03-60
Vehicles	04-12
Roads and road infrastructure	14-50
Bridges and bridge 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.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

1. Significant accounting policies: (continued from previous page)

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.

(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 historic assets are not recorded as assets in the 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. Contributions to the multi-employer defined benefit retirement plan (OMERS) are expensed when due.

(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.

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

2. Cash and Cash Equivalents:

Cash consists primarily of money used for operational & capital expenses, but also for recreation committees, and the Frontenac Community Arena.

Cash and Cash Equivalents	2022	2021
Cash	\$10,621,562	\$9,855,843
Cash - Recreation	150,728	90,303
Frontenac Community Arena	290,001	31,922
Total Cash and Cash Equivalents	<u>\$11,062,291</u>	<u>\$9,978,068</u>

3. Investments:

Investments consist primarily of government and corporate bonds. Investments have a market value of \$673,809 at December 31, 2022 (2021 - \$720,060).

Investments	2022	2021
Portfolio investments - cost	752,431	736,437
Total Investments - cost	<u>\$752,431</u>	<u>\$736,437</u>

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

4. Deferred Revenue - Obligatory reserve funds	2022	2021
Balance, beginning of year - Parkland	\$102,748	\$55,870
Net Additions/(used funds)	33,978	46,878
Balance, end of year - Parkland	\$136,726	\$102,748
Balance, beginning of year - Gas Tax	-	-
Federal gas tax receipts	138,690	272,017
Utilization of reserve funds	(138,690)	(272,017)
Balance, end of year - Gas Tax	-	-

5. 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 35 (2021 - 32) 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 during the current and previous year are as follows:

	2022	2021
Total contributed:	\$183,130	\$171,255

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

6. 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:

	2022	2021
Bank loan for the medical centre, repayable in blended monthly payments of \$2,730, bearing interest at 2.14% and due April 2028	\$191,566	\$219,855
Bank loan for Fire & Public Work Equipment, repayable in blended semi-annual payments of \$156,122, bearing interest at 3.0% and due December 2023	305,356	601,754
Bank loan for Crow Lake Rd, repayable in blended monthly payments of \$21,160, bearing interest at 2.24% and due February 2025	536,523	775,509
Loan payable to South Frontenac in the amount of \$50,000, with interest calculated at the rate of prime less 1.65% per month on any unpaid balance, fully repaid during the year.	-	18,841
Bank loan for Public Works Capital Projects, repayable in blended monthly payments of \$16,789 bearing interest at 2.28% and due December 2031	1,637,883	1,800,000
Capital Lease with Hartington Farm Services Ltd. to finance the purchase of an excavator, repayable in monthly payments of \$9,489, including interest at a rate of 7.6%, due October 2026	340,364	-
Total long-term liabilities	\$3,011,692	\$3,415,959

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

2023	\$ 824,052
2024	534,891
2025	338,089
2026	290,955
2027	1,023,705
	\$ 3,011,692

(c) The long-term liabilities in Note (6.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.

(d) In 2022, the Township entered into a capital lease agreement with Hartington Farm Services Ltd. to finance the purchase of an excavator. The imputed interest over the life of the capital lease will be \$57,100. The capital lease expires October 2026 and includes a \$1 buy-out option, which the Township intends to exercise.

7. Line of Credit:

The Township's financial agreement with its bank provides for an operating credit facility of up to \$4,000,000 (2021 - \$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, 2022, there was \$Nil (2020 - \$Nil) drawn on the operating credit facility. Annual rate at December 31, 2022 was 6.2%. (2021 - 2.45%)

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

8. 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 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 3.27% for inflation and discounted at an average long-term borrowing rate of 2.17% (2021 - 2.31%). The estimated total landfill closure and post-closure care expenses are calculated to be \$1,399,046 (2021 - \$1,837,777). 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, 2022 an amount of \$1,168,410 (2021 - \$1,268,005) 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 8% to 68% of total estimated capacity and the estimated remaining life ranges from 4 to 40 years, after which the period for post-closure care is estimated to be 25 years.

9. 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.

	2022	2021
School Board	\$1,584,305	\$1,612,707
County of Frontenac	1,898,384	1,821,918
	<u>\$3,482,689</u>	<u>\$3,434,625</u>

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

10. Employee post-employment benefits:

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, 2022.

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, 2022, based on an actuarial update, the accrued benefit obligation was \$406,600 (2021 - \$392,900).

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

Discount Rate	2.2% per annum
Health benefits escalation	6.15% per annum, scaling down over 19 years to 3.81% thereafter
Dental benefits escalation	4.0% per annum
Expected average remaining service life	11 years

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

	2022	2021
Accrued benefit liability, beginning year	\$392,900	\$383,963
Current Service Costs	9,900	9,737
Interest Costs	10,400	10,300
Benefits paid for in the year	(14,600)	(19,100)
Plan amendment		
Amortization of actuarial (gains)/ loss	8,000	8,000
Accrued benefit liability, end of year	\$406,600	\$392,900
The accrued benefit liability at December 31 includes the following:		
Accrued benefit obligation, end of year	473,700	468,000
Unamortized actuarial gain/ loss - end of year	(67,100)	(75,100)
Accrued benefit liability, end of year	\$406,600	\$392,900

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

11. Trust funds:

Trust funds administered by the municipality amounting to \$281,028 (2021 - \$272,768) 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.

These trust funds are reported separately on the Trust Funds Statement of Continuity and Trust Funds Statement of Financial Position.

12. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council on March 22, 2022. 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:

	Budget 2022
Reported on Consolidated Statement of Operations:	
Revenue, approved budget, reported on the Consol. Statement of Operations	\$14,215,011
Total operating expenses	13,009,582
Add: capital budget	\$4,613,243
Less: amortization estimate	(2,512,564)
Expenses, approved budget	15,110,260
	\$1,205,429
Budget adjustments	
Capital budget	(\$4,613,243)
Amortization expense	2,512,564
Budget not reported on statements:	
Debt repayments	(725,972)
New capital debt	
Net reserve and reserve fund transfers	1,621,222
	(\$1,205,429)

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

13. Tangible Capital Assets	Historical Cost		Additions	Disposals/ Adjustments	Historical Cost December 31, 2022	Accumulated Amortization		Disposals/ Adjustments	Accumulated Amortization December 31, 2022	Net Book Value	
	December 31, 2021	December 31, 2022				December 31, 2021	December 31, 2022			December 31, 2021	December 31, 2022
Land	\$1,143,226	\$ -	\$40,003	\$ -	\$1,183,229	\$ -	\$ -	\$ -	\$ -	\$1,143,226	\$1,183,229
Landfill and land improvements	612,197	(3)	89,988	(3)	702,182	(13,874)	1	(124,100)	(124,100)	501,970	578,082
Buildings and building improvements	7,354,274	48,776	1,217,764	48,776	8,620,814	(227,870)	30,436	(3,549,119)	(3,549,119)	4,002,590	5,071,695
Machinery, equipment, and furniture	4,580,377	(591,615)	244,832	(591,615)	4,233,594	(294,003)	496,027	(1,716,567)	(1,716,567)	2,661,784	2,517,027
Vehicles	6,252,494	(192,736)	462,702	(192,736)	6,522,460	(412,890)	192,735	(3,220,337)	(3,220,337)	3,252,313	3,302,123
Computer software	288,990	33,571	33,784	33,571	356,345	(32,341)	-	(270,429)	(270,429)	50,902	85,916
Roads and road infrastructure	76,867,332	(393,116)	1,587,694	(393,116)	78,477,551	(1,248,054)	359,299	(55,071,717)	(55,071,717)	22,705,914	23,405,749
Bridges and bridge infrastructure	9,485,375	-	418,694	-	9,488,428	(227,571)	104	(5,556,061)	(5,556,061)	4,135,234	3,932,367
Frontenac Community Arena	1,346,284	-	18,279	-	1,364,440	(55,961)	123	(372,280)	(372,280)	1,029,842	992,160
Assets under construction	306,282	(154,409)	39,437	(154,409)	191,310	-	-	-	-	306,282	191,310
Total	\$108,236,831	(\$1,249,532)	\$4,153,177	(\$1,249,532)	\$111,140,476	(\$2,512,564)	\$1,078,621	(\$69,880,610)	(\$69,880,610)	\$39,790,057	\$41,259,658

(a) Assets under construction:

Assets under construction having a value of \$191,310 (2021 - \$306,282) 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 (2021 - \$ Nil)

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31

14. Accumulated municipal surplus:

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

	2022	2021
Surplus	\$5,500,319	\$5,713,132
Recreation Operations	150,728	90,303
Investment in tangible capital assets:		
Tangible capital assets	40,267,498	38,760,215
Frontenac Community Arena	992,160	1,029,842
Tangible Capital Asset before debt	41,259,658	39,790,057
Long-term liabilities	(3,011,692)	(3,415,959)
Net Investment in Capital	38,247,966	36,374,098
Unfunded landfill closure and post-closure liability	(1,168,410)	(1,268,005)
Employee post-employment benefits	(406,600)	(392,900)
Subtotal	36,672,956	34,713,193
Reserves set aside for specific purposes by Council for:		
Working capital	170,444	667,632
Contingencies	789,626	1,580,100
Roads equipment	2,226,634	1,253,498
General Government	52,000	52,000
Recreation and culture	637,205	569,094
Environmental	655,818	543,909
Protection	829,507	758,712
Health	212,201	182,335
Total Reserves	5,573,435	5,607,280
Reserve funds set aside for specific purpose by legislation, regulation or agreement for:		
Roads	124,666	122,483
Recreation	23,570	38,481
Health Services	184,099	180,807
Other	12,312	11,351
Total reserve funds	344,647	353,122
Accumulated surplus, end of year	\$48,242,085	\$46,477,030

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

15. Supplementary Information:	2022	2021
Expenses by object:		
Salaries, wages, and employee benefits	\$3,873,160	\$3,464,972
Materials, services, rent, and financial expenses	4,435,705	3,058,399
Contracted Services - Policing	1,241,436	1,250,656
Contracted Services - Other	754,578	605,456
Transfers to others	191,189	362,344
Change in landfill closure and post-closure liability	(99,595)	347,216
Change to employee post-employment benefits	13,700	8,937
Amortization	2,512,565	2,319,731
Total	\$12,922,738	\$11,417,711

16. 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, 2022, 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, 2022

17. 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 purposes of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by department and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with 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 front line reception and customer services.

(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 suppressing services; emergency medical first response; and prevention education and training programs. Inspection and control include building inspections, by-law enforcement and dog control services.

(c) Transportation Services:

This department provides the winter and summer maintenance, the repair and 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, 2022

17. Segmented Information: (continued):

(g) Planning and Development:

Manages development of 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-laws 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 the 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 tax property revenue. Taxation and payment-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfers from other funds and other revenue have been apportioned based on a percentages 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.

18. Commitment:

The Municipality has an agreement with the Ontario Provincial Police for the provision of police services. The total expenses included in the statement of Operations for the year ended December 31, 2022 was \$1,241,436 (2021 - \$1,250,656).

19. 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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2022

20. Significant Events:

During the fiscal year of 2022, the global outbreak of COVID-19 (coronavirus) continued, which had a significant impact on businesses and organizations through the restrictions put in place by Canada, provincial and municipal governments regarding, travel business operations and isolation/quarantine orders. At the time it is unknown the extent of the impact that COVID-19 outbreak may have on the Township 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.

As of the date of these financial statements, the Township has not experienced a material change in its operations as a result of the pandemic. Council opted to provide property tax relief for residents including no charge of interest and penalties on late property tax payments from April to June 2020. This relief option did not significantly impact the fiscal 2020 operations or financial results. The Township has also received funding as part of the federal-provincial Safe Restart Agreement to support COVID-19 operating costs and pressures. Management and Council continue to monitor the COVID-19 matters and their effects on the Township on an ongoing basis. The full extent of the future impact of COVID-19 on the Township remains unknown.

21. Future accounting standards pronouncements:

The following summarizes upcoming changes to PSAS and the effective dates of the required application based on fiscal periods beginning on or after the following dates. While early adoption is permitted the adoption of certain standards must be done in the same year. The Township has not adopted these standards nor determined the effect on the consolidated financial statements.

PS 2601 Foreign currency translation	April 1, 2022
PS 3041 Portfolio investments	April 1, 2022
PS 1201 Financial statement presentation	April 1, 2022
PS 3450 Financial instruments	April 1, 2022
PS 3280 Asset retirement obligations	April 1, 2022

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Schedule of Segmented Disclosure.

For the Year Ended December 31, 2022

	General Government	Protection Services	Transportation Services	Environmental Services	Health and			2022 Total
					Cemetery Services	Recreation and Culture	Planning and Development	
Revenue								
Property taxation	\$720,830	\$1,581,794	\$5,744,052	\$319,806	\$148,761	\$832,833	\$158,685	\$9,506,761
User charges	4,468	13,280		165,498	29,127	173,561	41,373	427,307
Government grants	2,223,373	11,727	1,136,747			281,325		3,653,172
Other municipalities			138,587					138,587
Investment income	288,264				455			288,719
Penalties and interest on taxes	153,622							153,622
Licenses, permits, and rents	5,074	269,687	4,600		19,550	12,688	2,079	313,678
Loss on disposal of tangible capital assets	(74,356)	3,025	20,491					(50,840)
Other	53,278	26,027	60,916		153	110,300	6,113	256,787
Total revenues	3,374,553	1,905,540	7,105,393	485,304	198,046	1,410,707	208,250	14,687,793
Expense								
Salaries, wages, and employee benefits	1,013,700	652,513	1,894,243	135,366	9,169	80,742	101,127	3,886,860
Contracted services	116,241	1,278,037	260,959		40,259	156,126	144,392	1,996,014
Rents and financials	23,297							23,297
Materials	438,845	427,318	2,857,019	229,674	20,695	351,588	7,383	4,332,522
Change in landfill liability				(99,595)				(99,595)
External transfers to others	730	85,817				104,642		191,189
Long-term debt interest		8,441	67,344		4,101			79,886
Amortization of tangible assets	59,132	347,230	1,951,477	35,392	41,634	76,051	1,649	2,512,565
Total expenses	1,651,945	2,799,356	7,031,042	300,837	115,858	769,149	254,551	12,922,738
Annual surplus (deficit)	\$1,722,608	(\$893,816)	\$74,351	\$184,467	\$82,188	\$641,558	(\$46,301)	\$1,765,055

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

Opinion

We have audited the financial statements of the trust funds of the Corporation of the Township of Central Frontenac the ("Municipality") for the year ended December 31, 2022, which comprise the statement of financial position as at December 31, 2022 and the statements of continuity of trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information (together "the financial statements of the trust funds").

In our opinion, the accompanying financial statements of the trust funds present fairly, in all material respects, the financial position of the Municipality for the year ended December 31, 2022 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 Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements of the trust funds 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][enter description – e.g., Financial Statement/Schedule]

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

In preparing the financial statements of the trust funds, 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the trust funds as a whole is 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 this financial statements of the trust funds.

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 of the trust funds, 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, if any, 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 financial statements of the trust funds 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 financial statements of the trust funds, including the disclosures, and whether the financial statements of the trust funds represents 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 of the trust funds. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kingston, Ontario

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Statement of Financial Position - Trust Funds - Cemetery Perpetual Care

For the Year Ended December 31, 2022

	Cemetery Perpetual Care	2022 Total	2021 Total
Financial Assets:			
Cash	\$264,046	\$264,046	\$255,786
Investments (Note 2)	16,982	16,982	16,982
Total financial Assets	281,028	281,028	272,768
Liabilities:			
Total Liabilities	-	-	-
Net financial assets	\$281,028	\$281,028	\$272,768

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC

Statement of Continuity - Trust Funds - Cemetery Perpetual Care

For the Year Ended December 31, 2022

	Cemetery Perpetual Care	2022 Total	2021 Total
Balance, beginning of year	\$272,768	\$272,768	\$260,480
Monuments donation	2,400	2,400	2,250
Sale of cemetery plots	4,749	4,749	1,513
Interest earned	29	29	203
Transfer from operations	1,082	1,082	8,322
Balance, end of year	<u>\$281,028</u>	<u>\$281,028</u>	<u>\$272,768</u>

CORPORATION OF THE TOWNSHIP OF CENTRAL FRONTENAC
Notes to the Financial Statements - Trust Funds

For the Year Ended December 31, 2022

1. Significant accounting policies

The financial statements of the Corporation of the Township of Central Frontenac (the "Township") Trust Funds are the representations 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 statements 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 \$16,982 (2021 - \$16,982) reported on the Statement of Financial Position at cost, have a market value of \$15,937 (2021 - \$18,083) as at December 31, 2022.

3. 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.

4. 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.