

Consolidated Financial Statements of

**THE MUNICIPALITY OF
CENTRAL MANITOULIN**

Year ended December 31, 2022

THE MUNICIPALITY OF CENTRAL MANITOULIN

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Year ended December 31, 2022

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Municipality of Central Manitoulin (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated 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.

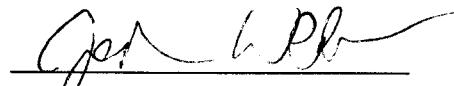
The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on 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 KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Chief Administrative Officer



Treasurer



KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Municipality of Central Manitoulin

Opinion

We have audited the consolidated financial statements of The Municipality of Central Manitoulin (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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 responsibility under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.



Responsibility 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 Entity'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 Entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Entity'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 the 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 Entity's 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

September 28, 2023

THE MUNICIPALITY OF CENTRAL MANITOULIN

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	\$ 2,068,164	\$ 3,400,210
Investments	1,010,026	-
Taxes receivable	624,103	582,072
Accounts receivable (note 2)	517,705	281,843
	<u>4,219,998</u>	<u>4,264,125</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 3)	797,891	1,050,615
Deferred revenue	429,511	198,586
Long-term liabilities (note 4)	773,514	1,010,668
Solid waste management liabilities (note 5)	1,375,000	1,452,000
	<u>3,375,916</u>	<u>3,711,869</u>
Net financial assets	844,082	552,256
Non-financial assets		
Tangible capital assets (note 12)	17,932,917	18,148,938
Prepaid expenses	34,866	33,573
	<u>17,967,783</u>	<u>18,182,511</u>
Accumulated surplus (note 6)	<u>\$ 18,811,865</u>	<u>\$ 18,734,767</u>

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

THE MUNICIPALITY OF CENTRAL MANITOULIN

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 10)	Actual 2022	Actual 2021
Revenue:			
Property taxation	\$ 5,840,118	5,116,529	\$ 4,951,645
Taxation from other governments	-	23,416	24,358
User charges	649,770	700,273	568,662
Government of Canada grants	197,315	200,241	927,825
Province of Ontario grants	3,085,882	2,295,333	2,348,933
Rent, licenses and permits	46,950	75,894	49,272
Penalties and interest on taxes	82,000	87,499	89,354
Investment income	25,000	79,051	21,153
Donations and other	5,100	6,426	24,577
Gain (loss) on sale of assets	40,000	(849)	(159,267)
Total revenue	9,972,135	8,583,813	8,846,512
Expenses:			
General government	1,328,000	1,462,527	1,376,918
Protection to persons and property	941,930	1,059,904	987,282
Transportation services	2,148,670	2,200,142	1,988,890
Environmental services	1,160,750	1,385,712	1,698,336
Health services	782,598	793,820	771,851
Social and family services	210,500	213,061	211,787
Social housing	171,000	172,941	169,818
Recreational and cultural services	890,628	1,009,874	838,581
Planning and development	260,900	208,734	340,502
Total expenses	7,894,976	8,506,715	8,383,965
Annual surplus	2,077,159	77,098	462,547
Accumulated surplus, beginning of year	18,734,767	18,734,767	18,272,220
Accumulated surplus, end of year	\$ 20,811,926	18,811,865	\$ 18,734,767

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

THE MUNICIPALITY OF CENTRAL MANITOULIN

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 10)	Actual 2022	Actual 2021
Annual surplus	\$ 2,077,159	\$ 77,098	\$ 462,547
Acquisition of tangible capital assets	(3,742,282)	(1,239,524)	(2,202,476)
Amortization of tangible capital assets	1,453,170	1,453,170	1,462,827
Loss on sale of tangible capital assets	-	849	159,267
Proceeds on sale of tangible capital assets	-	1,526	7,367
	(211,953)	293,119	(110,468)
Change in prepaid expenses	-	(1,293)	(12,267)
Change in net financial assets	(211,953)	291,826	(122,735)
Net financial assets, beginning of year	552,256	552,256	674,991
Net financial assets, end of year	\$ 340,303	\$ 844,082	\$ 552,256

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

THE MUNICIPALITY OF CENTRAL MANITOULIN

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 77,098	\$ 462,547
Items not involving cash:		
Amortization of tangible capital assets	1,453,170	1,462,827
Loss on sale of tangible capital assets	849	159,267
Increase (decrease) in solid waste management liabilities	(77,000)	420,000
	1,454,117	2,504,641
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	(42,031)	25,902
Increase in accounts receivable	(235,862)	(44,826)
Increase in prepaid expenses	(1,293)	(12,267)
Increase (decrease) in accounts payable and accrued liabilities	(252,724)	425,747
Increase in deferred revenue	230,925	89,977
Net change in cash from operating activities	1,153,132	2,989,174
Financing activities:		
Principal repayments on long-term liabilities	(237,154)	(235,054)
Investing activities:		
Decrease (increase) in investments	(1,010,026)	259,396
Capital activities:		
Proceeds on sale of tangible capital assets	1,526	7,367
Acquisition of tangible capital assets	(1,239,524)	(2,202,476)
Net change in cash from capital activities	(1,237,998)	(2,195,109)
Net change in cash	(1,332,046)	818,407
Cash, beginning of year	3,400,210	2,581,803
Cash, end of year	\$ 2,068,164	\$ 3,400,210

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

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements

Year ended December 31, 2022

The Municipality of Central Manitoulin (the "Municipality") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board and the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses and include the activities of all committees of Council and the following boards which are under the control of Council:

Central Manitoulin Public Library Board
Central Manitoulin Cemetery Board
Community Centre Board

All interfund and inter-organizational transactions and balances between these organizations are eliminated.

- (ii) Non-consolidated entities:

The following joint boards are not consolidated:

Manitoulin Planning Board
Sudbury and District Health Unit
Manitoulin Sudbury District Social Services Administration Board

- (iii) The Municipality collects taxation revenue on behalf of the school boards.

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances on these consolidated financial statements (note 7).

- (iv) Cemetery care and maintenance trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements but are reported on separately on the Cemetery care and maintenance trust Funds financial statements (note 8).

(b) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are 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. Amounts applied to specific operating and capital projects are recorded as revenue in the fiscal period in which the funds are expended on these projects.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, design, construction, development, improvement or betterment of the tangible capital 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
Vehicles	10 - 25
Bridges, roads, signs and culverts	10 - 50
Buildings	10 - 50
Machinery and equipment	5 - 20
Water and sewer	40

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) 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.

(ii) Natural resources

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

(iii) 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.

(d) Deferred revenue:

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition, certain fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or the services are performed.

A requirement for local governments is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. Given the restriction in use until spent on qualifying projects or expenses these amounts are deferred.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(e) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

(f) Reserve and reserve funds:

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

(g) Post-employment benefits:

The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records the current service cost within salaries and benefits expense at the time incurred.

(h) Revenue recognition:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amount the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessments. Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of supplementary assessments and appeals are estimated based on historical results.

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

Government transfers are recognized in the period that the events giving rise to the transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met and the amount can be reasonable estimated. Government transfers received before these criteria have been met are recorded in the accounts as deferred revenue and are recognized as revenue in the period in which all of these criteria are met.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the valuation allowances for taxes and accounts receivable, the carrying value of tangible capital assets, estimated provision for the landfill obligations and provisions for accrued liabilities and landfill liabilities.

Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Accounts receivable:

	2022	2021
Government of Canada	\$ 12,789	\$ 63,018
Province of Ontario	241,331	112,679
Benefitting landowners	215,033	103,713
Trade and miscellaneous	48,552	2,433
	\$ 517,705	\$ 281,843

3. Accounts payable and accrued liabilities:

	2022	2021
Government of Canada	\$ 25,621	\$ 33,749
Province of Ontario	87,409	91,525
Trade and miscellaneous	684,861	925,341
	\$ 797,891	\$ 1,050,615

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Long-term liabilities:

Long-term liabilities reported on the consolidated statement of financial position are made up of the following:

	2022	2021
Building and bridge loans (a)	\$ 498,315	\$ 698,220
Ontario Strategic Infrastructure Financing Authority (OSIFA) (b)	275,199	312,448
	<u>\$ 773,514</u>	<u>\$ 1,010,668</u>

(a) The Bank of Montreal building and bridge loans are at rates of 3.10% - 3.26% and expire from 2023 to 2028. They are secured by the related asset having a net book value of \$755,530 (2021 - \$849,246) and a general security agreement over assets of the Municipality

(b) The OSIFA debentures expire in 2028, bear interest at 5.89% and are repayable in blended semi-annual payments of \$27,556.

Principal payments are as follows:

2023	\$ 143,750
2024	138,336
2025	140,836
2026	143,486
2027	146,294
2028 and subsequent years	60,812
	<u>\$ 773,514</u>

(c) The Municipality has a credit facility in the amount of \$500,000. As of December 31, 2022, there are no amounts drawn on this facility (2021 - \$Nil).

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Solid waste management liabilities:

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 life of the landfill sites 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 terms using the best information available to management. Future events may result in significant changes to the estimated total expenditures; capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure care activities discounted at the most recent 10-year annual average of Long-Term Government of Canada Benchmark Bond Yields of 2.31% and the discounted future cash flows for post-closure care activities at the 10-year running average inflation rate for Non-Residential Building Construction Price Indices of 2.69%. The estimated total landfill closure and post-closure care expenditures are calculated to be \$1,420,787 (2021 - \$1,491,759). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. At December 31, 2022, an amount of \$1,375,000 (2021 - \$1,452,000) with respect to landfill closure and post-closure liabilities has been accrued.

Application to the Province is made to authorize continued use of landfill sites. The estimated remaining capacity of the landfill sites is 2,500 (2021 – 2,125) cubic meters. The Ministry of the Environment, Conservation and Parks had permitted use of the site to June 30, 2020. A design and operations plan has been submitted and is pending approval. Management anticipates this approval. Environmental Compliance Approval (ECA) issued June 28, 2021 requires landfilling to be ceased by June 1, 2022. The Municipality has applied to the Ministry to extend the closure date but the submission has not been approved as of April 28, 2022. Four of the five sites are closed. The period for post-closure care is estimated to be 25 years. The Municipality has established a reserve of \$630,164 (2021 - \$630,164) to date to provide for these obligations.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Accumulated surplus:

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

	2022	2021
Surplus:		
Tangible capital assets	\$ 17,932,917	\$ 18,148,938
Long-term liabilities	(773,514)	(1,010,668)
Internal borrowings (i)	(1,541,593)	(1,516,761)
	15,617,810	15,621,509
Amounts to be recovered:		
Landfill closure costs	(1,375,000)	(1,452,000)
Employee benefits	(96,457)	(94,288)
Total surplus	14,146,353	14,075,221
Reserves set aside by Council for:		
Working funds	2,651,822	2,653,990
Recreation infrastructure	719,773	719,773
Employee benefits	96,457	94,288
Solid waste management (note 5)	630,164	630,164
Providence Bay Village Square	8,442	8,442
Mindemoya Arena	10,621	10,621
Mindemoya Hall (Euchre)	909	909
Community Improvement Program	15,832	15,832
	4,134,020	4,134,019
Reserve funds set aside by Council for specific purposes:		
Capital	330,062	330,062
Water and sewer	140,437	140,437
Providence Bay Community Centre Board	50,510	49,608
Animal Welfare Fund	10,483	5,420
	531,492	525,527
Accumulated surplus	\$ 18,811,865	\$ 18,734,767

- i) The Municipality has borrowed internally for capital. The internal loans bear interest at a floating rate equal to the return on short-term investments and are to be repaid over a period ranging from one to five years.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Operations of school boards:

Further to note 1 (a) (ii), the property taxes collected on behalf of the school boards are comprised of the following:

	2022	2021
Property taxes	\$ 718,951	\$ 714,189
Taxation from other governments	7,124	7,114
	<u>\$ 726,075</u>	<u>\$ 721,303</u>

8. Trust Funds:

Trust Funds administered by the Municipality amounting to \$108,784 (2021 - \$102,184) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

9. Pension agreement:

OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total going concern actuarial liabilities of \$130,306 million (2021 - \$120,796 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$123,628 million (2021 - \$117,665 million) indicating a going concern actuarial deficit of \$6,678 million (2021 - \$3,131 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees and the Authority's share is not determinable. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2022 was \$102,415 (2021 - \$91,175) and is included as an expense in the consolidated statement of operations and accumulated surplus.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Budget information:

The chart below reconciles the approved operating and capital budgets of the Municipality to the budget information reported on the Consolidated Statement of Operations and Accumulated Surplus.

Approved budget:

Total expenses per budget	\$ 11,466,355
Less:	
Capital	(1,517,512)
Principal debt payments	(599,326)
	<hr/>
	9,349,517
Amortization of tangible capital assets	(1,454,541)
	<hr/>
Budget per financial statements	\$ 7,894,976

11. Public Sector Salary Disclosure:

During 2022, one employee was paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Land	\$ 577,592	-	-	\$ 577,592
Vehicles	2,511,985	52,520	(23,744)	2,540,761
Bridges, roads, signs and culverts	13,091,844	100,406	-	13,192,250
Buildings	14,132,530	287,441	(2,438)	14,417,533
Machinery and equipment	1,874,120	66,042	-	1,940,162
Water and sewer	7,766,460	-	-	7,766,460
Assets under construction	1,385,639	733,115	-	2,118,754
Total	\$ 41,340,170	1,239,524	(26,182)	\$ 42,553,512

Accumulated Amortization	Balance at December 31, 2021	Amortization	Disposals	Balance at December 31, 2022
Vehicles	\$ 1,333,616	130,672	(21,369)	\$ 1,442,919
Bridges, roads, signs and culverts	8,791,462	609,922	-	9,401,384
Buildings	7,502,742	393,928	(2,438)	7,894,232
Machinery and equipment	845,659	124,487	-	970,146
Water and sewer	4,717,753	194,161	-	4,911,914
Total	\$ 23,191,232	1,453,170	(23,807)	\$ 24,620,595

	Net book value, December 31, 2021	Net book value, December 31, 2022
Land	\$ 577,592	\$ 577,592
Vehicles	1,178,369	1,097,842
Bridges, roads, signs and culverts	4,300,382	3,790,866
Buildings	6,629,788	6,523,301
Machinery and equipment	1,028,461	970,016
Water and sewer	3,048,707	2,854,546
Assets under construction	1,385,639	2,118,754
Total	\$ 18,148,938	\$ 17,932,917

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Tangible capital assets (continued):

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Land	\$ 577,592	-	-	\$ 577,592
Vehicles	2,135,082	376,903	-	2,511,985
Bridges, roads, signs and culverts	12,769,236	322,608	-	13,091,844
Buildings	14,117,732	14,798	-	14,132,530
Machinery and equipment	1,601,078	273,042	-	1,874,120
Water and sewer	7,778,304	322,887	(334,731)	7,766,460
Assets under construction	493,401	1,194,746	(302,508)	1,385,639
Total	\$ 39,472,425	2,504,984	(637,239)	\$ 41,340,170

Accumulated Amortization	Balance at December 31, 2020	Amortization	Disposals	Balance at December 31, 2021
Vehicles	\$ 1,203,997	129,619	-	\$ 1,333,616
Bridges, roads, signs and culverts	8,151,013	640,449	-	8,791,462
Buildings	7,130,711	372,031	-	7,502,742
Machinery and equipment	719,093	126,566	-	845,659
Water and sewer	4,691,688	194,162	(168,097)	4,717,753
Total	\$ 21,896,502	1,462,827	(168,097)	\$ 23,191,232

	Net book value, December 31, 2020	Net book value, December 31, 2021
Land	\$ 577,592	\$ 577,592
Vehicles	931,085	1,178,369
Bridges, roads, signs and culverts	4,618,223	4,300,382
Buildings	6,987,021	6,629,788
Machinery and equipment	881,985	1,028,461
Water and sewer	3,086,616	3,048,707
Assets under construction	493,401	1,385,639
Total	\$ 17,575,923	\$ 18,148,938

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$2,118,754 (2021 - \$1,385,639) have not been amortized. Amortization commences when the asset is put into service.

During the year, the Municipality added \$786,604 (2021 - \$1,194,746) to assets under construction and transferred \$53,489 (2021 - \$302,508) from assets under construction to tangible capital assets.

b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$Nil (2021 - \$Nil).

c) Works of art and historical treasures:

The Municipality manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Municipal sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized. The value of works of art and historical treasures held by the Municipality in the form of buildings totaled \$282,131 (2021 - \$282,131).

d) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2021 - \$Nil).

13. Financial instruments:

The Municipality is exposed to various risks through its financial instruments. The following analysis provides information about the Municipality's risk exposure and concentration as of December 31, 2022.

(a) Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Municipality is exposed to credit risk from customers and ratepayers. The Municipality has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Municipality has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Municipality manages exposure through its normal operating and financing activities. The Municipality is exposed to various risks through its financial instruments.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Financial instruments (continued):

(c) Other risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus.

The impact of COVID-19 is expected to have some negative effects on operations. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Municipality is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

14. Segmented information:

The Municipality of Central Manitoulin is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purposes of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations (see Schedule to note).

Municipal Services are provided by departments and their activities are reported in these Service Areas. Departments disclosed in the Segmented Information, along with the services they provide, are as follows:

General Government Services

The Departments within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing Municipal assets; ensuring effective financial management; monitoring performance and ensuring that high quality Municipal Service standards are met.

Protection Services

Services provided in this segment include the enforcement of laws, prevention of crime, and maintenance of peace, order, and security by protecting life, property and the environment through the provision of emergency response, thus ensuring safe homes and safe communities.

Transportation Services

Areas of responsibility include planning, design, construction, cleaning, repair, snow removal and signage.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

Environmental Services

The environmental services include water and sewer services as well as garbage and recycling services.

Water and Sewer services include the operation and distribution of water and networking sewer mains, storm sewers and the pump station.

The Garbage and Recycling Services Group are responsible for the delivery of municipal services including garbage collection and recycling.

Health Services

The Municipality offers a range of public health services through the Sudbury and District Health Unit.

Social and Family Services / Social Housing

The services are provided indirectly by the Municipality through the District Social Services Board and include family and children's services and housing services.

Recreation and Cultural Services

The Department is responsible for providing, facilitating the development of, and maintaining high quality parks, recreational facilities, and cultural services.

Planning and Development

The Planning and Development Department is responsible for preparing land use plans, bylaws and policies for sustainable development of the Municipality and for reviewing and approving new development, some of which is carried out by the Manitoulin Planning Board of which the Municipality is a member.

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total 2022
Revenue:										
Property taxation	\$ 596,951	781,069	1,676,767	639,202	458,932	157,979	128,230	542,657	134,742	\$ 5,116,529
Taxation from other governments	2,733	3,575	7,674	2,925	2,100	723	587	2,483	617	23,417
User charges	98,196	6,496	41,992	485,768	4,415	-	-	36,394	27,012	700,273
Government of Canada grants	27,575	-	168,578	-	-	-	-	4,088	-	200,241
Province of Ontario grants	570,042	226,820	448,265	223,491	303,728	45,876	37,238	400,744	39,128	2,295,332
Rents	75,894	-	-	-	-	-	-	-	-	75,894
Penalties and interest on taxes	87,499	-	-	-	-	-	-	-	-	87,499
Investment income	79,051	-	-	-	-	-	-	-	-	79,051
Donations and other	6,426	-	-	-	-	-	-	-	-	6,426
Gain (loss) on sale of assets	-	-	(849)	-	-	-	-	-	-	(849)
	1,544,367	1,017,960	2,342,427	1,351,386	769,175	204,578	166,055	986,366	201,499	8,583,813
Expenses:										
Salaries, wages and benefits	671,483	249,674	497,295	56,274	-	-	-	433,493	84,683	1,992,902
Long-term debt charges	-	-	36,731	-	-	-	-	-	-	36,731
Materials, services, rents and financial items	730,910	696,854	908,937	944,568	175,795	-	-	417,659	78,149	3,952,872
Amortization of tangible capital assets	30,940	113,376	757,179	384,870	-	2,936	-	158,722	3,501	1,451,624
Transfer to other governments and the public	29,194	-	-	-	618,025	210,125	172,941	-	42,301	1,072,586
	1,462,527	1,059,904	2,200,142	1,385,712	793,820	213,061	172,941	1,009,874	208,734	8,506,715
Annual surplus (deficit)	\$ 81,840	(41,944)	142,285	(34,326)	(24,645)	(8,483)	(6,886)	(23,508)	(7,235)	\$ 77,098

THE MUNICIPALITY OF CENTRAL MANITOULIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total 2021
Revenue:										
Property taxation	\$ 528,161	622,519	1,863,297	576,653	380,542	135,238	108,439	524,698	212,098	\$ 4,951,645
Taxation from other governments	2,599	3,062	9,166	2,837	1,872	665	533	2,581	1,043	24,358
User charges	75,956	7,402	6,296	456,191	5,355	-	-	9,109	8,353	568,662
Government of Canada grants	53,307	-	869,694	-	-	-	-	4,824	-	927,825
Province of Ontario grants	559,544	236,748	311,678	553,766	312,223	50,346	40,369	205,301	78,958	2,348,933
Rents	49,272	-	-	-	-	-	-	-	-	49,272
Penalties and interest on taxes	89,354	-	-	-	-	-	-	-	-	89,354
Investment income	21,153	-	-	-	-	-	-	-	-	21,153
Donations and other	24,577	-	-	-	-	-	-	-	-	24,577
Gain on sale of assets	-	-	(159,267)	-	-	-	-	-	-	(159,267)
	1,403,923	869,731	2,900,864	1,589,447	699,992	186,249	149,341	746,513	300,452	8,846,512
Expenses:										
Salaries, wages and benefits	679,756	209,041	479,137	47,882	-	-	-	366,987	76,561	1,859,364
Long-term debt charges	-	19,692	25,498	-	-	-	-	-	-	45,190
Materials, services, rents and financial items	618,459	645,757	697,231	1,268,705	171,776	-	-	328,952	220,399	3,951,279
Amortization of tangible capital assets	32,083	112,792	787,024	381,749	-	2,936	-	142,642	3,601	1,462,827
Transfer to other governments and the public	46,620	-	-	-	600,075	208,851	169,818	-	39,941	1,065,305
	1,376,918	987,282	1,988,890	1,698,336	771,851	211,787	169,818	838,581	340,502	8,383,965
Annual surplus (deficit)	\$ 27,005	(117,551)	911,974	(108,889)	(71,859)	(25,538)	(20,477)	(92,068)	(40,050)	\$ 462,547