

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF STONE MILLS**

Year ended December 31, 2021

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Year ended December 31, 2021

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Stone Mills (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.

The 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 Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Bryan Brooks
Chief Administrative Officer

Christina Beaushaw
Treasurer

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Stone Mills

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Stone Mills (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations 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, 2021, 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 responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 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 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.

Auditors' 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 auditors' 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 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 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 6, 2022

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 9,876,014	\$ 7,657,094
Investments (note 2)	1,664,655	1,631,222
Taxes recoverable	629,824	872,879
Accounts receivable	1,929,474	1,752,701
	<hr/> 14,099,967	<hr/> 11,913,896
Liabilities:		
Accounts payable and accrued liabilities	770,343	692,355
Employee post-employment benefits liability (note 6)	70,464	70,464
Deferred revenue - obligatory reserve funds (note 7)	1,104,294	731,264
Landfill closure and post-closure liability (note 8)	1,985,688	1,853,345
Long-term liabilities (note 9)	394,723	485,445
	<hr/> 4,325,512	<hr/> 3,832,873
Net financial assets	<hr/> 9,774,455	<hr/> 8,081,023
Non-financial assets:		
Tangible capital assets (note 11)	37,674,816	38,009,265
Inventories of supplies	979,265	1,055,989
Prepaid expenses	17,400	876
	<hr/> 38,671,481	<hr/> 39,066,130
Contingent liabilities (note 13)		
Commitment (note 14)		
Accumulated surplus (note 3)	<hr/> \$ 48,445,936	<hr/> \$ 47,147,153

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Consolidated Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 10)	2021	2020
Revenue:			
Property taxation	\$ 5,821,082	\$ 5,859,772	\$ 5,747,498
Taxation from other governments	20,500	34,866	34,916
User charges	410,000	434,418	429,620
Government grants	2,881,410	1,934,480	2,973,269
Licenses, permits, rents, etc.	278,000	381,956	169,211
Investment income	85,000	98,166	125,895
Penalties and interest on taxes	150,000	151,549	147,585
County road maintenance	1,004,868	1,005,856	996,884
Other road services	1,318,260	1,552,153	1,338,804
Donations	—	3,741	3,970
Insurance proceeds	—	—	848,119
Other	123,137	175,161	139,286
Total revenue	12,092,257	11,632,118	12,955,057
Expenses (note 15):			
General government	1,107,393	1,034,089	1,210,371
Fire	706,350	691,682	680,479
Police	1,087,114	1,089,508	1,112,081
Conservation authority	98,083	96,213	89,083
Protection to persons and property	329,830	300,466	180,905
Transportation services	5,373,098	5,877,070	5,590,005
Environmental	414,576	564,983	1,116,808
Recreational and cultural services	965,680	512,796	563,832
Libraries	—	103,175	23,620
Planning and development	249,440	63,353	91,027
Total expenses	10,331,564	10,333,335	10,658,211
Annual surplus	1,760,693	1,298,783	2,296,846
Accumulated surplus, beginning of year		47,147,153	44,850,307
Accumulated surplus, end of year (note 3)		\$ 48,445,936	\$ 47,147,153

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 10)	2021	2020
Annual surplus	\$ 1,760,693	\$ 1,298,783	\$ 2,296,846
Acquisition of tangible capital assets	(5,527,333)	(1,882,014)	(2,739,311)
Amortization of tangible capital assets	1,989,000	2,216,463	2,020,370
	(1,777,640)	1,633,232	1,577,905
Change in inventories of supplies	–	76,724	(174,337)
Change in prepaid expenses	–	(16,524)	3,613
Change in net financial assets	(1,777,640)	1,693,432	1,407,181
Net financial assets, beginning of year		8,081,023	6,673,842
Net financial assets, end of year		\$ 9,774,455	\$ 8,081,023

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,298,783	\$ 2,296,846
Items not involving cash:		
Amortization	2,216,463	2,020,370
Change in landfill closure and post-closure liability	132,343	740,729
Change in non-cash assets and liabilities:		
Taxes recoverable	243,055	(74,774)
Accounts receivable	(176,773)	(1,200,344)
Prepaid expenses	(16,524)	3,613
Accounts payable and accrued liabilities	77,988	126,701
Employee post-employment benefits liability	–	7,023
Deferred revenue - obligatory reserve funds	373,030	(5,740)
Inventories of supplies	76,724	(174,337)
Net change in cash from operations	4,225,089	3,740,087
Capital activities:		
Purchase of tangible capital assets	(1,882,014)	(2,739,311)
Investing activities:		
Purchase of investments	(33,433)	(38,262)
Financing activities:		
Principal repayments on long-term liabilities	(90,722)	(181,291)
Increase in cash	2,218,920	781,223
Cash, beginning of year	7,657,094	6,875,871
Cash, end of year	\$ 9,876,014	\$ 7,657,094

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the Corporation of the Township of Stone Mills (the "Township") are prepared by management in accordance with Canadian public sector accounting standards.

(b) Basis of consolidation:

(i) The consolidated financial statements reflect the assets, liabilities, revenue and expenses 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:

Stone Mills Community Centre

(ii) The charges for long-term liabilities assumed by consolidated entities or by individuals in the case of the drainage and shoreline property assistance loans are not reflected in the consolidated financial statements.

(iii) Accounting for County and School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Corporation of the County of Lennox & Addington and the school boards are not reflected in these consolidated financial statements.

(c) Deferred revenue - obligatory reserve funds:

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

(d) Landfill closure and post-closure liability:

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

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Accounting policies (continued):

(e) 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. Items subject to such estimates and assumptions include the carrying value of tangible capital assets, landfill closure and post-closure liability and employee post-employment benefits liability. Actual results could differ from these estimates.

(f) 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.

(g) Government transfers:

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

(h) Property taxation:

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

(i) Employee future 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, are amortized over the average remaining service life of the related employee groups, which is estimated to be 17 years (2020 - 17 years).

(j) 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.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Accounting policies (continued):

(j) Non-financial assets (continued):

(i) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	25 to 40
Buildings and building improvements	30 to 50
Vehicles	10 to 25
Machinery and equipment	5 to 25
Wastewater infrastructure	65
Roads infrastructure	20 to 50
Other assets	5 to 10

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

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment would be reported as an expense on the "Consolidated Statement of Operations".

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

(ii) Contributions of tangible capital assets:

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

(iii) Natural resources:

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

(iv) Works of art and cultural and historic assets:

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Accounting policies (continued):

(j) Non-financial assets (continued):

(v) Interest capitalization:

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

(vi) Inventories of supplies:

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

2. Investments:

Investments consist primarily of government and financial institution guaranteed investment certificates and mutual funds. Investments have a market value of \$1,666,901 at December 31, 2021 (2020 - \$1,638,006).

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Accumulated surplus:

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

	2021	2020
Surplus	\$ 2,193,234	\$ 1,988,752
Invested in tangible capital assets	37,674,816	38,009,265
Long-term liabilities	(394,723)	(485,445)
Landfill closure costs	(1,985,688)	(1,853,345)
Total surplus	37,487,639	37,659,227
Reserves set aside for specific purposes by Council:		
Working funds	1,161,451	1,161,451
Stability	45,685	71,685
Contingencies	72,546	72,546
Election	43,071	31,071
911 system	16,456	16,456
Municipal office	540	540
Environmental	214,021	207,687
Roadways	4,603,645	3,832,682
Protection	1,276,819	1,008,509
Parks and recreation	353,649	293,515
Municipal properties	1,388,406	1,200,037
Community development	163,200	129,600
Planning reserve	40,973	40,973
Municipal Modernization	506,865	506,865
COVID relief	39,393	4,353
County road maintenance	63,657	–
Total reserves	9,990,377	8,577,970
Reserve funds set aside for specific purposes by Council:		
General government	65,652	75,396
Roads capital expenses	17	16
Waste disposal landfill	902,251	834,544
Total reserve funds	967,920	909,956
	\$ 48,445,936	\$ 47,147,153

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

4. Operations of school boards and the County of Lennox & Addington:

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

	School Boards		County of Lennox & Addington	
	2021	2020	2021	2020
Amounts requisitioned and collected	\$ 1,632,549	\$ 1,718,289	\$ 5,016,465	\$ 4,791,908

5. Pension agreements:

The municipality makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of 36 (2020 - 36) members of its staff. The plan is a contributory 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. Employers and employees contribute to the Plan. As a result, the Township does not recognize any share of OMERS pension surplus or deficit. The last available report was at December 31, 2021. At that time, the Plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit).

The amount contributed to OMERS for current services in 2021 was \$203,283 (2020 - \$207,343) and is included in expenses on the "Consolidated Statement of Operations".

6. Employee post-employment benefit liability:

Effective January 29, 2018, the Township began to provide extended health and dental care ("employee non-pension retirement benefit") to its employees. Extended health care is available to early retirees for two years after retirement but not past the age of 65.

An independent actuarial study of the employee non-pension retirement benefit has been undertaken. The first and most recent valuation of the employee non-pension retirement benefit was completed for 2018 and is applied effective January 29, 2018.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. Due to the potential unionization of certain Township employees, an extrapolation was noted completed to December 31, 2021. Accordingly, the accrued benefit obligation remains unchanged from the prior year.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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

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

Discount rate	3.90% per annum
Health benefits escalation	8.66% per annum, scaling down over 10 years to 5.0% thereafter
Dental benefits escalation	5.0% per annum

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

	2021	2020
Accrued benefit liability, beginning of year	\$ 70,464	\$ 63,441
Expense recognized for the year	–	5,012
Interest cost	–	2,356
Amortization of actuarial gain	–	(345)
Accrued benefit liability, end of year	\$ 70,464	\$ 70,464
Accrued future benefit obligation at December 31, 2021	\$ 65,284	\$ 65,284
Unamortized actuarial gain	5,180	5,180
Accrued benefit liability at December 31, 2021	\$ 70,464	\$ 70,464

7. Deferred revenue – obligatory reserve funds:

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

	2021	2020
Balance, beginning of year	\$ 731,264	\$ 737,004
Parkland contributions	151,400	112,472
Building surplus	124,500	28,342
Investment income	7,872	17,634
Federal gas tax proceeds	479,094	233,650
Utilization of reserve funds	(389,836)	(397,838)
Balance, end of year	\$ 1,104,294	\$ 731,264

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Deferred revenue – obligatory reserve funds (continued):

	2021	2020
Analyzed as follows:		
Recreation land	\$ 536,720	\$ 430,629
Federal gas tax reserve fund	413,054	174,267
Building code act	154,520	126,368
Balance, end of year	\$ 1,104,294	\$ 731,264

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.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated inflation rate of 2.69% and discounted at the Township's average long-term borrowing rate of 4%. The estimated total landfill closure and post-closure care expenses are calculated to be \$3,036,622 (2020 - \$2,978,565). The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2021, an amount of \$1,985,688 (2020 - \$1,853,345) has been recognized to date with respect to landfill closure and post-closure liability.

The estimated remaining capacity of the Sheffield Waste disposal site is 34% (26,780 cubic meters) of its total estimated capacity and its estimated remaining life is 21 years, after which the period for post-closure care is estimated to be twenty-five years.

The estimated remaining capacity of the Moscow Waste disposal site is 52% (66,552 cubic meters) of its total estimated capacity and its estimated remaining life is 75 years, after which the period for post-closure care is estimated to be twenty-five years.

The estimated remaining capacity of the Camden East Waste disposal site is 32% (40,608 cubic meters) of its total estimated capacity and its estimated remaining life is 15 years, after which the period for post-closure care is estimated to be twenty-five years.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Long-term liabilities:

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

	2021	2020
Infrastructure Ontario loan for Dewey Road and Municipal Garage repayable in blended semi-annual payments of \$54,023, bearing interest at 4.12%. The loan is due December 2025.	\$ 394,723	\$ 485,445

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

2022	\$	92,729
2023		96,588
2024		100,609
2025		104,797
	\$	394,723

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2021 operating and capital budgets approved by Council on April 19, 2021. 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.

	2021 Budget
Reported on statement of operations:	
Revenue, approved budget, reported on Statement of Operations	\$ 12,092,257
Expenses reported on Statement of Operations	10,331,564
Add: capital budget	5,527,333
Less: amortization estimate	(1,989,000)
Expenses, approved budget	13,869,897
	\$ 1,760,693

	2021 Budget
Budget adjustments:	
Capital budget	\$ (5,527,333)
Amortization expense	1,989,000
Budget not reported on financial statements:	
Debt repayments	(184,848)
Net reserve and reserve fund transfers	5,483,874
	\$ 1,760,693

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

11. Tangible capital assets:

Cost	Balance at December 31, 2020	Transfers and Additions	Transfers, Disposals and Adjustments	Balance at December 31, 2021
Land	\$ 1,406,203	\$ —	\$ —	\$ 1,406,203
Land improvements	827,722	78,403	—	906,125
Buildings and building improvements	10,224,358	79,388	—	10,303,746
Vehicles, machinery and equipment	10,114,992	858,048	—	10,973,040
Wastewater infrastructure	514,249	—	—	514,249
Roads infrastructure	52,198,307	789,909	—	52,988,216
Other assets	205,727	—	—	205,727
Assets under construction	37,272	76,266	—	113,538
Total	\$ 75,528,830	\$ 1,882,014	\$ —	\$ 77,410,844

Accumulated amortization	Balance at December 31, 2020	Amortization expense	Transfers, Disposals and Adjustments	Balance at December 31, 2021
Land	\$ 3,398	\$ 850	\$ —	\$ 4,248
Land improvements	423,539	25,368	—	448,907
Buildings and building improvements	4,292,663	247,573	—	4,540,236
Vehicles, machinery and equipment	5,484,205	488,430	—	5,972,635
Wastewater infrastructure	90,988	7,912	—	98,900
Roads infrastructure	27,048,148	1,436,787	—	28,484,935
Other assets	176,624	9,543	—	186,167
Total	\$ 37,519,565	\$ 2,216,463	\$ —	\$ 39,736,028

	Net book value December 31, 2020	Net book value December 31, 2021
Land	\$ 1,402,805	\$ 1,401,955
Land improvements	404,183	457,218
Buildings and building improvements	5,931,695	5,763,510
Vehicles, machinery and equipment	4,630,787	5,000,405
Wastewater infrastructure	423,261	415,349
Roads infrastructure	25,150,159	24,503,281
Other assets	29,103	19,560
Assets under construction	37,272	113,538
Total	\$ 38,009,265	\$ 37,674,816

(a) Assets under construction

Assets under construction having a value of \$113,538 (2020 - \$37,272) have not been amortized. Amortization of these assets will commence when the asset is put into service.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

11. Tangible capital assets (continued):

(b) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) 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.

12. Segmented information:

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

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

(a) Administration:

Includes corporate services and governance of the Township. Administration is responsible for 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 is provided as well as frontline reception and customer service.

(b) Protection Services:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes detection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation Services:

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Segmented information (continued):

(d) Environmental Services:

Includes the management and maintenance of the three landfill sites and recycling depots that service the municipality as well as the pre-amalgamation waste and recycling pick-up service for Ward 1.

(e) Parks and Recreation:

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) Planning and Development:

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

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Segmented information (continued):

	Administration	Protection	Transportation Services	Environmental Services	Parks and recreation	Planning and Development	Total
Revenue:							
Government grants	\$ 1,369,746	\$ 20,900	\$ 357,524	\$ 76,298	\$ 110,012	\$ -	\$ 1,934,480
Other municipalities	-	-	2,558,009	-	-	-	2,558,009
Licenses, permits and rents	820	373,536	6,350	-	-	1,250	381,956
User fees and service charges	11,900	22,763	92,210	158,227	134,418	14,900	434,418
Other	52,267	4,424	23,124	27,935	34,011	33,400	175,161
Donations	-	2,934	-	-	807	-	3,741
Total revenue	1,434,733	424,557	3,037,217	262,460	279,248	49,550	5,487,765
Expenses:							
Salaries, wages and employee benefits	640,797	444,474	1,666,808	136,605	124,677	31,132	3,044,493
Materials	108,406	282,075	1,939,644	35,161	240,050	6,587	2,611,923
Contracted services	185,119	1,239,557	400,907	236,135	114,515	25,634	2,201,867
Rents and financial expenses	11,010	-	-	-	-	-	11,010
External transfers	-	96,213	-	-	-	-	96,213
Amortization	88,757	115,550	1,850,688	24,739	136,729	-	2,216,463
Interest on debt	-	-	19,023	-	-	-	19,023
Change in landfill liability	-	-	-	132,343	-	-	132,343
	1,034,089	2,177,869	5,877,070	564,983	615,971	63,353	10,333,335
Surplus (deficit) before taxation	\$ 400,644	\$ (1,753,312)	\$ (2,839,853)	\$ (302,523)	\$ (336,723)	\$ (13,803)	\$ (4,845,570)
Funded through:							
Taxation							5,859,772
Payment in lieu of taxation							34,866
Penalties and interest							151,549
Investment income							98,166
Surplus							\$ 1,298,783

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2021, 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.

14. Commitment:

The Township entered into an agreement with the Ontario Provincial Police for the provision of police services commencing on January 1, 2015. The total expense included on the Consolidated Statement of Operations for the year ended December 31, 2021 is \$1,083,516 (2020 - \$1,097,877). The Ministry of Community and Safety and Correctional Services has developed a new cost-recovery billing model that was implemented January 1, 2015, that includes two components, base policing for items such as crime prevention, proactive policing, officer training and administrative duties that will make up approximately 60%, with the second component for reactive calls for services that make up the remaining 40% of the cost invoiced.

15. Supplementary information:

	2021	2020
Expenses by object:		
Salaries, wages and employee benefits	\$ 3,044,493	\$ 3,028,601
Materials	2,744,266	3,226,916
Contracted services	2,201,867	2,259,924
Rents and financial expenses	11,010	8,100
External transfers	96,213	89,082
Amortization	2,216,463	2,020,370
Interest on debt	19,023	25,218
Total	\$ 10,333,335	\$ 10,658,211

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

17. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization resulting in significant global and local impacts. As of March 31, 2022, the pandemic is ongoing which continues to have the potential to create financial stress on the Township.

At this time, the ongoing COVID-19 pandemic presents uncertainty over future cash flows, may cause significant changes to the assets and liabilities and may have a significant impact on future operations. The Township continues to monitor and assess the effect that COVID-19 will have on its operations and financial results.