

Consolidated Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF STONE MILLS**

Year ended December 31, 2018

Consolidated Financial Statements of

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Year ended December 31, 2018

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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



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Telephone 613-549-1550
Fax 613-549-6349

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 Corporation of the Township of Stone Mills (the Entity), which comprise:

- the consolidated statement of financial position as at end of December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net debt 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, 2018, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 17, 2019

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 4,292,489	\$ 2,241,728
Investments (note 2)	1,441,317	1,507,272
Taxes recoverable	779,992	1,198,300
Accounts receivable	1,814,219	1,331,054
	<hr/>	<hr/>
	8,328,017	6,278,354
Liabilities:		
Accounts payable and accrued liabilities	1,027,137	535,618
Deferred revenue	44,989	150
Employee post-employment benefits liability (note 6)	56,694	—
Deferred revenue - obligatory reserve funds (note 7)	361,851	234,219
Landfill closure and post-closure liability (note 8)	1,245,183	1,194,650
Long-term liabilities (note 9)	842,029	1,011,530
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	3,577,883	2,976,167
Net financial assets	4,750,134	3,302,187
Non-financial assets:		
Tangible capital assets (note 11)	38,103,719	38,265,437
Inventories of supplies	633,208	530,440
Prepaid expenses	7,947	10,365
	<hr/>	<hr/>
	38,744,874	38,806,242
Contingent liabilities (note 13)		
Commitment (note 14)		
Accumulated surplus (note 3)	\$ 43,495,008	\$ 42,108,429

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, 2018, with comparative information for 2017

	Budget (note 10)	2018	2017
Revenue:			
Property taxation	\$ 5,519,155	\$ 5,523,198	\$ 5,429,451
Taxation from other governments	37,000	30,846	30,900
User charges	433,450	469,880	518,921
Government grants	1,460,045	1,635,951	1,541,028
Licenses, permits, rents, etc.	111,400	157,981	97,265
Investment income	35,000	117,267	67,040
Penalties and interest on taxes	170,000	195,549	207,539
County road maintenance	997,998	1,132,553	943,590
Other road services	—	1,195,145	873,720
Donations	4,000	26,578	7,878
Other	75,800	146,187	121,179
Contribution of capital asset	—	—	42,500
Gain on disposal of tangible capital assets	—	44,341	682
Total revenue	8,843,848	10,675,476	9,881,693
Expenses (note 15):			
General government	1,045,616	1,034,415	902,028
Fire	730,053	726,995	660,894
Police	1,116,671	1,108,749	1,128,862
Conservation authority	87,280	87,280	91,366
Protection to persons and property	174,570	232,870	142,514
Transportation services	5,165,509	5,045,621	5,055,566
Street lighting	9,900	2,911	2,712
Environmental	373,979	353,104	445,248
Recreational and cultural services	900,450	556,901	639,106
Libraries	—	56,393	43,052
Planning and development	96,550	83,658	61,274
Total expenses	9,700,578	9,288,897	9,172,622
Annual surplus (deficit)	(856,730)	1,386,579	709,071
Accumulated surplus, beginning of year		42,108,429	41,399,358
Accumulated surplus, end of year		\$ 43,495,008	\$ 42,108,429

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, 2018, with comparative information for 2017

	Budget (note 10)	2018	2017
Annual surplus	\$ —	\$ 1,386,579	\$ 709,071
Acquisition of tangible capital assets	(2,759,527)	(1,747,844)	(1,777,514)
Amortization of tangible capital assets	—	1,953,901	1,881,996
Gain on disposal of tangible capital assets	—	(44,341)	(682)
	(2,759,527)	1,548,295	812,871
Change in inventories of supplies	—	(102,767)	(25,580)
Change in prepaid expenses	—	2,419	(7,375)
Change in net financial assets	(2,759,527)	1,447,947	779,916
Net financial assets, beginning of year	—	3,302,187	2,522,271
Net financial assets, end of year	—	\$ 4,750,134	\$ 3,302,187

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,386,579	\$ 709,071
Items not involving cash:		
Amortization	1,953,901	1,881,996
Gain on disposal of tangible capital assets	(44,341)	(682)
Change in landfill closure and post-closure liability	50,533	48,455
Change in non-cash assets and liabilities:		
Taxes recoverable	418,307	49,101
Accounts receivable	(483,165)	(925,966)
Prepaid expenses	2,419	(7,375)
Accounts payable and accrued liabilities	491,521	89,590
Employee post-employment benefits liability	56,694	—
Deferred revenue	44,839	(100)
Deferred revenue - obligatory reserve funds	127,632	78,131
Inventories of supplies	(102,768)	(25,580)
Net change in cash from operations	3,902,151	1,896,641
Capital activities:		
Cash used to acquire tangible capital assets	(1,747,844)	(1,777,514)
Net change in cash from capital activities	(1,747,844)	(1,777,514)
Investing activities:		
Disposal of investments	65,955	382,842
Financing activities:		
Principal repayments on long-term liabilities	(169,501)	(163,908)
Increase in cash	2,050,761	338,061
Cash, beginning of year	2,241,728	1,903,667
Cash, end of year	\$ 4,292,489	\$ 2,241,728

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, 2018

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, 2018

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 for the actuarial gain in 2018.

(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, 2018

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.

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.

(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.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

2. Investments:

Investments, consist primarily of government and financial institution guaranteed investment certificates and mutual funds. Investments have a market value of \$1,562,957 at December 31, 2018 (2017 - \$1,490,711).

3. Accumulated surplus:

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

	2018	2017
Surplus	\$ 1,277,488	\$ 1,065,231
Invested in tangible capital assets	38,103,719	38,265,437
Long-term liabilities	(842,029)	(1,011,530)
Landfill closure costs	(1,245,183)	(1,194,650)
Total surplus	37,293,995	37,124,488
Reserves set aside for specific purposes by Council:		
Working funds	1,162,521	1,154,788
Stability	17,500	17,500
Contingencies	72,546	72,546
Election	7,071	46,870
911 system	16,456	16,456
Municipal office	540	540
Environmental	207,687	177,687
Roadways	2,739,732	1,943,410
Protection	594,179	443,597
Parks and recreation	194,754	98,710
Municipal properties	384,420	245,404
Total reserves	5,397,406	4,217,508
Reserve funds set aside for specific purposes by Council:		
General government	72,833	71,734
Roads capital expenses	16	16
Waste disposal landfill	730,758	694,683
Total reserve funds	803,607	766,433
	\$ 43,495,008	\$ 42,108,429

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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	
	2018	2017	2018	2017
Amounts requisitioned and collected	\$ 1,707,876	\$ 1,719,347	\$ 4,344,194	\$ 4,179,904

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 35 (2017 - 32) 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, 2018. At that time, the Plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion actuarial deficit).

The amount contributed to OMERS for current services in 2018 was \$155,001 (2017 - \$155,754) 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. At December 31, 2018, based on an actuarial valuation, the accrued benefit obligation was \$50,824.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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:

	2018
Accrued benefit liability, beginning of year	\$ —
Expense recognized for the year	5,313
Interest cost	1,689
Plan amendment	49,692
Accrued benefit liability, end of year	\$ 56,694
Accrued future benefit obligation at December 31, 2018	\$ 50,824
Unamortized actuarial gain	5,870
Accrued benefit liability at December 31, 2018	\$ 56,694

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:

	2018	2017
Balance, beginning of year	\$ 234,219	\$ 156,088
Parkland contributions	41,250	55,150
Building surplus	63,085	—
Investment income	10,590	11,460
Federal gas tax proceeds	240,793	233,917
Utilization of reserve funds	(228,086)	(222,396)
Balance, end of year	\$ 361,851	\$ 234,219

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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

	2018	2017
Analyzed as follows:		
Recreation land	\$ 212,033	\$ 176,779
Federal gas tax reserve fund	81,801	52,637
Building code act	68,017	4,803
Balance, end of year	\$ 361,851	\$ 234,219

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% 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 \$1,664,399 (2017 - \$1,632,391). The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2018, an amount of \$1,245,183 (2017 - \$1,194,650) 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 14% (5,958 cubic meters) of its total estimated capacity and its estimated remaining life is 5 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 55% (70,951 cubic meters) of its total estimated capacity and its estimated remaining life is 66 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 26% (30,407 cubic meters) of its total estimated capacity and its estimated remaining life is 8 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, 2018

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:

	2018	2017
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.	\$ 651,261	\$ 730,034
Canada Mortgage and Housing Corporation loan for construction of rooftop solar energy production unit repayable in blended annual payments of \$98,480, bearing interest at 2.77%. The loan is due November 2020.	190,768	281,496
	<u>\$ 842,029</u>	<u>\$ 1,011,530</u>

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

2019	\$ 175,293
2020	181,291
2021	89,023
2022	92,728
Thereafter	303,694
	<u>\$ 842,029</u>

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

10. Budget figures:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on April 16, 2018. Amortization was not contemplated on development of the budget and, as such, has not been included. The approved budget to the budget figures reported in these consolidated financial statements is listed below.

		2018 Budget
Reported on statement of operations:		
Revenue, approved budget, reported on Statement of Operations		\$ 8,843,848
Expenses reported on Statement of Operations		9,700,578
Add: capital budget	\$ 2,759,527	
Less: amortization estimate	(1,935,000)	
Expenses, approved budget	10,525,105	
		\$ (856,730)
2018 Budget		
Budget adjustments:		
Capital budget		\$ (2,759,527)
Amortization expense		1,935,000
Budget not reported on financial statements:		
Debt repayments		(169,501)
Net reserve and reserve fund transfers		1,850,758
		\$ 856,730

11. Tangible capital assets:

Cost	Balance at December 31, 2017	Transfers and Additions	Transfers, Disposals and Adjustments	Balance at December 31, 2018
Land	\$ 1,406,203	\$ -	\$ -	\$ 1,406,203
Land improvements	735,822	26,448	-	762,270
Buildings and building improvements	9,703,498	19,513	-	9,723,011
Vehicles, machinery and equipment	9,879,434	573,668	1,013,281	9,439,821
Wastewater infrastructure	514,249	-	-	514,249
Roads infrastructure	48,404,039	1,038,793	7,751	49,435,081
Other assets	177,542	23,434	-	200,976
Assets under construction	39,863	65,988	-	105,851
Total	\$ 70,860,650	\$ 1,747,844	\$ 1,021,032	\$ 71,587,462

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

11. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2017	Amortization expense	Transfers, Disposals and Adjustments	Balance at December 31, 2018
Land	\$ 848	\$ 850	\$ -	\$ 1,698
Land improvements	359,647	19,568	-	379,215
Buildings and building improvements	3,592,889	223,590	-	3,816,479
Vehicles, machinery and equipment	5,197,192	440,693	1,057,621	4,580,264
Wastewater infrastructure	67,252	7,912	-	75,164
Roads infrastructure	23,272,836	1,223,158	7,751	24,488,243
Other assets	104,549	38,131	-	142,680
Total	\$ 32,595,213	\$ 1,953,902	\$ 1,065,372	\$ 33,483,743

	Net book value December 31, 2017	Net book value December 31, 2018
Land	\$ 1,405,355	\$ 1,404,505
Land improvements	376,175	383,055
Buildings and building improvements	6,110,609	5,906,532
Vehicles, machinery and equipment	4,682,242	4,859,557
Wastewater infrastructure	446,997	439,085
Roads infrastructure	25,131,203	24,946,838
Other assets	72,993	58,296
Assets under construction	39,863	105,851
Total	\$ 38,265,437	\$ 38,103,719

(a) Assets under construction

Assets under construction having a value of \$105,851 (2017 - \$39,863) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(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.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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.

(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.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

12. Segmented information (continued):

(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, 2018

12. Segmented information (continued):

	Administration	Protection Services	Transportation Services	Environmental Services	Parks, recreation and culture	Planning and Development	Total
Revenue:							
Government conditional grants	\$ 1,131,700	\$ 14,365	\$ 355,742	\$ 70,148	\$ 63,996	\$ -	\$ 1,635,951
Other municipalities	-	-	2,327,697	-	-	-	2,327,697
Licenses, permits and rents	957	155,025	800	-	-	1,200	157,981
User fees and service charges	29,609	11,643	8,277	138,472	281,879	-	469,880
Other	26,679	13,923	33,610	8,507	89,046	1,000	172,765
Loss on disposal of tangible capital assets	-	-	44,341	-	-	-	-
	1,188,944	194,955	2,770,467	217,127	434,922	2,200	4,808,616
Expenses:							
Salaries, wages and employee benefits	617,854	394,735	1,442,768	104,484	167,898	11,993	2,739,732
Materials	141,949	362,483	1,465,682	18,471	226,324	8,215	2,223,124
Contracted services	187,936	1,218,563	493,266	148,558	99,747	33,411	2,181,481
Rents and financial expenses	15,822	-	-	-	-	-	15,822
External transfers	-	87,280	-	-	-	-	87,280
Amortization	70,854	92,833	1,617,542	23,308	119,325	30,039	1,953,901
Interest on debt	-	-	29,274	7,750	-	-	37,024
Change in landfill liability	-	-	-	50,533	-	-	50,533
	1,034,415	2,155,894	5,048,532	353,104	613,294	83,658	9,288,897
Surplus (deficit) before taxation	\$ 154,529	\$ (1,960,939)	\$ (2,278,065)	\$ (135,977)	\$ (178,372)	\$ (81,458)	\$ (4,480,281)
Funded through:							
Taxation							\$ 5,523,198
Taxation from other governments							30,846
Penalties and interest							195,549
Investment income							117,267
Surplus							\$ 1,386,579

See accompanying notes to financial statements.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

13. Contingent liabilities:

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

14. Commitment:

The municipality 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, 2018 is \$1,102,068 (2017 - \$1,118,236). 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:

	2018	2017
Expenses by object:		
Salaries, wages and employee benefits	\$ 2,739,732	\$ 2,700,434
Materials	2,273,657	2,423,273
Contracted services	2,181,480	2,015,666
Rents and financial expenses	15,822	17,269
External transfers	87,280	91,366
Amortization	1,953,901	1,881,996
Interest on debt	37,025	42,618
Total	\$ 9,288,897	\$ 9,172,622

16. Adoption of new accounting standards:

On January 1, 2018, the Township adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual rights.

The adoption of these standards did not result in an accounting policy change for the Township, and did not result in any adjustments to the financial statements as at January 1, 2018.