

Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF STONE MILLS**

Year ended December 31, 2024

CORPORATION OF THE TOWNSHIP OF STONE MILLS

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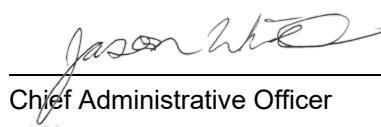
Management's Responsibility for the Financial Statements

The accompanying 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 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 financial statements. These systems are monitored and evaluated by management.

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

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



Chief Administrative Officer



Treasurer



KPMG LLP

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2024
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at December 31, 2024, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our 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 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.

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 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.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is fluid and cursive, with a horizontal line underneath it.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 16, 2025

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash	\$ 12,722,458	\$ 12,501,792
Investments (note 2)	1,744,301	1,719,959
Taxes receivable	1,142,959	822,279
Accounts receivable	1,060,214	679,661
<u>Long-term receivables</u>	86,874	94,543
	<u>16,756,806</u>	<u>15,818,234</u>
Financial liabilities:		
Accounts payable and accrued liabilities	486,935	574,718
Employee post-employment benefits liability (note 6)	86,696	85,920
Asset retirement obligations (note 8)	11,944,715	11,777,839
Deferred revenue - obligatory reserve funds (note 7)	1,138,772	1,162,401
Deferred revenue	438,075	–
<u>Long-term liabilities (note 9)</u>	<u>191,670</u>	<u>299,949</u>
	<u>14,286,863</u>	<u>13,900,827</u>
Net financial assets	2,469,943	1,917,407
Non-financial assets:		
Tangible capital assets (note 11)	42,196,631	41,249,632
Inventories of supplies	426,394	1,076,393
Prepaid expenses	37,197	2,739
	<u>42,660,222</u>	<u>42,328,764</u>
Contingent liabilities (note 13)		
Commitment (note 14)		
Accumulated surplus (note 3)	\$ 45,130,165	\$ 44,246,171

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
	(note 10)		
Revenue:			
Property taxation	\$ 6,709,114	\$ 6,799,102	\$ 6,496,477
Government grants	2,725,511	2,266,265	2,088,143
County road maintenance	1,029,203	1,030,400	1,030,400
Investment income	240,000	657,183	681,220
User charges	640,722	684,677	502,464
Other road services	50,500	674,223	475,419
Licenses, permits and rents	406,000	369,668	380,921
Penalties and interest on taxes	130,000	180,066	148,478
Other	44,800	78,695	112,018
Taxation from other governments	13,359	50,638	46,380
Contribution from developers	—	17,498	42,974
Donations	5,000	1,535	6,500
Gain on disposal of tangible capital assets	—	21,656	6,414
Total revenue	11,994,209	12,831,606	12,017,808
Expenses (note 12):			
General government	1,337,906	1,296,818	1,089,919
Fire	732,313	976,244	860,355
Police	1,094,626	1,091,170	1,074,452
Conservation authority	115,201	115,201	126,233
Protection to persons and property	757,514	680,668	687,465
Transportation services	3,127,929	5,784,472	4,868,122
Environmental	472,575	659,967	677,448
Recreational and cultural services	756,806	1,082,559	961,080
Libraries	—	29,560	39,131
Planning and development	321,634	230,953	87,548
Total expenses	8,716,504	11,947,612	10,471,753
Annual surplus	3,277,705	883,994	1,546,055
Accumulated surplus, beginning of year	44,246,171	44,246,171	42,700,116
Accumulated surplus, end of year	\$ 47,523,876	\$ 45,130,165	\$ 44,246,171

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Statement of Change in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
	(note 10)		
Annual surplus	\$ 3,277,705	\$ 883,994	\$ 1,546,055
Acquisition of tangible capital assets	(4,165,803)	(3,454,313)	(2,784,808)
Amortization of tangible capital assets	—	2,468,025	2,349,451
Gain on disposal of tangible capital assets	—	(21,656)	(6,414)
Proceeds on disposal of tangible capital assets	—	60,945	25,645
	(888,098)	(63,005)	1,129,929
Change in inventories of supplies	—	649,999	(208,816)
Change in prepaid expenses	—	(34,458)	7,536
Change in net financial assets	(888,098)	552,536	928,649
Net financial assets, beginning of year	1,917,407	1,917,407	988,758
Net financial assets, end of year	\$ 1,029,309	\$ 2,469,943	\$ 1,917,407

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 883,994	\$ 1,546,055
Items not involving cash:		
Amortization of tangible capital assets	2,468,025	2,349,451
Change in asset retirement obligation	166,876	248,146
Gain on disposal of tangible capital assets	(21,656)	(6,414)
Change in non-cash operating working capital:		
Taxes receivable	(320,680)	(224,263)
Accounts receivable	(380,553)	1,093,677
Prepaid expenses	(34,458)	7,536
Long-term receivables	7,669	(46,343)
Accounts payable and accrued liabilities	(87,783)	(55,504)
Employee post-employment benefits liability	776	536
Deferred revenue - obligatory reserve funds	(23,629)	112,303
Deferred revenue	438,075	—
Inventories of supplies	649,999	(208,816)
Net change in cash from operations	<u>3,746,655</u>	<u>4,816,364</u>
Capital activities:		
Purchase of tangible capital assets	(3,454,313)	(2,784,808)
Proceeds on disposal of tangible capital assets	60,945	25,645
	<u>(3,393,368)</u>	<u>(2,759,163)</u>
Investing activities:		
Purchase of investments	(24,342)	(160,683)
Financing activities:		
Principal repayments on long-term liabilities	(108,279)	(100,245)
Proceeds of long-term debt for tile loans	—	50,000
	<u>(108,279)</u>	<u>(50,245)</u>
Increase in cash	220,666	1,846,273
Cash, beginning of year	12,501,792	10,655,519
Cash, end of year	<u>\$ 12,722,458</u>	<u>\$ 12,501,792</u>

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements

Year ended December 31, 2024

1. Accounting policies:

(a) Basis of presentation:

The 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) Reporting entity:

(i) The 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.

(ii) 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 financial statements.

(c) Basis of accounting:

(i) The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

(ii) 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. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

(d) Taxation and related revenues:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lennox and Addington for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Accounting policies (continued):

(e) Financial instruments:

The Township records derivatives and portfolio investments in equity instruments that are quoted in an active market at fair value. All other financial instruments will generally be measured at cost or amortized cost.

Management has not elected to record any investments at fair value as they are not managed and evaluated on a fair value basis.

Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Statement of Operations and Accumulated Surplus. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Operations and Accumulated Surplus.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and Accumulated Surplus and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Accounting policies (continued):

(e) Financial instruments (continued):

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(f) Foreign currency

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Statement of Operations and Accumulated Surplus and the unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(g) Statement of Remeasurement Gains and Losses:

A Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2024 or 2023.

(h) Revenue recognition:

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Accounting policies (continued):

(h) Revenue recognition (continued):

Township generated funds, generally consisting of user fees, licenses and permits, are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained. Other restricted contributions received in advance of the related expenditure are deferred until the related expenditure is incurred.

(i) 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.

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes and recreational land collected under the Planning Act are reported as deferred revenues in the Statement of Financial Position. These amounts will be recognized as revenue in the fiscal year the services are performed.

(j) Asset retirement obligations:

An asset retirement obligation ("ARO") is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Assumptions used in the calculations are revised annually.

The liability for the removal of asbestos in several of the buildings owned by the Township has been recognized based on estimated undiscounted future expenses. Assumptions used in the calculations are revised yearly.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Statement of Operations and Accumulated Surplus at the time of remediation.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Accounting policies (continued):

(k) Pension and employee benefits:

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

(l) 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 13 years (2023 - 13 years).

(m) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	25 to 40
Buildings and building improvements	30 to 50
Vehicles, machinery and equipment	5 to 25
Wastewater infrastructure	65
Roads infrastructure	20 to 50

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Accounting policies (continued):

(m) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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 Statement of Operations and Accumulated Surplus.

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 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 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.

(n) 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. Amounts subject to estimates include employee future benefits, asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from these estimates.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Investments:

Investments reported on the Statement of Financial Position are comprised of:

	Level	2024	2023
		Cost	Cost
Guaranteed investment certificates	1	\$ 1,744,301	\$ 1,719,959

The fixed income securities yield interest between 2.07% and 5.37% and have maturities ranging from June 2025 to November 2029.

All of the above investments are valued as Level 1 investments. The investments are valued based on the degree to which the fair value is observable, as follows:

- (i) Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities;
- (ii) Level 2 Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- (iii) Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The interest is accrued and included on Investments for period from the last interest received from the bank to the December 31.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Accumulated surplus:

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

	2024	2023
Surplus	\$ —	\$ 2,978,216
Invested in tangible capital assets	42,196,631	41,249,632
Long-term liabilities	(104,796)	(205,406)
Asset retirement obligations	(11,944,715)	(11,777,839)
Total surplus	30,147,120	32,244,603
Reserves set aside for specific purposes by Council:		
Working funds	827,994	827,994
Stability	3,613,308	45,685
Contingencies	156,235	119,235
Election	30,571	19,571
Municipal office	685,230	664,630
Environmental	486,595	385,234
Roadways	5,298,947	6,153,814
Protection	993,747	1,036,139
Parks and recreation	421,121	348,966
Municipal properties	857,376	1,035,128
Planning reserve	140,384	40,973
Total reserves	13,511,508	10,677,369
Reserve funds set aside for specific purposes by Council:		
General government	38,842	49,139
Roads capital expenses	—	19
Waste disposal landfill	1,432,695	1,275,041
Total reserve funds	1,471,537	1,324,199
	\$ 45,130,165	\$ 44,246,171

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	
	2024	2023	2024	2023
Amounts requisitioned and collected	\$ 1,730,470	\$ 1,697,753	\$ 5,890,870	\$ 5,610,823

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement System, which is a multi-employer plan, on behalf of all permanent 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, 2024. At that time, the Plan reported a \$2.9 billion actuarial deficit (2023 - \$4.2 billion actuarial deficit).

The amount contributed to OMERS for current services in 2024 was \$226,251 (2023 - \$204,558) and is included in expenses on the Statement of Operations and Accumulated Surplus.

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 most recent valuation of the employee non-pension retirement benefit was completed for the December 31, 2022 fiscal year.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services.

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

Discount rate	5.05% 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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

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

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

	2024	2023
Accrued benefit liability, beginning of year	\$ 85,920	\$ 85,384
Expense recognized for the year	2,609	2,599
Interest cost	2,038	1,818
Amortization of actuarial gain	(3,871)	(3,881)
Accrued benefit liability, end of year	\$ 86,696	\$ 85,920
Accrued future benefit obligation	\$ 44,107	\$ 39,460
Unamortized actuarial gain	42,589	46,460
Accrued benefit liability at December 31, 2024	\$ 86,696	\$ 85,920

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

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:

	Building Code Act	Recreation	Infrastructure	Canada Community Building Fund	2024 Total	2023 Total
Balance, beginning of year	\$ 343,639	\$ 306,615	\$ –	\$ 512,147	\$ 1,162,401	\$ 1,050,098
Government grants	–	–	294,709	–	294,709	254,891
Building permit surplus	–	–	–	–	–	92,674
Contributions from developers	–	86,170	–	–	86,170	60,000
Interest	14,532	16,938	8,860	25,198	65,528	62,644
Utilization of reserve funds	–	(17,498)	(216,558)	(235,980)	(470,036)	(357,906)
Balance, end of year	\$ 358,171	\$ 392,225	\$ 87,011	\$ 301,365	\$ 1,138,772	\$ 1,162,401

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Asset retirement obligations:

The Township's asset retirement obligations consist of the following:

(a) Landfill obligation:

The Township owns and operates three active landfill sites. The liability for the closure of operational sites and post-closure care for all the sites has been recognized under PS 3280 Asset Retirement Obligations. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for a minimum of 25 years post this date. As at December 31, 2024 , the landfills had an estimated remaining useful life of:

Camden East - 13 years

Moscow - 28 years

Sheffield - 18 years

Post-closure care is estimated to be required for a minimum 25 years from the date of site closure. The Township recognized an obligation relating to the removal and post-removal care of the landfill. These costs were discounted using a discount rate of 2.20% (2023 - 2.20%) per annum and an inflation rate of 4.53% (2023 - 4.53%) per annum.

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.

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, and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(b) Asbestos obligation:

The Township owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. The Township has recognized an asset retirement obligation relating to the legally required removal or remediation of asbestos-containing materials in certain buildings. Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have not been discounted as the date of demolition is unknown.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Asset retirement obligations(continued):

The change in the estimated obligation during the year consists of the following:

	Landfill closure	Asbestos and fuel tank removal	2024 Total	2023 Total
Balance, January 1, 2024	\$ 11,527,491	\$ 250,348	\$ 11,777,839	\$ 11,529,694
Remeasurement of asset retirement obligation	–	9,163	9,163	–
Accretion expense	157,713	–	157,713	248,145
Balance, December 31, 2024	\$ 11,685,204	\$ 259,511	\$ 11,944,715	\$ 11,777,839

9. Long-term liabilities:

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

	2024	2023
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.	\$ 104,796	\$ 205,406
Instalment debentures with the Province of Ontario under the Ontario Tile Loan Program. The responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals.	86,874	94,543
	\$ 191,670	\$ 299,949

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

2025	\$ 112,927
2026	8,618
2027	9,135
2028	9,683
2029	10,264
2030 and thereafter	41,043
	\$ 191,670

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Budget figures:

The budget data presented in these financial statements is based upon the 2024 operating and capital budgets approved by Council. 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 financial statements is listed below.

	2024 Budget	2024 Actual
Reported on Statement of Operations and		
Accumulated Surplus:		
Revenue	\$ 11,994,209	\$ 12,831,606
Expenses	8,716,504	11,947,612
Net revenues	3,277,705	883,994
Amortization	—	2,468,025
Funds available	3,277,705	3,352,019
Capital expenditures	(4,165,803)	(3,454,313)
Gain on sale of tangible capital assets	—	(21,656)
Disposal of tangible capital assets	—	60,945
Principal repayments	(115,716)	(100,609)
Increased in unfunded asset retirement obligation	—	166,876
Increase (decrease) in operating surplus	\$ (1,003,814)	\$ 3,262
Allocated as follows:		
Transfers to reserves	\$ —	\$ 2,981,477
Transfers from reserves	(1,003,814)	(2,978,215)
	\$ (1,003,814)	\$ 3,262

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions and transfers	Disposals	Balance at December 31, 2024
Land	\$ 1,493,231	\$ —	\$ —	\$ 1,493,231
Land improvements	1,505,905	115,777	—	1,621,682
Landfill asset retirement obligation	4,108,840	—	—	4,108,840
Buildings and building improvements	11,354,411	964,721	—	12,319,132
Building asset retirement obligations	250,348	—	—	250,348
Machinery and equipment	3,039,504	538,625	(155,539)	3,422,590
Vehicles	8,748,221	539,209	(274,620)	9,012,810
Wastewater infrastructure	514,249	106,229	—	620,478
Roads infrastructure	56,237,909	1,731,704	—	57,969,613
Assets under construction	641,665	(541,952)	—	99,713
Total	\$ 87,894,283	\$ 3,454,313	\$ (430,159)	\$ 90,918,437
Accumulated amortization	Balance at December 31, 2023	Amortization	Disposals	Balance at December 31, 2024
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	861,606	34,268	—	895,874
Landfill asset retirement obligation	2,890,079	61,604	—	2,951,683
Buildings and building improvements	5,339,307	297,689	—	5,636,996
Building asset retirement obligations	211,588	14,757	—	226,345
Machinery and equipment	1,190,259	155,252	(155,539)	1,189,972
Vehicles	4,729,270	409,940	(235,331)	4,903,879
Wastewater infrastructure	114,739	8,072	—	122,811
Roads infrastructure	31,307,803	1,486,443	—	32,794,246
Assets under construction	—	—	—	—
Total	\$ 46,644,651	\$ 2,468,025	\$ (390,870)	\$ 48,721,806

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Tangible capital assets (continued):

	Net book value December 31, 2023	Net book value December 31, 2024
Land	\$ 1,493,231	\$ 1,493,231
Land improvements	644,299	725,808
Landfill asset retirement obligation	1,218,761	1,157,157
Buildings and building improvements	6,015,104	6,682,136
Building asset retirement obligations	38,760	24,003
Machinery and equipment	1,849,245	2,232,618
Vehicles	4,018,951	4,108,931
Wastewater infrastructure	399,510	497,667
Roads infrastructure	24,930,106	25,175,367
Assets under construction	641,665	99,713
Total	\$ 41,249,632	\$ 42,196,631

(a) Assets under construction

Assets under construction having a value of \$99,713 (2023 - \$641,665) 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 Financial Statements (continued)

Year ended December 31, 2024

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 Township 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 Financial Statements (continued)

Year ended December 31, 2024

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 financial statements as disclosed in note 1.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Segmented information (continued):

2024		Administration	Protection	Transportation Services	Environmental Services	Parks and recreation	Planning and Development	Total
Revenue:								
Government grants	\$ 1,337,870	\$ 67,609	\$ 608,594	\$ 118,329	\$ 33,863	\$ 100,000	\$ 2,266,265	
Other municipalities	-	-	1,704,623	-	-	-	-	1,704,623
Licenses, permits and rents	973	361,295	4,900	-	-	2,500	369,668	
User fees and service charges	9,500	23,453	-	255,188	316,707	79,829	684,677	
Contribution from developers	-	-	-	-	17,498	-	17,498	
Other	4,744	12,165	2,039	138	1,190	58,419	78,695	
Donations	-	-	-	-	1,535	-	1,535	
<u>Gain on disposal of tangible capital assets</u>	<u>-</u>	<u>-</u>	<u>21,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,656</u>	
	1,353,087	464,522	2,341,812	373,655	370,793	240,748	5,144,617	
Expenses:								
Salaries, wages and employee benefits	866,734	765,526	1,695,987	142,350	203,429	102,398	3,776,424	
Materials	123,741	475,318	2,243,828	67,753	441,989	6,153	3,358,782	
Contracted services	262,457	1,270,968	36,367	200,527	142,012	116,729	2,029,060	
Rents and financial expenses	5,265	-	-	166,876	-	-	172,141	
External transfers	11,294	115,201	-	-	3,575	-	130,070	
Amortization	27,327	236,270	1,800,853	82,461	321,114	-	2,468,025	
Interest on debt	-	-	7,437	-	-	5,673	13,110	
	1,296,818	2,863,283	5,784,472	659,967	1,112,119	230,953	11,947,612	
<u>Annual surplus (deficit) before the undernoted</u>	<u>\$ 56,269</u>	<u>\$ (2,398,761)</u>	<u>\$ (3,442,660)</u>	<u>\$ (286,312)</u>	<u>\$ (741,326)</u>	<u>\$ 9,795</u>	<u>\$ (6,802,995)</u>	
Funded through:								
Taxation							6,799,102	
Payment in lieu of taxation							50,638	
Penalties and interest							180,066	
Investment income							657,183	
<u>Annual surplus</u>	<u>\$ 883,994</u>							

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Segmented information (continued):

2023	Administration	Protection	Transportation Services	Environmental Services	Parks and recreation	Planning and Development	Total
Revenue:							
Government grants	\$ 1,366,446	\$ 5,169	\$ 556,155	\$ 114,355	\$ 46,018	\$ -	\$ 2,088,143
Other municipalities	-	-	1,505,819	-	-	-	1,505,819
Licenses, permits and rents	837	365,884	2,700	-	-	11,500	380,921
User fees and service charges	8,100	38,934	-	159,869	271,064	24,497	502,464
Contribution from developers	-	-	-	-	42,974	-	42,974
Other	58,675	28,342	-	7,534	12,222	5,245	112,018
Donations	-	6,500	-	-	-	-	6,500
Gain on disposal of tangible capital assets	-	-	6,414	-	-	-	6,414
	1,434,058	444,829	2,071,088	281,758	372,278	41,242	4,645,253
Expenses:							
Salaries, wages and employee benefits	685,498	710,514	1,591,907	137,825	195,457	69,498	3,390,699
Materials	114,981	488,975	1,219,831	33,763	396,372	4,689	2,258,611
Contracted services	258,426	1,231,594	305,189	173,076	89,603	10,469	2,068,357
Rents and financial expenses	4,160	-	-	248,146	-	-	252,306
External transfers	11,747	126,233	-	-	-	-	137,980
Amortization	15,107	191,189	1,739,738	84,638	318,779	-	2,349,451
Interest on debt	-	-	11,457	-	-	2,892	14,349
	1,089,919	2,748,505	4,868,122	677,448	1,000,211	87,548	10,471,753
Annual surplus (deficit) before the undernoted	\$ 344,139	\$ (2,303,676)	\$ (2,797,034)	\$ (395,690)	\$ (627,933)	\$ (46,306)	\$ (5,826,500)
Funded through:							
Taxation							6,496,477
Payment in lieu of taxation							46,380
Penalties and interest							148,478
Investment income							681,220
Annual surplus							\$ 1,546,055

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

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, 2024, 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. Commitments:

- (a) 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 Statement of Operations and Accumulated Surplus for the year ended December 31, 2024 is \$1,088,628 (2023 - \$1,074,420). 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.
- (b) During the year, the Township entered into an agreement to replace the Flynn Bridge with an estimated cost of \$700,000, to be completed in fiscal 2025. The cost incurred in fiscal 2024 for this project was \$Nil.

15. Financial instruments:

- (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Township is exposed to credit risk with respect to accounts receivable on the Statement of Financial Position.

The Township assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Township at December 31, 2024 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations and Accumulated Surplus. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations and Accumulated Surplus.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Financial instruments (continued):

(a) Credit risk (continued):

	Current	Past due	Gross receivables	Allowances	Net receivables
Accounts receivable	\$ 914,939	\$ 145,275	\$ 1,060,214	\$ —	\$ 1,060,214
Taxes receivable	814,685	328,274	1,142,959	—	1,142,959
Total	\$ 1,729,624	\$ 473,549	\$ 2,203,173	\$ —	\$ 2,203,173

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Township's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2023.

(i) Currency risk:

Currency risk arises from the Township's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Township does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Township to cash flow interest rate risk.

The Township's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to long-term debt as described in note 9 and for fixed income investments as described in note 2. Fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

There has been no change to the interest rate risk exposure from 2023.

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Financial instruments (continued):

(b) Market risk (continued):

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Township is not exposed to this risk based on the current investment portfolio.

(c) Liquidity risk:

Liquidity risk is the risk that the Township will not be able to meet all of its cash outflow obligations as they come due. The Township mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 9.

There have been no significant changes from the previous year in the Township's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

16. Change in accounting policy – adoption of new accounting standards:

The Township adopted the following standards concurrently beginning January 1, 2024 prospectively: PS 3160 *Public Private Partnerships*, PS 3400 *Revenue* and PSG-8 *Purchased Intangibles*.

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

There was no impact to the financial statements as a result of adopting the new accounting standards.