

**The Corporation of the
Township of Muskoka Lakes
Consolidated Financial Statements
For the year ended December 31, 2018**

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Independent Auditor's Report

To the Members of Council, Residents and Ratepayers of
The Corporation of the Township of Muskoka Lakes

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Muskoka Lakes and its subsidiaries (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its results of operations, its change 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 Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants

Bracebridge, Ontario
August 15, 2019

**The Corporation of the Township of Muskoka Lakes
Consolidated Statement of Financial Position**

December 31	2018	2017
Financial assets		
Cash	\$ 14,849,261	\$ 11,860,954
Restricted cash (Note 1)	3,276,569	2,700,775
Taxes receivable (Note 2)	2,773,821	2,792,018
Trade and other receivables	307,913	415,605
	<u>21,207,564</u>	<u>17,769,352</u>
Liabilities		
Accounts payable and accrued liabilities	3,861,378	4,250,028
Tax revenue received in advance	2,220,052	2,251,292
Deferred revenue (Note 3)	3,276,569	2,700,775
Municipal debt (Note 4)	952,454	1,033,470
	<u>10,310,453</u>	<u>10,235,565</u>
Net financial assets	<u>10,897,111</u>	<u>7,533,787</u>
Non-financial assets		
Tangible capital assets (Note 5)	56,325,984	57,356,748
Inventories of supplies	248,384	211,563
Prepaid expenses	392,172	365,261
	<u>56,966,540</u>	<u>57,933,572</u>
Accumulated surplus (Note 6)	<u>\$ 67,863,651</u>	<u>\$ 65,467,359</u>

On behalf of Council:



The Corporation of the Township of Muskoka Lakes Consolidated Statement of Operations

For the year ended December 31	(Note 7) Budget 2018	Actual 2018	Actual 2017
Revenue			
Taxation (Note 8)	\$ 11,578,013	\$ 11,653,018	\$ 10,584,769
Fees and user charges	2,588,353	3,188,191	3,131,579
Government transfers - Federal (Note 9)	203,914	-	207,524
Government transfers - Ontario (Note 9)	1,692,116	1,725,336	1,705,457
Interest income	136,340	273,159	155,516
Interest and penalties on tax arrears	550,000	476,483	492,957
Gain on disposal of tangible capital assets	-	43,901	37,042
Contributed tangible capital asset (Note 5)	-	6,300	-
Donation income	5,500	2,487	157,818
Obligatory reserve fund revenue (Note 3)	359,950	78,369	445,047
	<u>17,114,186</u>	<u>17,447,244</u>	<u>16,917,709</u>
Expenses (Note 10)			
General government	3,072,569	2,994,208	2,791,938
Protection services	3,216,416	3,155,330	3,004,126
Transportation services	5,703,431	4,614,810	4,903,671
Health services	145,268	105,069	105,879
Recreation and cultural services	3,529,619	3,225,499	3,150,382
Planning and development	942,400	956,036	732,510
	<u>16,609,703</u>	<u>15,050,952</u>	<u>14,688,506</u>
Annual surplus	504,483	2,396,292	2,229,203
Accumulated surplus, beginning of year	<u>65,467,359</u>	<u>65,467,359</u>	<u>63,238,156</u>
Accumulated surplus, end of year	<u>\$ 65,971,842</u>	<u>\$ 67,863,651</u>	<u>\$ 65,467,359</u>

The Corporation of the Township of Muskoka Lakes
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	(Note 7) Budget 2018	Actual 2018	Actual 2017
Annual surplus	\$ 504,483	\$ 2,396,292	\$ 2,229,203
Acquisition of tangible capital assets	(4,497,981)	(2,416,915)	(3,061,592)
Amortization of tangible capital assets	3,656,809	3,067,248	3,072,031
Proceeds from sale of tangible capital assets	-	430,632	43,283
Gain on disposal of tangible capital assets	-	(43,901)	(37,042)
Contribution of tangible capital asset	-	(6,300)	-
	(336,689)	3,427,056	2,245,883
Consumption (acquisition) of supplies inventory	-	(36,821)	18,737
Consumption (acquisition) of prepaid expenses	-	(26,911)	243,488
	-	(63,732)	262,225
Increase in net financial assets	(336,689)	3,363,324	2,508,108
Net financial assets , beginning of year	7,533,787	7,533,787	5,025,679
Net financial assets , end of year	\$ 7,197,098	\$ 10,897,111	\$ 7,533,787

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The Corporation of the Township of Muskoka Lakes
Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 2,396,292	\$ 2,229,203
Non-cash items		
Contributed tangible capital asset	(6,300)	-
Amortization of tangible capital assets	3,067,248	3,072,031
Gain on disposal of tangible capital assets	(43,901)	(37,042)
	<u>5,413,339</u>	<u>5,264,192</u>
Changes in non-cash financial assets and liabilities		
Changes in taxes receivable	18,197	598,010
Changes in trade and other receivables	107,692	899,616
Changes in accounts payable and accrued liabilities	(388,650)	190,634
Changes in tax revenue received in advance	(31,240)	(31,155)
Changes in inventories of supplies	(36,821)	18,737
Changes in prepaid expenses	(26,911)	243,488
	<u>5,055,606</u>	<u>7,183,522</u>
Capital transactions		
Proceeds on disposal of tangible capital assets	430,632	43,283
Cash used to acquire tangible capital assets	(2,416,915)	(3,061,592)
	<u>(1,986,283)</u>	<u>(3,018,309)</u>
Financing transactions		
Debt repayment	(81,016)	(76,938)
Increase in cash	2,988,307	4,088,275
Cash, beginning of year	11,860,954	7,772,679
Cash, end of year	\$ 14,849,261	\$ 11,860,954

The Corporation of the Township of Muskoka Lakes Summary of Significant Accounting Policies

December 31, 2018

**Management's Responsibility
for the Financial Statements**

The consolidated financial statements of The Corporation of the Township of Muskoka Lakes ("Municipality") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The Corporation of the Township of Muskoka Lakes is a municipality in the province of Ontario. The municipality provides services such as general government services, protection to persons and property, transportation and roadways, recreation, public works, planning, parks and recreation.

Reporting Entity

The reporting entity includes the Municipality and all entities that are controlled by the Municipality.

All controlled entities are consolidated in the Municipality's financial statements according to the Municipality's percentage ownership except for entities that meet the definition of a government business enterprise or a government business partnership, which are included in the financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Entities fully consolidated in the Municipality's financial statements include:

Muskoka Lakes Public Library Board - 100%

Basis of Accounting

The consolidated financial statements have been prepared using Canadian public sector accounting standards.

Temporary Investments

Temporary investments are recorded at the lower of cost or market.

Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

The Corporation of the Township of Muskoka Lakes Summary of Significant Accounting Policies

December 31, 2018

Post Retirement Benefits

The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Non-financial Assets

Non-financial assets are used to provide the Municipality's services in future periods. These assets do not normally provide resources to discharge the liabilities of the Municipality unless they are sold. The Municipality's non-financial assets include tangible capital assets, inventories held for consumption or use and prepaid expenses

Inventories held for Use

Inventories of supplies held for consumption are recorded at the lower of cost and net realizable value.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 to 40 years
Buildings	25 to 40 years
Vehicles	5 to 20 years
Machinery and equipment	4 to 25 years
Roads, bridges and storm system	20 to 70 years

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

The Corporation of the Township of Muskoka Lakes Summary of Significant Accounting Policies

December 31, 2018

District and School Boards	The Municipality collects taxation revenue on behalf of the school boards and the District Municipality of Muskoka. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the District Municipality of Muskoka are not reflected in these consolidated financial statements.
Government Transfers	Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
Taxation Revenue	Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.
Revenue Recognition	<p>Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.</p> <p>Revenue related to fees or services received in advance of the fee being earned or when the service is performed is deferred and recognized when the fee is earned or the service is performed.</p> <p>The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.</p>
Trusts Under Administration	<p>Trusts administered by the Municipality are not included in these consolidated financial statements.</p> <p>The financial activity and position of the trust funds are reported separately on the schedule of trust funds balances and trust funds statement of continuity (Page 25).</p>

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

1. Restricted Cash

	2018	2017
Obligatory reserve funds		
Development Charges Act	\$ 1,323,567	\$ 1,142,374
Parkland	1,560,782	1,356,642
Federal gas tax	216,800	-
	3,101,149	2,499,016
Other		
Restricted donations for community centres	10,534	27,589
Restricted donations for fire department	9,267	13,289
Restricted donations for Health Hub	102,572	103,499
Restricted donations for library	3,229	8,814
Restricted donations for Wellness Centre	49,818	48,568
	\$ 3,276,569	\$ 2,700,775

2. Taxes Receivable

The Municipality is responsible for levying, collecting and remitting taxes imposed by School Boards and the District of Muskoka.

	2018	2017
Taxes receivable	\$ 2,834,321	\$ 2,852,518
Less: valuation allowance	(60,500)	(60,500)
	\$ 2,773,821	\$ 2,792,018

The Corporation of the Township of Muskoka Lakes Notes to Consolidated Financial Statements

December 31, 2018

3. Deferred Revenue

Deferred revenue arises when externally restricted amounts are received in advance and have not been fully expended for the specified purposes.

Obligatory reserve funds are reported as deferred revenue as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The balance of deferred revenue reported on the consolidated statement of financial position is made up of the following:

	2018	2017
Deferred revenue - obligatory reserve funds		
Development Charges Act	\$ 1,323,567	\$ 1,142,374
Parkland	1,560,782	1,356,642
Federal gas tax	216,800	-
	3,101,149	2,499,016
Deferred revenue - externally restricted		
Donations for community centres	10,534	27,589
Donations for fire department	9,267	13,289
Donations for Health Hub	102,572	103,499
Donations for library	3,229	8,814
Donations for Wellness Centre	49,818	48,568
	\$ 3,276,569	\$ 2,700,775

The net change during the year in the obligatory reserve fund balances is made up as follows:

	Development Charges Act	Parkland	Federal Gas Tax
Obligatory reserve funds, beginning of year	\$ 1,142,374	\$ 1,356,642	\$ -
Funds received during the year	157,689	227,160	213,624
Interest earned	36,120	42,733	3,176
Revenue recognized during the year	(12,616)	(65,753)	-
	\$ 1,323,567	\$ 1,560,782	\$ 216,800

The interest earned is included in the related fund. The Development Charges Act funds and Parkland funds recognized during the year are included in the consolidated statement of operations as obligatory reserve fund revenue. Federal Gas Tax funds recognized during the year are included in the consolidated statement of operations as government transfers - Federal.

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

4. Municipal Debt

	2018	2017
Debenture payable District Municipality of Muskoka, payable \$67,026 semi-annually including interest at 5.233%, due December 2027	\$ 952,454	\$ 1,033,470

Long-term debt payments for the next five years and thereafter are due as follows:

Year	Gross	Interest	Principal
2019	\$ 134,052	\$ 48,740	\$ 85,312
2020	134,052	44,218	89,834
2021	134,052	39,455	94,597
2022	134,052	34,440	99,612
2023	134,052	29,159	104,893
Thereafter	536,206	58,000	478,206
	\$ 1,206,466	\$ 254,012	\$ 952,454

Interest expense in the amount of \$53,035 (2017 - \$57,114) has been recognized in the consolidated statement of operations.

The Municipality has a revolving demand facility agreement with the Scotiabank. The amount available under the facility is \$6,000,000 to finance general operating requirements. The Municipality also has a 364-day revolving term credit facility of \$3,000,000. The interest rate on these facilities is prime less 0.5%. At December 31, 2018, the Municipality had not drawn on either of the credit capacities under the above facilities.

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

5. Tangible Capital Assets

For the year ended December 31	Land	Land Improvements	Land	Buildings	Vehicles and Equipment	Machinery and Equipment	Roads, Bridges and Storm System	Construction in Progress	2018 Total	2017 Total
Cost, beginning of year	\$ 8,099,967	\$ 10,786,068	\$ 8,803,239	\$ 21,395,093	\$ 8,478,542	\$ 63,188,767	\$ 45,343	\$ 120,797,019	\$ 118,526,746	
Additions	219,494	75,195	146,583	161,312	593,283	1,150,503	70,545	2,416,915	3,061,592	
Contributed	-	-	-	-	-	6,300	-	6,300	-	
Disposals	-	(40,378)	(51,774)	(602,583)	(92,616)	(125,618)	-	(912,969)	(791,319)	
Cost, end of year	8,319,461	10,820,885	8,898,048	20,953,822	8,979,209	64,219,952	115,888	122,307,265	120,797,019	
Accumulated amortization, beginning of year	-	6,081,852	4,638,174	8,826,399	4,861,145	39,032,701	-	63,440,271	61,153,318	
Amortization	-	329,728	534,643	475,180	634,019	1,093,678	-	3,067,248	3,072,031	
Disposals	-	(20,273)	(51,774)	(236,952)	(91,621)	(125,618)	-	(526,238)	(785,078)	
Accumulated amortization, end of year	-	6,391,307	5,121,043	9,064,627	5,403,543	40,000,761	-	65,981,281	63,440,271	
Net carrying amount, end of year	\$ 8,319,461	\$ 4,429,578	\$ 3,777,005	\$ 11,889,195	\$ 3,575,666	\$ 24,219,191	\$ 115,888	\$ 56,325,984	\$ 57,356,748	

The net book value of tangible capital assets not being amortized because they are under construction is \$115,888 (2017 - \$45,343). Included in roads, bridges and storm systems is land not being amortized with a net book value of \$5,508,945 (2017 - \$5,502,645).

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

6. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2018	2017
Reserves set aside for specific purposes by Council		
Working funds	\$ 2,197,794	\$ 2,009,890
Capital	1,042,260	484,482
	3,240,054	2,494,372
 Reserve funds set aside for specific purposes by Council		
Arenas	75,382	53,495
Attainable housing	32,331	23,040
Bala Heritage District professional fees	11,567	14,190
Building services	2,944,091	2,558,991
By-law	(576)	12,885
Cemeteries	82,756	70,638
Computer equipment	377,173	231,628
Education and training	39,557	33,487
Election	51,075	86,116
Fire	1,571,288	909,629
Health Hub municipal contributions	209,876	203,817
Library	69,125	19,726
Municipal building	6,393	6,209
Mural	63,708	47,085
Other equipment	61,596	99,270
Parking	50,950	201
Parks equipment	69,112	74,997
Planning	87,576	75,192
Roads	1,558,231	1,049,048
Street lighting	6,270	6,082
Weather event	27,106	26,323
	7,394,587	5,602,049
Total reserves and reserve funds	\$ 10,634,641	\$ 8,096,421

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

6. Accumulated Surplus (continued)

Amounts to be recovered in future years

Municipal debt	\$ (952,454)	\$ (1,033,470)
Future employee benefit obligation (sick leave)	(9,936)	(9,789)
	(962,390)	(1,043,259)

Surpluses

Invested in tangible capital assets	56,325,984	57,356,748
Other capital fund	1,476	1,476
Library surplus (deficit)	12,264	(346)
General surplus	1,851,676	1,056,319
Total surpluses	58,191,400	58,414,197

Accumulated surplus	\$ 67,863,651	\$ 65,467,359
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The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2018

7. Budget

The Budget was adopted by Council on February 16, 2019 and confirming by-law 2018-20 was passed on the same date. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards now require a full accrual basis. Council has reviewed and approved the 2018 Report on Excluded Expenses as required by Ontario Regulation 284/09 which expressly permits municipalities to exclude amortization expense from the budget. The budget approved by council represents a balanced budget from a cash flow perspective and therefore includes budgeted transfers from prior year's reserves and reduction of long-term debt. In addition, the budget expensed all tangible capital expenses rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on February 16, 2019 with adjustments as follows:

	<u>2018</u>
Budget surplus for the year	\$ -
Add:	
Capital expenses	4,497,981
Debt repayment	80,936
Transfers to reserve funds	2,020,261
Less:	
Amortization	(3,656,809)
Transfers from reserve funds	<u>(2,437,886)</u>
Budget surplus per statement of operations	<u>\$ 504,483</u>

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2018 budget amounts for the The Corporation of the Township of Muskoka Lakes approved by Council have been restated to conform to the basis of preparation of the revenues and expenses on the consolidated statement of operations.

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

8. Operations of School Boards and the District Municipality of Muskoka

During the year, the following taxation revenue was levied and remitted to the school boards and the District Municipality of Muskoka:

	2018	2017
Taxation	\$ 59,438,857	\$ 57,765,948
Taxation from other governments	313,513	280,521
Less: school board requisitions	(17,239,766)	(17,445,898)
Less: upper tier requisitions	(30,859,586)	(30,015,802)
	\$ 11,653,018	\$ 10,584,769

9. Government Transfers

	2018	2017
Revenue:		
Federal gas tax fund	\$ -	\$ 207,524
Ontario municipal partnership fund	\$ 1,477,100	\$ 1,492,100
Provincial operating grant - library	49,085	49,085
Other provincial grants	199,151	164,272
	\$ 1,725,336	\$ 1,705,457

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2018

10. Expenses by Object

Total operating expenses for the year reported on the consolidated statement of operations are as follows:

	(Note 7) Budget 2018	Actual 2018	Actual 2017
Amortization of tangible capital assets	\$ 3,656,809	\$ 3,067,248	\$ 3,072,031
Salaries and benefits	7,373,557	7,044,010	6,787,631
Materials	5,150,461	4,606,397	4,466,593
Contracted services	271,630	188,101	153,506
Rents and financial expenses	58,014	53,385	91,814
Interest on long-term debt	53,116	53,035	57,114
Contributions to other organizations	46,116	38,776	59,817
	\$ 16,609,703	\$ 15,050,952	\$ 14,688,506

11. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in these consolidated financial statements.

12. Subsequent Events

In May 2019, the Municipality experienced significant flooding causing erosion damage to various infrastructure systems, including roads and bridges. The full cost to repair the damage is not known at this time, nor is it certain what level of government funding will be available to assist in the repair costs, if any. The full cost of the remediation is not known as of the date of these consolidated financial statements and will be accrued at the time it is determined.

13. Contractual Obligations

The Municipality has outstanding contractual obligations of approximately \$1,200,000 for vehicles and equipment. The funding of this obligation has been authorized by Council in the 2018 budget.

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2018

14. Post Retirement Benefits

OMERS provides pension services to more than 496,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 million . Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2018 were \$464,601 (2017 - \$437,771).

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2018

15. Segmented Information

The Corporation of the Township of Muskoka Lakes is a lower-tier municipality that provides a wide range of services to its citizens. The Municipality is one of six lower-tier municipalities comprising the single upper-tier municipality of the District Municipality of Muskoka ("the District"). The District is a regional government that has assistance for social assistance payments, district roads, provision of police and ambulance services, district-wide emergency preparedness, regional planning, water and sewer systems and solid waste. The District collects taxes for the services it provides and these taxes are collected by the Municipality through its annual tax levy. For management reporting purposes, the Municipality's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipality services are provided by departments and their activities are reported in these funds.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of budgeted amounts. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation revenue - allocated to segments based on budgeted expenditures (net of budgeted non-tax revenue) for each segment

Ontario Municipal Partnership Fund grant - allocated to segments based on budgeted expenditures for related projects

Certain departments have been separately disclosed in the segmented information, along with the services they provide, as follows:

General Government

The general government department provides all general government services including municipal administration, finance, human resources and clerk's office.

Protection Services

The protection services department provides fire protection and emergency management services. The fire department provides vital emergency services to the community including fire prevention, public education and emergency planning. The department also handles the enforcement of zoning by-laws and the processing of building permit applications.

Transportation Services

The transportation services department provides delivery of municipal public works services relating to the planning, development and maintenance of roadway systems (including winter control activities) and street lighting.

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

15. Segmented Information (continued)

Health Services

The health services department manages, maintains and operates all municipal cemeteries that exist within the Municipality.

Recreation and Cultural Services

The recreational and cultural services department provides public recreation programs that foster healthy and active living and includes the operations of libraries.

Planning and Development

The planning and development department facilitates economic development by providing services for the approval of land development plans.

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

15. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Health Services	Recreation and Cultural Services	Planning and Development	2018 Total
Revenue							
Taxation	\$ 2,629,703	\$ 1,458,846	\$ 4,439,575	\$ 63,410	\$ 2,321,885	\$ 739,599	\$ 11,653,018
Fees and user charges	515,745	1,624,402	464,687	12,077	258,956	312,324	3,188,191
Government transfers	266,721	940,431	431,245	-	86,939	-	1,725,336
Gain (loss) on disposal of tangible capital assets	-	4,800	-	-	39,101	-	43,901
Obligatory reserve fund revenue recognized	8,038	4,578	-	-	65,753	-	78,369
Other	755,028	-	-	914	2,487	-	758,429
	4,175,235	4,033,057	5,335,507	76,401	2,775,121	1,051,923	17,447,244
Expenses							
Amortization	229,985	644,201	1,419,462	54,205	719,395	-	3,067,248
Salaries and benefits	1,742,155	1,662,177	1,745,301	16,872	1,260,711	616,794	7,044,010
Materials	917,679	814,616	1,284,283	33,990	1,216,587	339,242	4,606,397
Contracted services	-	-	165,764	-	22,337	-	188,101
Rents and financial expenses	12,578	34,336	-	-	6,471	-	53,385
Interest on long-term debt	53,035	-	-	-	-	-	53,035
Contributions to other organizations	38,776	-	-	-	-	-	38,776
Inter-segment transfers	(30,000)	30,000	-	-	-	-	-
	2,964,208	3,185,330	4,614,810	105,067	3,225,501	956,036	15,050,952
	\$ 1,211,027	\$ 847,727	\$ 720,697	\$ (28,666)	\$ (450,380)	\$ 95,887	\$ 2,396,292

The Corporation of the Township of Muskoka Lakes
Notes to Consolidated Financial Statements

December 31, 2018

15. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Health Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue							
Taxation	\$ 2,402,587	\$ 1,311,708	\$ 4,360,109	\$ 52,485	\$ 1,854,991	\$ 602,889	\$ 10,584,769
Fees and user charges	360,022	1,697,416	513,366	16,690	244,748	299,337	3,131,579
Government transfers	173,543	408,991	1,268,580	-	61,867	-	1,912,981
Gain (loss) on disposal of tangible capital assets	-	14,510	22,532	-	-	-	37,042
Obligatory reserve fund revenue recognized	-	-	-	-	445,047	-	445,047
Other	630,486	153,814	-	17,915	4,076	-	806,291
	<u>3,566,638</u>	<u>3,586,439</u>	<u>6,164,587</u>	<u>87,090</u>	<u>2,610,729</u>	<u>902,226</u>	<u>16,917,709</u>
Expenses							
Amortization of tangible capital assets	155,131	626,652	1,512,358	56,033	721,858	-	3,072,032
Salaries and benefits	1,583,456	1,526,382	1,875,589	25,577	1,169,790	606,836	6,787,630
Materials	902,143	801,402	1,403,075	24,269	1,210,030	125,674	4,466,593
Contracted services	-	-	112,649	-	40,857	-	153,506
Rents and financial expenses	34,277	49,690	-	-	7,847	-	91,814
Interest on long-term debt	57,114	-	-	-	-	-	57,114
Contributions to other organizations	59,817	-	-	-	-	-	59,817
Inter-segment transfers	(30,000)	30,000	-	-	-	-	-
	<u>2,761,938</u>	<u>3,034,126</u>	<u>4,903,671</u>	<u>105,879</u>	<u>3,150,382</u>	<u>732,510</u>	<u>14,688,506</u>
	<u>\$ 804,700</u>	<u>\$ 552,313</u>	<u>\$ 1,260,916</u>	<u>\$ (18,789)</u>	<u>\$ (539,653)</u>	<u>\$ 169,716</u>	<u>\$ 2,229,203</u>

The Corporation of the Township of Muskoka Lakes
Schedule of Trust Fund Balances and Continuity

Cemetery Care and Maintenance Trust Fund
Balances as at December 31, 2018

	2018	2017
Assets		
Due from general account	\$ 3,760	\$ 5,270
Investments	476,380	469,900
	\$ 480,140	\$ 475,170
Fund balances	\$ 480,140	\$ 475,170

Continuity of Cemetery Care and Maintenance Trust Fund
for the year ended December 31, 2018

	2018	2017
Balance , beginning of year	\$ 475,170	\$ 469,400
Receipts		
Perpetual care receipts	4,970	5,770
Balance , end of year	\$ 480,140	\$ 475,170