

**The Corporation of the  
Township of Muskoka Lakes  
Consolidated Financial Statements  
For the year ended December 31, 2020**

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## Independent Auditor's Report

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To the Members of Council 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, 2020, 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, 2020, 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  
October 13, 2021

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

| <b>December 31</b>                       | <b>2020</b>          | <b>2019</b>          |
|--|----------------------|----------------------|
| <b>Financial assets</b>                  |                      |                      |
| Cash                                     | \$ 19,235,818        | \$ 17,235,022        |
| Restricted cash (Note 1)                 | 3,640,212            | 3,628,709            |
| Taxes receivable (Note 2)                | 4,294,479            | 3,370,705            |
| Trade and other receivables              | 1,061,425            | 1,009,462            |
|  | <u>28,231,934</u>    | <u>25,243,898</u>    |
| <b>Liabilities</b>                       |                      |                      |
| Accounts payable and accrued liabilities | 4,567,649            | 4,387,589            |
| Tax revenue received in advance          | 2,097,046            | 2,229,355            |
| Deferred revenue (Note 3)                | 3,640,212            | 3,628,709            |
| Municipal debt (Note 4)                  | 777,308              | 867,142              |
|  | <u>11,082,215</u>    | <u>11,112,795</u>    |
| <b>Net financial assets</b>              | <u>17,149,719</u>    | <u>14,131,103</u>    |
| <b>Non-financial assets</b>              |                      |                      |
| Tangible capital assets (Note 5)         | 57,385,727           | 57,067,670           |
| Inventories of supplies                  | 260,248              | 300,864              |
| Prepaid expenses                         | 605,135              | 412,241              |
|  | <u>58,251,110</u>    | <u>57,780,775</u>    |
| <b>Accumulated surplus (Note 6)</b>      | <u>\$ 75,400,829</u> | <u>\$ 71,911,878</u> |

On behalf of Council:



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

| <b>For the year ended December 31</b>         | (Note 7)<br>Budget<br>2020 | <b>Actual<br/>2020</b>      | (Note 14)<br>Actual<br>2019 |
|---|----------------------------|-----------------------------|-----------------------------|
| <b>Revenue</b>                                |                            |                             |                             |
| Taxation (Note 8)                             | \$ 12,501,546              | <b>\$ 12,549,825</b>        | \$ 12,323,847               |
| Fees and user charges                         | 3,131,150                  | <b>2,952,077</b>            | 3,429,053                   |
| Government transfers - Federal (Note 9)       | 199,900                    | <b>599,510</b>              | 234,603                     |
| Government transfers - Ontario (Note 9)       | 1,778,062                  | <b>2,370,650</b>            | 2,699,623                   |
| Interest income                               | 366,340                    | <b>233,705</b>              | 426,295                     |
| Interest and penalties on tax arrears         | 510,000                    | <b>523,885</b>              | 549,510                     |
| Gain on disposal of tangible capital assets   | -                          | <b>26,165</b>               | 71,926                      |
| Contributed tangible capital asset (Note 5)   | -                          | -                           | 10,500                      |
| Donation income                               | 2,500                      | <b>6,221</b>                | 68,902                      |
| Obligatory reserve fund revenue (Note 3)      | 546,100                    | <b>161,717</b>              | 303,199                     |
|   | <u>19,035,598</u>          | <u><b>19,423,755</b></u>    | <u>20,117,458</u>           |
| <b>Expenses (Note 10)</b>                     |                            |                             |                             |
| General government                            | 4,576,355                  | <b>3,582,639</b>            | 3,319,150                   |
| Protection services                           | 3,329,659                  | <b>3,175,494</b>            | 3,159,139                   |
| Transportation services                       | 4,744,815                  | <b>5,069,082</b>            | 5,257,755                   |
| Health services                               | 144,208                    | <b>131,381</b>              | 144,937                     |
| Recreation and cultural services              | 2,493,798                  | <b>3,004,181</b>            | 3,105,225                   |
| Planning and development                      | 1,126,853                  | <b>972,027</b>              | 1,083,025                   |
|   | <u>16,415,688</u>          | <u><b>15,934,804</b></u>    | <u>16,069,231</u>           |
| <b>Annual surplus</b>                         | 2,619,910                  | <b>3,488,951</b>            | 4,048,227                   |
| <b>Accumulated surplus, beginning of year</b> | 71,911,878                 | <b>71,911,878</b>           | 67,863,651                  |
| <b>Accumulated surplus, end of year</b>       | <u>\$ 74,531,788</u>       | <u><b>\$ 75,400,829</b></u> | <u>\$ 71,911,878</u>        |

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

| <b>For the year ended December 31</b>           | (Note 7)<br>Budget<br>2020 | <b>Actual<br/>2020</b> | Actual<br>2019 |
|---|----------------------------|------------------------|----------------|
| Annual surplus                                  | \$ 2,619,910               | \$ <b>3,488,951</b>    | \$ 4,048,227   |
| Acquisition of tangible capital assets          | (5,507,100)                | <b>(3,653,380)</b>     | (3,886,997)    |
| Amortization of tangible capital assets         | 3,241,783                  | <b>3,252,464</b>       | 3,155,812      |
| Proceeds from sale of tangible capital assets   | -                          | <b>109,024</b>         | 71,926         |
| Gain on disposal of tangible capital assets     | -                          | <b>(26,165)</b>        | (71,926)       |
| Contribution of tangible capital asset          | -                          | -                      | (10,500)       |
|   | <b>354,593</b>             | <b>3,170,894</b>       | 3,306,542      |
| Consumption (acquisition) of supplies inventory | -                          | <b>40,616</b>          | (52,481)       |
| Consumption (acquisition) of prepaid expenses   | -                          | <b>(192,894)</b>       | (20,069)       |
|   | -                          | <b>(152,278)</b>       | (72,550)       |
| <b>Increase in net financial assets</b>         | 354,593                    | <b>3,018,616</b>       | 3,233,992      |
| <b>Net financial assets, beginning of year</b>  | 14,131,103                 | <b>14,131,103</b>      | 10,897,111     |
| <b>Net financial assets, end of year</b>        | \$ 14,485,696              | <b>\$ 17,149,719</b>   | \$ 14,131,103  |

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                       | 2020                 | 2019                 |
|--|----------------------|----------------------|
| <b>Operating transactions</b>                        |                      |                      |
| Annual surplus                                       | \$ 3,488,951         | \$ 4,048,227         |
| Non-cash items                                       |                      |                      |
| Contributed tangible capital asset                   | -                    | (10,500)             |
| Amortization of tangible capital assets              | 3,252,464            | 3,155,812            |
| Gain on disposal of tangible capital assets          | (26,165)             | (71,926)             |
|  | <u>6,715,250</u>     | <u>7,121,613</u>     |
| Changes in non-cash financial assets and liabilities |                      |                      |
| Changes in taxes receivable                          | (923,774)            | (596,884)            |
| Changes in trade and other receivables               | (51,963)             | (701,549)            |
| Changes in accounts payable and accrued liabilities  | 180,060              | 526,210              |
| Changes in tax revenue received in advance           | (132,309)            | 9,303                |
| Changes in inventories of supplies                   | 40,616               | (52,480)             |
| Changes in prepaid expenses                          | (192,894)            | (20,069)             |
|  | <u>5,634,986</u>     | <u>6,286,144</u>     |
| <b>Capital transactions</b>                          |                      |                      |
| Proceeds on disposal of tangible capital assets      | 109,024              | 71,926               |
| Cash used to acquire tangible capital assets         | (3,653,380)          | (3,886,997)          |
|  | <u>(3,544,356)</u>   | <u>(3,815,071)</u>   |
| <b>Financing transactions</b>                        |                      |                      |
| Debt repayment                                       | (89,834)             | (85,312)             |
| <b>Increase in cash</b>                              | <b>2,000,796</b>     | <b>2,385,761</b>     |
| <b>Cash, beginning of year</b>                       | <b>17,235,022</b>    | <b>14,849,261</b>    |
| <b>Cash, end of year</b>                             | <b>\$ 19,235,818</b> | <b>\$ 17,235,022</b> |

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

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

**December 31, 2020**

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**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.



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

**December 31, 2020**

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|                                 |  |                   |                |           |                |          |               |                         |               |                                 |                |
|---------------------------------|--|-------------------|----------------|-----------|----------------|----------|---------------|-------------------------|---------------|---------------------------------|----------------|
| <b>Post Retirement Benefits</b> | 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.   |                   |                |           |                |          |               |                         |               |                                 |                |
| <b>Non-financial Assets</b>     | 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  |                   |                |           |                |          |               |                         |               |                                 |                |
| <b>Inventories held for Use</b> | Inventories of supplies held for consumption are recorded at the lower of cost and net realizable value.   |                   |                |           |                |          |               |                         |               |                                 |                |
| <b>Tangible Capital Assets</b>  | <p>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:</p> <table><tr><td>Land improvements</td><td>10 to 40 years</td></tr><tr><td>Buildings</td><td>25 to 40 years</td></tr><tr><td>Vehicles</td><td>5 to 20 years</td></tr><tr><td>Machinery and equipment</td><td>4 to 25 years</td></tr><tr><td>Roads, bridges and storm system</td><td>20 to 70 years</td></tr></table> | 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 |
| 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   |                   |                |           |                |          |               |                         |               |                                 |                |
| <b>Leases</b>                   | 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.  |                   |                |           |                |          |               |                         |               |                                 |                |

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

**December 31, 2020**

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**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.

**Use of Estimates**

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. The principal estimates used in the preparation of these consolidated financial statements are the determination of the valuation allowance for receivables, the estimated useful life of tangible capital assets and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

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

**December 31, 2020**

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**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**

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.

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.

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.

**Trusts Under Administration**

Trusts administered by the Municipality are not included in these consolidated financial statements.

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 26).

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

**December 31, 2020**

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**1. Restricted Cash**

|  | <b>2020</b>         | 2019         |
|--|---------------------|--------------|
| Obligatory reserve funds                   |                     |              |
| Development Charges Act                    | <b>\$ 1,969,709</b> | \$ 1,609,599 |
| Parkland                                   | <b>1,584,135</b>    | 1,464,018    |
| Federal gas tax                            | -                   | 399,655      |
|  | <b>3,553,844</b>    | 3,473,272    |
| Other                                      |                     |              |
| Restricted donations for community centres | <b>20,248</b>       | 88,995       |
| Restricted donations for fire department   | -                   | 7,829        |
| Restricted donations for Health Hub        | <b>5,705</b>        | 32           |
| Restricted donations for library           | <b>10,438</b>       | 7,763        |
| Restricted donations for Wellness Centre   | <b>49,977</b>       | 50,818       |
|  | <b>\$ 3,640,212</b> | \$ 3,628,709 |

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**2. Taxes Receivable**

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

|                           | <b>2020</b>         | 2019         |
|---------------------------|---------------------|--------------|
| Taxes receivable          | <b>\$ 4,354,979</b> | \$ 3,431,205 |
| Less: valuation allowance | <b>(60,500)</b>     | (60,500)     |
|                           | <b>\$ 4,294,479</b> | \$ 3,370,705 |

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

**December 31, 2020**

### 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:

|  | 2020                | 2019         |
|--|---------------------|--------------|
| <b>Deferred revenue - obligatory reserve funds</b> |                     |              |
| Development Charges Act                            | \$ 1,969,709        | \$ 1,609,599 |
| Parkland   | 1,584,135           | 1,464,018    |
| Federal gas tax                                    | -                   | 399,655      |
|  | <b>3,553,844</b>    | 3,473,272    |
| <b>Deferred revenue - externally restricted</b>    |                     |              |
| Donations for community centres                    | 20,248              | 88,995       |
| Donations for fire department                      | -                   | 7,829        |
| Donations for Health Hub                           | 5,705               | 32           |
| Donations for library                              | 10,438              | 7,763        |
| Donations for Wellness Centre                      | 49,977              | 50,818       |
|  | <b>\$ 3,640,212</b> | \$ 3,628,709 |

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

|  | Development<br>Charges Act | Parkland     | Federal<br>Gas Tax |
|--|----------------------------|--------------|--------------------|
| <b>Obligatory reserve funds, beginning of year</b> | \$ 1,609,599               | \$ 1,464,018 | \$ 399,655         |
| Funds received during the year                     | 332,518                    | 262,200      | 199,855            |
| Interest earned                                    | 27,592                     | 19,635       | -                  |
| Revenue recognized during the year                 | -                          | (161,718)    | (599,510)          |
|  | <b>\$ 1,969,709</b>        | \$ 1,584,135 | \$ -               |

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.

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

**December 31, 2020**

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**4. Municipal Debt**

|  | <b>2020</b>       | 2019       |
|--|-------------------|------------|
| Debenture payable District Municipality of Muskoka,<br>payable \$67,026 semi-annually including interest at<br>5.233%, due December 2027 | <b>\$ 777,308</b> | \$ 867,142 |

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

| Year       | Gross             | Interest          | Principal         |
|------------|-------------------|-------------------|-------------------|
| 2021       | \$ 134,052        | \$ 39,455         | \$ 94,597         |
| 2022       | 134,052           | 34,440            | 99,612            |
| 2023       | 134,052           | 29,159            | 104,893           |
| 2024       | 134,052           | 23,598            | 110,454           |
| 2025       | 134,052           | 17,743            | 116,309           |
| Thereafter | 268,104           | 16,661            | 251,443           |
|            | <b>\$ 938,364</b> | <b>\$ 161,056</b> | <b>\$ 777,308</b> |

Interest expense in the amount of \$44,217 (2019 - \$48,740) 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, interest at prime less 0.75%, to finance general operating requirements. The Municipality also has a 364-day revolving term credit facility of \$3,000,000, interest at prime less 0.5%. At December 31, 2020, the Municipality had not drawn on either of the credit capacities under the above facilities.

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

**December 31, 2020**

**5. Tangible Capital Assets**

| For the year ended December 31     | Land             | Land<br>Improvements | Buildings         | Vehicles          | Machinery<br>and Equipment | Roads,<br>Bridges and<br>Storm System | Construction<br>in Progress | 2020<br>Total      | 2019<br>Total      |
|------------------------------------|------------------|----------------------|-------------------|-------------------|----------------------------|---------------------------------------|-----------------------------|--------------------|--------------------|
| <b>Cost, beginning of year</b>     | \$ 8,322,963     | \$ 11,039,721        | \$ 21,194,686     | \$ 9,864,096      | \$ 9,814,400               | \$ 65,041,431                         | \$ 255,839                  | \$ 125,533,136     | \$ 122,307,266     |
| Additions                          | -                | 144,250              | 243,098           | 1,005,403         | 429,906                    | 1,928,356                             | -                           | 3,751,013          | 3,886,997          |
| Contributed                        | -                | -                    | -                 | -                 | -                          | -                                     | -                           | -                  | 10,500             |
| Disposals                          | -                | -                    | -                 | (314,609)         | (503,401)                  | -                                     | (97,633)                    | (915,643)          | (671,627)          |
| <b>Cost, end of year</b>           | <b>8,322,963</b> | <b>11,183,971</b>    | <b>21,437,784</b> | <b>10,554,890</b> | <b>9,740,905</b>           | <b>66,969,787</b>                     | <b>158,206</b>              | <b>128,368,506</b> | <b>125,533,136</b> |
| <b>Accumulated amortization,</b>   |                  |                      |                   |                   |                            |                                       |                             |                    |                    |
| beginning of year                  | -                | 6,724,873            | 9,525,266         | 5,229,514         | 5,997,928                  | 40,987,885                            | -                           | 68,465,466         | 65,981,281         |
| Amortization                       | -                | 335,719              | 459,962           | 604,475           | 686,443                    | 1,165,865                             | -                           | 3,252,464          | 3,155,812          |
| Disposals                          | -                | -                    | -                 | (249,225)         | (485,926)                  | -                                     | -                           | (735,151)          | (671,627)          |
| <b>Accumulated amortization,</b>   |                  |                      |                   |                   |                            |                                       |                             |                    |                    |
| end of year                        | -                | 7,060,592            | 9,985,228         | 5,584,764         | 6,198,445                  | 42,153,750                            | -                           | 70,982,779         | 68,465,466         |
| <b>Net carrying amount, end of</b> |                  |                      |                   |                   |                            |                                       |                             |                    |                    |
| year                               | \$ 8,322,963     | \$ 4,123,379         | \$ 11,452,556     | \$ 4,970,126      | \$ 3,542,460               | \$ 24,816,037                         | \$ 158,206                  | \$ 57,385,727      | \$ 57,067,670      |

The net book value of tangible capital assets not being amortized because they are under construction is \$158,206 (2019 - \$255,839). Included in roads, bridges and storm systems is land not being amortized with a net book value of \$5,508,945 (2019 - \$5,508,945).

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

**December 31, 2020**

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**6. Accumulated Surplus**

The Municipality segregates its accumulated surplus in the following categories:

|  | <b>2020</b>              | 2019              |
|--|--------------------------|-------------------|
| <b>Reserves set aside for general purposes by Council</b>  |                          |                   |
| Working funds  | <b>\$ 2,583,339</b>      | \$ 2,159,648      |
| Capital  | <b>2,140,710</b>         | 1,411,848         |
|  | <b>4,724,049</b>         | 3,571,496         |
| <b>Reserves set aside for specific purposes by Council</b> |                          |                   |
| Arenas   | <b>147,045</b>           | 165,606           |
| Attainable housing   | <b>51,154</b>            | 41,895            |
| Bala Heritage District professional fees                   | <b>10,786</b>            | 10,612            |
| Building services  | <b>3,943,233</b>         | 3,427,716         |
| By-law   | <b>25,503</b>            | 12,393            |
| Cemeteries   | <b>112,395</b>           | 105,890           |
| Computer equipment   | <b>1,331,099</b>         | 1,121,956         |
| Education and training                                     | <b>41,377</b>            | 40,707            |
| Election   | <b>106,496</b>           | 80,295            |
| Fire   | <b>466,193</b>           | 973,740           |
| Health Hub municipal contributions                         | <b>173,909</b>           | 166,135           |
| Library  | <b>95,359</b>            | 71,636            |
| Municipal building   | <b>49,053</b>            | 32,884            |
| Mural  | <b>97,735</b>            | 80,779            |
| Other equipment  | <b>111,643</b>           | 132,996           |
| Parking  | <b>110,954</b>           | 109,159           |
| Parks equipment  | <b>47,008</b>            | 14,308            |
| Planning   | <b>65,697</b>            | 69,593            |
| Roads  | <b>1,145,943</b>         | 2,093,787         |
| Street lighting  | <b>21,323</b>            | 6,453             |
| Weather event  | <b>28,353</b>            | 27,894            |
|  | <b>8,182,258</b>         | 8,786,434         |
| <br>Total reserves and reserve funds                       | <br><b>\$ 12,906,307</b> | <br>\$ 12,357,930 |

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

**December 31, 2020**

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**6. Accumulated Surplus (continued)**

**Amounts to be recovered in future years**

|   |                     |              |
|---|---------------------|--------------|
| Municipal debt                                  | <b>\$ (777,308)</b> | \$ (867,142) |
| Future employee benefit obligation (sick leave) | -                   | (10,135)     |

|                  |                  |
|------------------|------------------|
| <b>(777,308)</b> | <b>(877,277)</b> |
|------------------|------------------|

**Surpluses**

|                                     |                   |            |
|-------------------------------------|-------------------|------------|
| Invested in tangible capital assets | <b>57,385,727</b> | 57,067,670 |
| Other capital fund                  | <b>1,476</b>      | 1,476      |
| Library surplus                     | <b>83,565</b>     | 92,987     |
| General surplus                     | <b>5,801,062</b>  | 3,269,092  |

|                 |                   |            |
|-----------------|-------------------|------------|
| Total surpluses | <b>63,271,830</b> | 60,431,225 |
|-----------------|-------------------|------------|

|                            |                      |                      |
|----------------------------|----------------------|----------------------|
| <b>Accumulated surplus</b> | <b>\$ 75,400,829</b> | <b>\$ 71,911,878</b> |
|----------------------------|----------------------|----------------------|

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

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## The Corporation of the Township of Muskoka Lakes

### Notes to Consolidated Financial Statements

**December 31, 2020**

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#### 7. Budget

The Budget was adopted by Council on May 13, 2020 and confirming by-law 2020-39 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 2020 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 May 13, 2020 with adjustments as follows:

|  | <u>2020</u>         |
|--|---------------------|
| Budget surplus for the year                | \$ -                |
| Add:                                       |                     |
| Capital expenses                           | 5,507,100           |
| Debt repayment                             | 89,834              |
| Transfers to reserve funds                 | 3,417,882           |
| Less:                                      |                     |
| Amortization                               | (3,241,783)         |
| Transfers from reserve funds               | <u>(3,153,123)</u>  |
| Budget surplus per statement of operations | <u>\$ 2,619,910</u> |

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2020 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.

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## The Corporation of the Township of Muskoka Lakes

### Notes to Consolidated Financial Statements

**December 31, 2020**

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#### 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:

|                                 | 2020                 | 2019          |
|---------------------------------|----------------------|---------------|
| Taxation                        | <b>\$ 62,107,428</b> | \$ 60,779,207 |
| Taxation from other governments | <b>299,445</b>       | 303,924       |
| Less: school board requisitions | <b>(17,047,402)</b>  | (16,997,720)  |
| Less: upper tier requisitions   | <b>(32,809,646)</b>  | (31,761,564)  |
|                                 | <b>\$ 12,549,825</b> | \$ 12,323,847 |

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#### 9. Government Transfers

|                                      | 2020                | 2019         |
|--------------------------------------|---------------------|--------------|
| <b>Revenue:</b>                      |                     |              |
| Federal gas tax fund                 | <b>\$ 599,510</b>   | \$ 234,603   |
| Ontario municipal partnership fund   | <b>\$ 1,473,300</b> | \$ 1,481,000 |
| Provincial operating grant - library | <b>49,085</b>       | 49,085       |
| Other provincial grants              | <b>848,265</b>      | 1,169,538    |
| Total provincial grants              | <b>\$ 2,370,650</b> | \$ 2,699,623 |

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

**December 31, 2020**

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**10. Expenses by Object**

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

|   | (Note 7)<br>Budget<br>2020 | <b>Actual<br/>2020</b> | Actual<br>2019       |
|---|----------------------------|------------------------|----------------------|
| Amortization of tangible capital assets | \$ 3,241,783               | \$ <b>3,252,463</b>    | \$ 3,155,813         |
| Salaries and benefits                   | 8,302,746                  | <b>7,800,902</b>       | 7,364,449            |
| Materials                               | 4,380,491                  | <b>4,464,726</b>       | 5,022,783            |
| Contracted services                     | 219,300                    | <b>205,129</b>         | 226,692              |
| Rents and financial expenses            | 80,000                     | <b>64,367</b>          | 101,483              |
| Interest on long-term debt              | 44,218                     | <b>44,217</b>          | 48,740               |
| Contributions to other organizations    | 147,150                    | <b>103,000</b>         | 149,271              |
|   | <b>\$ 16,415,688</b>       | <b>\$ 15,934,804</b>   | <b>\$ 16,069,231</b> |

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**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.

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**12. Commitments**

In April 2021, The Corporation of the Township of Muskoka Lakes entered into a contract for replacement of the Milford Bay Bridge totaling \$1,157,000 plus HST.

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## **The Corporation of the Township of Muskoka Lakes**

### **Notes to Consolidated Financial Statements**

**December 31, 2020**

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#### **13. Post Retirement Benefits**

OMERS provides pension services to more than 525,000 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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million in respect of benefits accrued for service with actuarial assets at that date of \$109,844 million indicating an actuarial deficit of \$3,211 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 2020 were \$516,563 (2019 - \$470,679).

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#### **14. Comparative Figures**

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

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# The Corporation of the Township of Muskoka Lakes

## Notes to Consolidated Financial Statements

December 31, 2020

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### 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.

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

**December 31, 2020**

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**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.

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

**December 31, 2020**

**15. Segmented Information (continued)**

| For the year ended December 31                     | General<br>Government | Protection<br>Services | Transportation<br>Services | Health<br>Services | Recreation<br>and Cultural<br>Services | Planning and<br>Development | 2020<br>Total       |
|--|-----------------------|------------------------|----------------------------|--------------------|--|-----------------------------|---------------------|
| <b>Revenue</b>                                     |                       |                        |                            |                    |  |                             |                     |
| Taxation   | \$ 3,758,107          | \$ 1,563,650           | \$ 3,717,080               | \$ 65,072          | \$ 2,477,395                           | \$ 968,521                  | \$ 12,549,825       |
| Fees and user charges                              | 396,119               | 1,741,278              | 450,275                    | 16,703             | 87,539                                 | 260,163                     | 2,952,077           |
| Government transfers                               | 608,421               | 196,177                | 2,112,652                  | -                  | 52,910                                 | -                           | 2,970,160           |
| Gain (loss) on disposal of tangible capital assets | -                     | -                      | 26,165                     | -                  | -                                      | -                           | 26,165              |
| Obligatory reserve fund revenue recognized         | -                     | -                      | -                          | -                  | 161,717                                | -                           | 161,717             |
| Other  | 747,408               | -                      | -                          | 10,180             | 6,223                                  | -                           | 763,811             |
|  | <u>5,510,055</u>      | <u>3,501,105</u>       | <u>6,306,172</u>           | <u>91,955</u>      | <u>2,785,784</u>                       | <u>1,228,684</u>            | <u>19,423,755</u>   |
| <b>Expenses</b>                                    |                       |                        |                            |                    |  |                             |                     |
| Amortization                                       | 313,003               | 628,993                | 1,560,578                  | 57,682             | 692,207                                | -                           | 3,252,463           |
| Salaries and benefits                              | 1,994,216             | 1,766,682              | 1,862,770                  | 30,255             | 1,465,408                              | 681,571                     | 7,800,902           |
| Materials  | 1,090,732             | 745,796                | 1,451,185                  | 43,444             | 843,113                                | 290,456                     | 4,464,726           |
| Contracted services                                | 7,430                 | -                      | 194,549                    | -                  | 3,150                                  | -                           | 205,129             |
| Rents and financial expenses                       | 30,041                | 34,023                 | -                          | -                  | 303                                    | -                           | 64,367              |
| Interest on long-term debt                         | 44,217                | -                      | -                          | -                  | -                                      | -                           | 44,217              |
| Contributions to other organizations               | 103,000               | -                      | -                          | -                  | -                                      | -                           | 103,000             |
| Inter-segment transfers                            | (35,000)              | 35,000                 | -                          | -                  | -                                      | -                           | -                   |
|  | <u>3,547,639</u>      | <u>3,210,494</u>       | <u>5,069,082</u>           | <u>131,381</u>     | <u>3,004,181</u>                       | <u>972,027</u>              | <u>15,934,804</u>   |
|  | <u>\$ 1,962,416</u>   | <u>\$ 290,611</u>      | <u>\$ 1,237,090</u>        | <u>\$ (39,426)</u> | <u>\$ (218,397)</u>                    | <u>\$ 256,657</u>           | <u>\$ 3,488,951</u> |



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

**December 31, 2020**

**15. Segmented Information (continued)**

| For the year ended December 31                     | General<br>Government | Protection<br>Services | Transportation<br>Services | Health<br>Services | Recreation<br>and Cultural<br>Services | Planning and<br>Development | (Note 14)<br>2019<br>Total |
|--|-----------------------|------------------------|----------------------------|--------------------|--|-----------------------------|----------------------------|
| <b>Revenue</b>                                     |                       |                        |                            |                    |  |                             |                            |
| Taxation   | \$ 3,409,326          | \$ 1,489,403           | \$ 3,750,216               | \$ 44,836          | \$ 2,540,460                           | \$ 1,089,606                | \$ 12,323,847              |
| Fees and user charges                              | 358,467               | 1,734,392              | 740,419                    | 23,080             | 237,707                                | 334,988                     | 3,429,053                  |
| Government transfers                               | 969,934               | 357,377                | 1,540,001                  | -                  | 66,914                                 | -                           | 2,934,226                  |
| Gain (loss) on disposal of tangible capital assets | -                     | 1,200                  | 66,726                     | -                  | 4,000                                  | -                           | 71,926                     |
| Obligatory reserve fund revenue recognized         | 22,137                | -                      | -                          | -                  | 281,062                                | -                           | 303,199                    |
| Other  | 975,567               | -                      | -                          | 75,381             | 4,259                                  | -                           | 1,055,207                  |
|  | <u>5,735,431</u>      | <u>3,582,372</u>       | <u>6,097,362</u>           | <u>143,297</u>     | <u>3,134,402</u>                       | <u>1,424,594</u>            | <u>20,117,458</u>          |
| <b>Expenses</b>                                    |                       |                        |                            |                    |  |                             |                            |
| Amortization of tangible capital assets            | 283,789               | 645,285                | 1,473,263                  | 55,883             | 697,589                                | -                           | 3,155,809                  |
| Salaries and benefits                              | 1,811,775             | 1,737,382              | 1,755,444                  | 51,002             | 1,358,218                              | 650,631                     | 7,364,452                  |
| Materials  | 940,488               | 725,884                | 1,842,965                  | 38,049             | 1,043,003                              | 432,394                     | 5,022,783                  |
| Contracted services                                | 40,551                | -                      | 186,084                    | -                  | 58                                     | -                           | 226,693                    |
| Rents and financial expenses                       | 44,535                | 50,588                 | -                          | -                  | 6,360                                  | -                           | 101,483                    |
| Interest on long-term debt                         | 48,740                | -                      | -                          | -                  | -                                      | -                           | 48,740                     |
| Contributions to other organizations               | 149,271               | -                      | -                          | -                  | -                                      | -                           | 149,271                    |
| Inter-segment transfers                            | (35,000)              | 35,000                 | -                          | -                  | -                                      | -                           | -                          |
|  | <u>3,284,149</u>      | <u>3,194,139</u>       | <u>5,257,756</u>           | <u>144,934</u>     | <u>3,105,228</u>                       | <u>1,083,025</u>            | <u>16,069,231</u>          |
|  | <u>\$ 2,451,282</u>   | <u>\$ 388,233</u>      | <u>\$ 839,606</u>          | <u>\$ (1,637)</u>  | <u>\$ 29,174</u>                       | <u>\$ 341,569</u>           | <u>\$ 4,048,227</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, 2020**

|                          | <b>2020</b>       | 2019       |
|--------------------------|-------------------|------------|
| <b>Assets</b>            |                   |            |
| Due from general account | \$ 7,050          | \$ 6,290   |
| Investments              | <b>486,430</b>    | 480,140    |
|                          | <b>\$ 493,480</b> | \$ 486,430 |
| <b>Fund balances</b>     | <b>\$ 493,480</b> | \$ 486,430 |

**Continuity of Cemetery Care and Maintenance Trust Fund**  
**for the year ended December 31, 2020**

|                                    | <b>2020</b>       | 2019       |
|------------------------------------|-------------------|------------|
| <b>Balance</b> , beginning of year | \$ 486,430        | \$ 480,140 |
| <b>Receipts</b>                    |                   |            |
| Perpetual care receipts            | <b>7,050</b>      | 6,290      |
| <b>Balance</b> , end of year       | <b>\$ 493,480</b> | \$ 486,430 |