

**The Corporation of the
Township of Muskoka Lakes
Consolidated Financial Statements
For the year ended December 31, 2021**

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Tel: 705-645-5215
Fax: 705-645-8125
www.bdo.ca

BDO Canada LLP
239 Manitoba Street, Suite 1
Bracebridge ON P1L 1S2 Canada

Independent Auditor's Report

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, 2021, 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, 2021, 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 1 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

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
July 13, 2022

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

December 31	2021	Restated (Note 1) 2020
Financial assets		
Cash	\$ 19,954,609	\$ 15,292,586
Restricted cash (Note 2)	8,597,505	7,583,444
Taxes receivable (Note 3)	3,375,089	4,294,479
Trade and other receivables	916,902	1,061,425
	<u>32,844,105</u>	<u>28,231,934</u>
Liabilities		
Accounts payable and accrued liabilities	5,984,534	4,567,648
Tax revenue received in advance	2,204,074	2,097,046
Deferred revenue (Note 4)	8,597,505	7,583,444
Municipal debt (Note 5)	682,711	777,308
	<u>17,468,824</u>	<u>15,025,446</u>
Net financial assets	<u>15,375,281</u>	<u>13,206,488</u>
Non-financial assets		
Tangible capital assets (Note 6)	58,974,789	57,385,727
Inventories of supplies	293,701	260,248
Prepaid expenses	574,964	605,135
	<u>59,843,454</u>	<u>58,251,110</u>
Accumulated surplus (Note 7)	<u>\$ 75,218,735</u>	<u>\$ 71,457,598</u>

On behalf of Council:

DocuSigned by:

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

	(Note 8) Budget 2021	Actual 2021	Restated (Note 1) Actual 2020
For the year ended December 31			
Revenue			
Taxation (Note 9)	\$ 12,888,083	\$ 12,971,679	\$ 12,573,532
Fees and user charges	1,594,940	1,758,101	1,320,941
Government transfers - Federal (Note 10)	-	409,799	599,510
Government transfers - Ontario (Note 10)	1,903,862	2,528,894	2,370,650
Interest income	286,650	112,288	173,884
Interest and penalties on tax arrears	525,000	665,289	523,885
Gain on disposal of tangible capital assets	-	33,924	26,165
Contributed tangible capital asset (Note 6)	-	169,987	-
Donations	3,500	6,492	6,221
Obligatory reserve fund revenue (Note 4)	1,922,310	1,965,874	1,337,158
	<u>19,124,345</u>	<u>20,622,327</u>	<u>18,931,946</u>
Expenses (Note 11)			
General government	4,439,065	3,795,010	3,608,381
Protection services	3,478,418	3,715,087	3,175,494
Transportation services	5,376,517	4,892,077	5,067,046
Health services	159,449	143,188	131,381
Recreation and cultural services	2,410,374	3,251,638	3,004,181
Planning and development	1,128,605	1,064,190	972,027
	<u>16,992,428</u>	<u>16,861,190</u>	<u>15,958,510</u>
Annual surplus	2,131,917	3,761,137	2,973,436
Accumulated surplus , beginning of year as previously reported	71,457,598	71,457,598	71,911,878
Adjustment to recognize building department surpluses as deferred revenue (Note 1)	-	-	(3,427,716)
Accumulated surplus , end of year	<u>\$ 73,589,515</u>	<u>\$ 75,218,735</u>	<u>\$ 71,457,598</u>

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 Changes in Net Financial Assets

For the year ended December 31	(Note 8) Budget 2021	Actual 2021	Restated (Note 1) Actual 2020
Annual surplus	\$ 2,131,917	\$ 3,761,137	\$ 2,973,436
Acquisition of tangible capital assets	(6,839,430)	(4,667,331)	(3,653,380)
Amortization of tangible capital assets	3,348,002	3,248,256	3,252,464
Proceeds from sale of tangible capital assets	-	33,924	109,024
Gain on disposal of tangible capital assets	-	(33,924)	(26,165)
Contribution of tangible capital asset	-	(169,987)	-
	<u>(1,359,511)</u>	<u>2,172,075</u>	<u>2,655,379</u>
Consumption (acquisition) of supplies inventory	-	(33,453)	40,616
Consumption (acquisition) of prepaid expenses	-	30,171	(192,894)
	<u>-</u>	<u>(3,282)</u>	<u>(152,278)</u>
Increase in net financial assets	(1,359,511)	2,168,793	2,503,101
Net financial assets, beginning of year	13,206,488	13,206,488	10,703,387
Net financial assets, end of year	<u>\$ 11,846,977</u>	<u>\$ 15,375,281</u>	<u>\$ 13,206,488</u>

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	2021	Restated (Note 1) 2020
Operating transactions		
Annual surplus	\$ 3,761,137	\$ 2,973,436
Non-cash items		
Contributed tangible capital asset	(169,987)	-
Amortization of tangible capital assets	3,248,256	3,252,464
Gain on disposal of tangible capital assets	(33,924)	(26,165)
	<u>6,805,482</u>	<u>6,199,735</u>
Changes in non-cash financial assets and liabilities		
Changes in taxes receivable	919,390	(923,774)
Changes in trade and other receivables	144,522	(51,963)
Changes in accounts payable and accrued liabilities	1,416,887	180,059
Changes in tax revenue received in advance	107,028	(132,309)
Changes in inventories of supplies	(33,453)	40,616
Changes in prepaid expenses	30,171	(192,894)
	<u>9,390,027</u>	<u>5,119,470</u>
Capital transactions		
Proceeds on disposal of tangible capital assets	33,924	109,024
Cash used to acquire tangible capital assets	(4,667,331)	(3,653,380)
	<u>(4,633,407)</u>	<u>(3,544,356)</u>
Financing transactions		
Debt repayment	(94,597)	(89,834)
Increase in cash	4,662,023	1,485,280
Cash, beginning of year	15,292,586	13,807,306
Cash, end of year	\$ 19,954,609	\$ 15,292,586

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 Summary of Significant Accounting Policies

December 31, 2021

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.

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.

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

December 31, 2021

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	<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 border="0" style="margin-left: 40px;"> <tr> <td>Land improvements</td> <td style="text-align: right;">10 to 40 years</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">25 to 40 years</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">5 to 20 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">4 to 25 years</td> </tr> <tr> <td>Roads, bridges and storm system</td> <td style="text-align: right;">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										
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.										
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.										

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

December 31, 2021

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.

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 uncollectible 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.

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

December 31, 2021

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 25).

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2021

1. Comparative Figures

The 2021 consolidated financial statements reflect a change in the classification of the building permit fund. The *Building Code Act, 1982* requires surplus funds collected from building permits to be transferred to an obligatory reserve which is restricted for use. These statements include the building permit fund obligatory reserve as an item reported in deferred revenue in the statement of financial position.

This reclassification had the following impact on the comparative figures

Decrease in fees and user charges	\$ (1,631,136)
Increase in obligatory reserve fund revenue	1,175,441
Decrease in interest income	(59,821)
Increase in deferred revenue	3,943,232
Decrease in accumulated surplus	(3,427,716)

During the year, Council passed by-law 2021-123 to restructure the discretionary operating and capital reserves for specific purposes within accumulated surplus. These statements reflect the reserves approved in the related by-law.

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

2. Restricted Cash

	2021	Restated (Note 1) 2020
Obligatory reserve funds		
Development Charges Act	\$ 1,737,126	\$ 1,969,709
Parkland	2,042,648	1,584,135
Building permits	4,724,122	3,943,233
	8,503,896	7,497,077
Other		
Restricted donations for community centres	22,990	20,247
Restricted donations for Health Hub	5,705	5,705
Restricted donations for library	13,937	10,438
Restricted donations for Wellness Centre	50,977	49,977
	\$ 8,597,505	\$ 7,583,444

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2021

3. Taxes Receivable

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

	2021	2020
Taxes receivable	\$ 3,435,589	\$ 4,354,979
Less: valuation allowance	(60,500)	(60,500)
	\$ 3,375,089	\$ 4,294,479

4. 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:

	2021	Restated (Note 1) 2020
Deferred revenue - obligatory reserve funds		
Development Charges Act	\$ 1,737,126	\$ 1,969,709
Parkland	2,042,648	1,584,135
Building permits	4,724,122	3,943,233
	8,503,896	7,497,077
Deferred revenue - externally restricted		
Donations for community centres	22,990	20,247
Donations for Health Hub	5,705	5,705
Donations for library	13,937	10,438
Donations for Wellness Centre	50,977	49,977
	\$ 8,597,505	\$ 7,583,444

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2021

4. Deferred Revenue (continued)

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

	Development Charges Act	Parkland	Building Permits	Canada Community Building Fund
Obligatory reserve funds,				
beginning of year	\$ 1,969,709	\$ 1,584,135	\$ 3,943,233	\$ -
Funds received during the year	343,786	522,426	2,012,183	409,799
Interest earned	24,245	17,951	52,102	-
Revenue recognized during the year	<u>(600,614)</u>	<u>(81,864)</u>	<u>(1,283,396)</u>	<u>(409,799)</u>
Obligatory reserve funds, end of year	<u>\$ 1,737,126</u>	<u>\$ 2,042,648</u>	<u>\$ 4,724,122</u>	<u>\$ -</u>

The interest earned is included in the related fund. The Development Charges Act funds, Parkland funds and Building Permits funds recognized during the year are included in the consolidated statement of operations as obligatory reserve fund revenue. Canada Community Building Fund (formerly 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, 2021

5. Municipal Debt

	2021	2020
Debenture payable District Municipality of Muskoka, payable \$67,026 semi-annually including interest at 5.233%, due December 2027	\$ 682,711	\$ 777,308

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

Year	Gross	Interest	Principal
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
2026	134,052	11,577	122,475
Thereafter	134,052	5,084	128,968
	\$ 804,312	\$ 121,601	\$ 682,711

Interest expense in the amount of \$39,455 (2020 - \$44,217) 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, 2021, 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, 2021

6. Tangible Capital Assets

For the year ended December 31	Land	Land Improvements	Buildings	Vehicles	Machinery and Equipment	Roads, Bridges and Storm System	Construction in Progress	2021 Total	2020 Total
Cost, beginning of year	\$ 8,322,963	\$ 11,183,971	\$ 21,437,784	\$ 10,554,890	\$ 9,740,905	\$ 66,969,787	\$ 158,206	\$ 128,368,506	\$ 125,533,136
Additions	-	358,959	237,611	412,999	642,227	2,920,600	94,935	4,667,331	3,751,013
Contributed	-	-	-	-	-	169,987	-	169,987	-
Disposals	-	-	-	(336,116)	(67,443)	-	-	(403,559)	(915,643)
Cost, end of year	<u>8,322,963</u>	<u>11,542,930</u>	<u>21,675,395</u>	<u>10,631,773</u>	<u>10,315,689</u>	<u>70,060,374</u>	<u>253,141</u>	<u>132,802,265</u>	<u>128,368,506</u>
Accumulated amortization,									
beginning of year	-	7,060,593	9,985,227	5,584,764	6,198,445	42,153,750	-	70,982,779	68,465,466
Amortization	-	320,566	466,029	617,433	628,542	1,215,686	-	3,248,256	3,252,464
Disposals	-	-	-	(336,116)	(67,443)	-	-	(403,559)	(735,151)
Accumulated amortization,									
end of year	<u>-</u>	<u>7,381,159</u>	<u>10,451,256</u>	<u>5,866,081</u>	<u>6,759,544</u>	<u>43,369,436</u>	<u>-</u>	<u>73,827,476</u>	<u>70,982,779</u>
Net carrying amount, end of									
year	<u>\$ 8,322,963</u>	<u>\$ 4,161,771</u>	<u>\$ 11,224,139</u>	<u>\$ 4,765,692</u>	<u>\$ 3,556,145</u>	<u>\$ 26,690,938</u>	<u>\$ 253,141</u>	<u>\$ 58,974,789</u>	<u>\$ 57,385,727</u>

The net book value of tangible capital assets not being amortized because they are under construction is \$253,141 (2020 - \$158,206). Included in roads, bridges and storm systems is land not being amortized with a net book value of \$5,508,945 (2020 - \$5,508,945).

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2021

7. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	<u>2021</u>	<u>Restated (Note 1) 2020</u>
Reserves set aside for general purposes by Council		
Attainable housing	\$ 66,859	\$ 51,154
Election	132,927	106,496
Reviews and studies	91,637	65,697
Tax stabilization	<u>4,895,643</u>	<u>2,653,068</u>
	<u>5,187,066</u>	<u>2,876,415</u>
Reserves set aside for specific purposes by Council		
Building and facilities	498,606	333,917
Cemeteries	123,799	112,395
Community improvement	204,473	10,786
Fire and emergency services	508,472	466,193
Fleet and equipment	189,824	137,146
Information technology	1,329,931	1,331,099
Library	93,381	95,359
Parks, recreation and trails	435,000	194,053
Port Carling mural	113,911	97,735
Roads, bridges and major infrastructure	<u>8,984,421</u>	<u>7,455,401</u>
	<u>12,481,818</u>	<u>10,234,084</u>
Total reserves and reserve funds	<u>17,668,884</u>	<u>13,110,499</u>
Amounts to be recovered in future years		
Municipal debt	<u>(682,711)</u>	<u>(777,308)</u>
Surpluses		
Invested in tangible capital assets	58,974,789	57,385,727
Other capital fund	1,476	1,476
Library surplus	80,175	83,565
Non-cash working capital surplus	(1,692,543)	788,256
Invested in other non-financial assets	<u>868,665</u>	<u>865,383</u>
Total surpluses	<u>58,232,562</u>	<u>59,124,407</u>
Accumulated surplus	<u>\$ 75,218,735</u>	<u>\$ 71,457,598</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure.

Contributions from the current year surplus of \$3,681,103 (2020 - \$4,147,425) have been included in the roads, bridges and major infrastructure reserve.

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2021

8. Budget

The Budget was adopted by Council on February 24, 2021 and confirming by-law 2021-021 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 2021 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 24, 2021 with adjustments as follows:

	2021
Budget surplus for the year	\$ -
Add:	
Capital expenses	6,839,430
Debt repayment	89,834
Transfers to reserve funds	3,378,300
Less:	
Amortization	(3,348,002)
Transfers from reserve funds	(4,827,645)
Budget surplus per statement of operations	\$ 2,131,917

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2021 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, 2021

9. 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:

	2021	Restated (Note 1) 2020
Taxation	\$ 63,757,609	\$ 62,131,135
Taxation from other governments	376,693	299,445
Less: school board requisitions	(17,107,031)	(17,047,402)
Less: upper tier requisitions	(34,055,592)	(32,809,646)
	\$ 12,971,679	\$ 12,573,532

10. Government Transfers

	2021	2020
Revenue:		
Canada community building fund	\$ 409,799	\$ 599,510
Ontario municipal partnership fund	\$ 1,569,714	\$ 1,473,300
Provincial operating grant - library	49,085	49,085
Other provincial grants	910,095	848,265
	\$ 2,528,894	\$ 2,370,650

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2021

11. Expenses by Object

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

	(Note 8) Budget 2021	Actual 2021	Restated (Note 1) Actual 2020
Amortization of tangible capital assets	\$ 3,348,002	\$ 3,248,256	\$ 3,252,463
Salaries and benefits	8,374,314	8,264,213	7,822,350
Materials	4,177,544	4,318,398	4,025,750
Contracted services	599,000	620,168	490,650
Rents and financial expenses	339,350	264,050	220,080
Interest on long-term debt	44,218	39,455	44,217
Contributions to other organizations	110,000	106,650	103,000
	\$ 16,992,428	\$ 16,861,190	\$ 15,958,510

12. Contingent Liabilities

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.

13. Commitments

In March 2022, The Corporation of the Township of Muskoka Lakes entered into a contract for supply and deliver tandem axle trucks totaling \$621,904 plus HST.

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

December 31, 2021

14. Post Retirement Benefits

OMERS provides pension services to more than 541,000 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, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million in respect of benefits accrued for service with actuarial assets at that date of \$117,665 million indicating an actuarial deficit of \$3,131 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 2021 were \$544,421 (2020 - \$516,563).

The Municipality provides a health care spending account until age 65 for employees who have reached 55 years of age and have served for a minimum of 25 years. The current obligation related to this future benefit, included in accounts payable and accrued liabilities, is \$97,434.

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 such as transit, fire and recreation. Distinguishable functional segments have been separately disclosed in the segmented information.

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

The nature of the segments and the activities that they encompass are as follows:

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

December 31, 2021

15. Segmented Information (continued)

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 legislative services.

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.

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, 2021

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	2021 Total
Revenue							
Taxation	\$ 2,936,873	\$ 2,963,426	\$ 3,983,048	\$ 89,774	\$ 2,029,075	\$ 969,483	\$ 12,971,679
Fees and user charges	491,318	184,640	489,909	32,983	100,213	459,038	1,758,101
Government transfers	569,619	196,177	2,023,314	-	149,583	-	2,938,693
Gain on disposal of tangible capital assets	-	-	17,205	-	16,719	-	33,924
Obligatory reserve fund revenue recognized	53,933	1,451,487	132,419	-	154,259	173,775	1,965,873
Other	936,772	-	-	10,792	6,492	-	954,056
	<u>4,988,515</u>	<u>4,795,730</u>	<u>6,645,895</u>	<u>133,549</u>	<u>2,456,341</u>	<u>1,602,296</u>	<u>20,622,326</u>
Expenses							
Amortization	267,242	621,179	1,615,869	58,040	685,926	-	3,248,256
Salaries and benefits	2,097,963	2,106,931	1,724,446	34,500	1,427,757	872,615	8,264,212
Materials	1,069,183	921,959	1,084,840	47,137	1,093,771	101,508	4,318,398
Contracted services	185,617	10,852	287,599	3,511	42,522	90,067	620,168
Rents and financial expenses	28,900	54,166	179,323	-	1,661	-	264,050
Interest on long-term debt	39,455	-	-	-	-	-	39,455
Contributions to other organizations	106,650	-	-	-	-	-	106,650
Inter-segment transfers	(35,000)	35,000	-	-	-	-	-
	<u>3,760,010</u>	<u>3,750,087</u>	<u>4,892,077</u>	<u>143,188</u>	<u>3,251,637</u>	<u>1,064,190</u>	<u>16,861,189</u>
	<u>\$ 1,228,505</u>	<u>\$ 1,045,643</u>	<u>\$ 1,753,818</u>	<u>\$ (9,639)</u>	<u>\$ (795,296)</u>	<u>\$ 538,106</u>	<u>\$ 3,761,137</u>

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2021

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	Restated (Note 1) 2020 Total
Revenue							
Taxation	\$ 3,765,206	\$ 1,566,603	\$ 3,724,102	\$ 65,195	\$ 2,482,075	\$ 970,351	\$ 12,573,532
Fees and user charges	396,119	110,142	450,275	16,703	87,539	260,163	1,320,941
Government transfers	608,421	196,177	2,112,652	-	52,910	-	2,970,160
Gain on disposal of tangible capital assets	-	-	26,165	-	-	-	26,165
Obligatory reserve fund revenue recognized	-	1,175,441	-	-	161,717	-	1,337,158
Other	687,587	-	-	10,180	6,223	-	703,990
	<u>5,457,333</u>	<u>3,048,363</u>	<u>6,313,194</u>	<u>92,078</u>	<u>2,790,464</u>	<u>1,230,514</u>	<u>18,931,946</u>
Expenses							
Amortization of tangible capital assets	313,003	628,993	1,560,578	57,682	692,207	-	3,252,463
Salaries and benefits	1,994,216	1,788,131	1,862,769	30,255	1,465,407	681,571	7,822,349
Materials	1,044,746	712,681	1,285,519	43,444	842,955	96,406	4,025,751
Contracted services	79,158	10,283	204,008	-	3,151	194,050	490,650
Rents and financial expenses	30,041	35,406	154,171	-	462	-	220,080
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>3,573,381</u>	<u>3,210,494</u>	<u>5,067,045</u>	<u>131,381</u>	<u>3,004,182</u>	<u>972,027</u>	<u>15,958,510</u>
	<u>\$ 1,883,952</u>	<u>\$ (162,131)</u>	<u>\$ 1,246,149</u>	<u>\$ (39,303)</u>	<u>\$ (213,718)</u>	<u>\$ 258,487</u>	<u>\$ 2,973,436</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, 2021

	2021	2020
Assets		
Due from general account	\$ 12,954	\$ 7,050
Investments	493,480	486,430
	\$ 506,434	\$ 493,480
Fund balances	\$ 506,434	\$ 493,480

Continuity of Cemetery Care and Maintenance Trust Fund
for the year ended December 31, 2021

	2021	2020
Balance , beginning of year	\$ 493,480	\$ 486,430
Receipts		
Perpetual care receipts	12,954	7,050
Balance , end of year	\$ 506,434	\$ 493,480