

**The Corporation of the
Township of Muskoka Lakes
Consolidated Financial Statements
For the year ended December 31, 2023**

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Tel: 705-789-4469
Fax: 705-789-1079
www.bdo.ca

BDO Canada LLP
75 West Road
Huntsville, Ontario
P1H 1T4

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, 2023, 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, 2023, 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

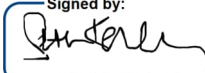
Chartered Professional Accountants, Licensed Public Accountants

Huntsville, Ontario
August 8, 2024

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

December 31	2023	2022
Financial assets		
Cash	\$ 18,369,771	\$ 19,108,578
Restricted cash (Note 4)	9,495,539	9,341,785
Taxes receivable (Note 5)	3,885,759	2,916,606
Trade and other receivables	821,686	879,893
	<u>32,572,755</u>	<u>32,246,862</u>
Liabilities		
Accounts payable and accrued liabilities	8,400,292	5,931,424
Tax revenue received in advance	2,396,478	2,208,031
Deferred revenue (Note 6)	9,495,539	9,341,785
Asset retirement obligation (Note 7)	139,500	-
Municipal debt (Note 8)	478,206	583,099
	<u>20,910,015</u>	<u>18,064,339</u>
Net financial assets	<u>11,662,740</u>	<u>14,182,523</u>
Non-financial assets		
Tangible capital assets (Note 9)	68,863,503	63,291,218
Inventories of supplies	327,323	243,473
Prepaid expenses	680,051	462,520
	<u>69,870,877</u>	<u>63,997,211</u>
Accumulated surplus (Note 10)	<u>\$ 81,533,617</u>	<u>\$ 78,179,734</u>

On behalf of Council:

Signed by:

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

For the year ended December 31	(Note 11) Budget 2023	Actual 2023	(Note 2) Actual 2022
Revenue			
Taxation (Note 12)	\$ 14,003,600	\$ 14,031,032	\$ 13,346,672
Fees and user charges	1,973,800	2,236,913	2,297,817
Government transfers - Federal (Note 13)	218,000	218,024	372,138
Government transfers - Ontario (Note 13)	2,227,800	2,276,181	2,269,833
Interest income	1,011,600	1,241,687	483,345
Interest and penalties on tax arrears	575,000	602,035	544,295
Gain on disposal of tangible capital assets	-	79,846	81,294
Donations	3,000	8,900	4,140
Obligatory reserve fund revenue (Note 6)	2,159,300	2,403,859	2,156,303
	<u>22,172,100</u>	<u>23,098,477</u>	<u>21,555,837</u>
Expenses (Note 14)			
General government	3,765,057	4,043,585	4,038,651
Protection services	4,519,723	4,662,480	4,239,859
Transportation services	5,264,439	5,921,299	5,617,252
Health services	198,828	183,516	207,804
Recreation and cultural services	3,341,253	3,792,874	3,280,360
Planning and development	1,191,700	1,140,840	1,210,912
	<u>18,281,000</u>	<u>19,744,594</u>	<u>18,594,838</u>
Annual surplus	3,891,100	3,353,883	2,960,999
Accumulated surplus, beginning of year	<u>78,179,734</u>	<u>78,179,734</u>	<u>75,218,735</u>
Accumulated surplus, end of year	<u>\$ 82,070,834</u>	<u>\$ 81,533,617</u>	<u>\$ 78,179,734</u>

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

For the year ended December 31	(Note 11) Budget 2023	Actual 2023	Actual 2022
Annual surplus	\$ 3,891,100	\$ 3,353,883	\$ 2,960,999
Acquisition of tangible capital assets	(11,346,800)	(9,292,811)	(7,646,021)
Amortization of tangible capital assets	3,290,900	3,717,327	3,321,276
Proceeds from sale of tangible capital assets	-	83,045	89,610
Gain on disposal of tangible capital assets	-	(79,846)	(81,294)
	<u>(4,164,800)</u>	<u>(2,218,402)</u>	<u>(1,355,430)</u>
Consumption (acquisition) of supplies inventory	-	(83,850)	50,228
Consumption (acquisition) of prepaid expenses	-	(217,531)	112,444
	-	<u>(301,381)</u>	<u>162,672</u>
Decrease in net financial assets	(4,164,800)	(2,519,783)	(1,192,758)
Net financial assets, beginning of year	<u>14,182,523</u>	<u>14,182,523</u>	<u>15,375,281</u>
Net financial assets, end of year	<u>\$ 10,017,723</u>	<u>\$ 11,662,740</u>	<u>\$ 14,182,523</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	2023	2022
Operating transactions		
Annual surplus	\$ 3,353,883	\$ 2,960,999
Non-cash items		
Amortization of tangible capital assets	3,717,327	3,321,276
Gain on disposal of tangible capital assets	(79,846)	(81,294)
	<u>6,991,364</u>	6,200,981
Changes in non-cash financial assets and liabilities		
Changes in taxes receivable	(969,153)	458,483
Changes in trade and other receivables	58,207	37,009
Changes in accounts payable and accrued liabilities	2,468,868	(53,110)
Changes in tax revenue received in advance	188,447	3,957
Changes in asset retirement obligations	139,500	-
Changes in inventories of supplies	(83,850)	50,228
Changes in prepaid expenses	(217,531)	112,444
	<u>8,575,852</u>	6,809,992
Capital transactions		
Proceeds on disposal of tangible capital assets	83,045	89,610
Cash used to acquire tangible capital assets	(9,292,811)	(7,646,021)
	<u>(9,209,766)</u>	(7,556,411)
Financing transactions		
Debt repayment	(104,893)	(99,612)
Decrease in cash	(738,807)	(846,031)
Cash, beginning of year	19,108,578	19,954,609
Cash, end of year	\$ 18,369,771	\$ 19,108,578

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, 2023

**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, 2023

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

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

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

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

Asset Retirement Obligations A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

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

December 31, 2023

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.

Financial Instruments

Cash is measured at fair value. Accounts receivable, accounts payable, tax revenue received in advance and municipal debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations. There are no unrealized changes in fair value as at December 31, 2023 and December 31, 2022. As a result, the Municipality does not have a consolidated statement of remeasurement gains and losses.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

District and School Boards

The Municipality collects taxation revenue on behalf of the school boards and the District Municipality of Muskoka. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the District Municipality of Muskoka are not reflected in these consolidated financial statements.

Government Transfers

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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

December 31, 2023

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.

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.

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 fund balances and continuity (Page 27).

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2023

1. Change in Accounting Policies

On January 1, 2023, the Municipality adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280, Asset Retirement Obligations. The Municipality completed a detailed assessment of its assets and leased assets and concluded that there were legal obligations to incur retirement costs to remove asbestos in certain municipal buildings. This accounting policy has been applied prospectively. (Note 7)

On January 1, 2023, the Municipality adopted the new requirements of the Public Sector Accounting Board Section 3450, Financial Instruments. This section establishes standards on how to account for and report all financial instruments including derivatives. The adoption of this section did not have a material effect on the financial statements of the Municipality. (Note 3)

2. Comparative Figures

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

3. Financial Instruments

Classification

The carrying value of each class of the Municipality's financial instruments is provided in the following table.

	2023		
	Fair Value	Cost/ Amortized Cost	Total
Cash	\$18,369,771	\$ -	\$18,369,771
Trade and other receivables	-	821,686	821,686
Accounts payable and accrued liabilities	-	8,400,292	8,400,292
Tax revenue received in advance	-	2,396,478	2,396,478
Municipal debt	-	478,206	478,206
	\$18,369,771	\$12,096,662	\$30,466,433

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

December 31, 2023

3. Financial Instruments (continued)

Fair Value Measurement

The following table provides an analysis of financial instruments that are measured at fair value, using a fair value hierarchy of levels 1, 2 and 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2023			
	Level 1	Level 2	Level 3	Total
Cash	\$18,369,771	\$ -	\$ -	\$18,369,771

There were no transfers between level 1, level 2 or level 3 for the year ended December 31, 2023.

Risk Management

The Municipality is exposed to credit risk from its financial instruments. It is management's opinion that the Municipality is not exposed to significant liquidity or interest rate risks. This note describes the Municipality's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Municipality is exposed to credit risk through its cash and trade and other receivables.

Cash is held at federally regulated chartered banks with cash amounts insured up to \$100,000. No significant collection issues related to trade and other receivables have been identified.

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

December 31, 2023

3. Financial Instruments (continued)

The Municipality's maximum exposure to credit risk at the financial statement date is the carrying value of its cash, trade and other receivables and taxes receivable as presented on the statement of financial position.

At year end, the amounts outstanding for the Municipality's trade and other receivable and taxes receivable are as follows:

	2023		
	Trade and Other Receivable	Taxes Receivable	Total
Current	\$ 660,564	\$ -	\$ 660,564
31 to 60 days	17,643	-	17,643
61 to 90 days	37,165	-	37,165
Over 90 days	106,314	3,885,759	3,992,073
Total	\$ 821,686	\$ 3,885,759	\$ 4,707,445

There have not been any changes from the prior year in the Municipality's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

4. Restricted Cash

	2023	2022
Obligatory reserve funds		
Development Charges Act	\$ 965,143	\$ 1,499,446
Parkland	2,538,552	2,138,307
Parking in lieu	25,481	-
Building permits	5,876,811	5,610,067
	9,405,987	9,247,820
Other		
Restricted donations for community centres	14,165	22,989
Restricted donations for Health Hub	9,705	7,705
Restricted donations for Library	14,705	12,294
Restricted donations for Wellness Centre	50,977	50,977
	\$ 9,495,539	\$ 9,341,785

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

December 31, 2023

5. Taxes Receivable

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

	2023	2022
Taxes receivable	\$ 3,946,259	\$ 2,977,106
Less: valuation allowance	(60,500)	(60,500)
	\$ 3,885,759	\$ 2,916,606

6. 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:

	2023	2022
Deferred revenue - obligatory reserve funds		
Development Charges Act	\$ 965,143	\$ 1,499,446
Parkland	2,538,552	2,138,307
Parking in lieu	25,481	-
Building permits	5,876,811	5,610,067
	9,405,987	9,247,820
Deferred revenue - externally restricted		
Donations for community centres	14,165	22,989
Donations for Health Hub	9,705	7,705
Donations for Library	14,705	12,294
Donations for Wellness Centre	50,977	50,977
	\$ 9,495,539	\$ 9,341,785

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

December 31, 2023

6. Deferred Revenue (continued)

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

	Development Charges Act	Parkland	Parking in Lieu	Building Permits	Canada Community Building Fund
Obligatory reserve funds, beginning of year	\$ 1,499,446	\$ 2,138,307	\$ -	\$ 5,610,067	\$ -
Funds received during the year	185,537	314,501	25,160	1,576,526	218,024
Interest earned	75,390	113,175	321	282,611	-
Revenue recognized during the year	(795,230)	(27,431)	-	(1,592,393)	(218,024)
Obligatory reserve funds, end of year	\$ 965,143	\$ 2,538,552	\$ 25,481	\$ 5,876,811	\$ -

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.

7. Asset Retirement Obligation

The Municipality's financial statements include an asset retirement obligation for the future removal of asbestos in several of the buildings owned by the Municipality. The related asset retirement costs are being amortized on a straight line basis. The liability has been estimated using a net present value technique with a discount rate of 5.23%. The estimated total undiscounted future expenditures are \$139,500, which are to be incurred over the next 10 years.

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

December 31, 2023

8. Municipal Debt

	2023	2022
Debenture payable District Municipality of Muskoka, payable \$67,026 semi-annually including interest at 5.233%, due December 2027	\$ 478,206	\$ 583,099

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

Year	Gross	Interest	Principal
2024	\$ 134,052	\$ 23,598	\$ 110,454
2025	134,052	17,743	116,309
2026	134,052	11,577	122,475
2027	134,052	5,084	128,968
	\$ 536,208	\$ 58,002	\$ 478,206

Interest expense in the amount of \$29,159 (2022 - \$30,129) 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, 2023, 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, 2023

9. Tangible Capital Assets

For the year ended December 31	Land	Land Improvements	Buildings	Vehicles and Equipment	Machinery and Equipment	Roads, Bridges and Storm System	Construction in Progress	2023 Total	2022 Total
Cost, beginning of year	\$ 8,322,963	\$ 11,961,040	\$ 22,376,775	\$ 11,373,817	\$ 10,195,951	\$ 72,450,392	\$ 2,417,431	\$ 139,098,369	\$ 132,802,265
Additions	-	148,864	873,172	2,038,754	1,212,964	7,002,081	(1,983,024)	9,292,811	7,646,021
Disposals	-	-	-	(1,038,493)	(845,834)	-	-	(1,884,327)	(1,349,917)
Cost, end of year	8,322,963	12,109,904	23,249,947	12,374,078	10,563,081	79,452,473	434,407	146,506,853	139,098,369
Accumulated amortization, beginning of year	-	7,700,756	10,932,486	5,991,866	6,527,017	44,655,026	-	75,807,151	73,827,476
Amortization	-	321,762	515,009	748,086	630,413	1,502,057	-	3,717,327	3,321,276
Disposals	-	-	-	(1,036,216)	(844,912)	-	-	(1,881,128)	(1,341,601)
Accumulated amortization, end of year	-	8,022,518	11,447,495	5,703,736	6,312,518	46,157,083	-	77,643,350	75,807,151
Net carrying amount, end of year	\$ 8,322,963	\$ 4,087,386	\$ 11,802,452	\$ 6,670,342	\$ 4,250,563	\$ 33,295,390	\$ 434,407	\$ 68,863,503	\$ 63,291,218

The net book value of tangible capital assets not being amortized because they are under construction is \$434,407 (2022 - \$2,417,431). Included in roads, bridges and storm systems is land not being amortized with a net book value of \$5,508,945 (2022 - \$5,508,945).

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2023

10. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2023	2022
Reserves set aside for general purposes by Council		
Attainable housing	\$ 88,370	\$ 84,127
Election	82,928	96,057
Reviews and studies	210,864	142,180
Tax stabilization	4,956,189	4,688,123
	5,338,351	5,010,487
Reserves set aside for specific purposes by Council		
Building and facilities	312,555	365,667
Cemeteries	128,813	137,726
Climate action	49,435	25,762
Community improvement	481,866	360,708
Fire and emergency services	(176,796)	333,377
Fleet and equipment	509,234	956,260
Information technology	1,150,839	1,385,679
Library	153,533	104,876
Parks, recreation and trails	461,899	319,139
Port Carling mural	139,302	132,613
Roads, bridges and major infrastructure	5,979,363	7,666,943
	9,190,043	11,788,750
Total reserves and reserve funds	14,528,394	16,799,237
Amounts to be recovered in future years		
Municipal debt	(478,206)	(583,099)
Surpluses		
Invested in tangible capital assets	68,863,503	63,291,218
Library surplus	119,459	101,310
Non-cash working capital surplus (deficit)	(2,506,907)	(2,134,925)
Invested in other non-financial assets	1,007,374	705,993
Total surpluses	67,483,429	61,963,596
Accumulated surplus	\$ 81,533,617	\$ 78,179,734

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

Contributions from the current year surplus of \$Nil (2022 - \$343,870) have been included in the tax stabilization reserve.

The Corporation of the Township of Muskoka Lakes

Notes to Consolidated Financial Statements

December 31, 2023

11. Budget

The Budget was adopted by Council on March 27, 2023 and confirming by-law 2023-031 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 2023 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 March 27, 2023 with adjustments as follows:

	2023
Budget surplus for the year	\$ -
Add:	
Capital expenses	11,346,800
Debt repayment	104,900
Transfers to reserve funds	6,432,900
Less:	
Amortization	(3,290,900)
Transfers from reserve funds	<u>(10,702,600)</u>
Budget surplus per statement of operations	<u>\$ 3,891,100</u>

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2023 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, 2023

12. 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:

	<u>2023</u>	<u>2022</u>
Taxation	\$ 68,664,451	\$ 65,569,136
Taxation from other governments	362,512	356,641
Less: school board requisitions	(17,736,416)	(17,336,282)
Less: upper tier requisitions	(37,259,515)	(35,242,823)
	<u>\$ 14,031,032</u>	<u>\$ 13,346,672</u>

13. Government Transfers

	<u>2023</u>	<u>2022</u>
Revenue:		
Canada community building fund	\$ 218,024	\$ 208,939
Other federal grants	-	163,199
Total federal grants	<u>\$ 218,024</u>	<u>\$ 372,138</u>
Ontario municipal partnership fund	\$ 1,525,700	\$ 1,489,500
Ontario community infrastructure fund	598,223	520,194
Provincial operating grant - library	49,085	49,085
Other provincial grants	103,173	211,054
Total provincial grants	<u>\$ 2,276,181</u>	<u>\$ 2,269,833</u>

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

December 31, 2023

14. Expenses by Object

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

	(Note 11) Budget 2023	Actual 2023	(Note 2) Actual 2022
Amortization of tangible capital assets	\$ 3,290,900	\$ 3,717,327	\$ 3,321,276
Salaries and benefits	9,728,100	9,908,067	8,988,215
Materials	3,621,300	2,748,654	4,361,473
Contracted services	1,281,000	3,038,830	1,673,024
Rents and financial expenses	112,700	138,753	122,029
Interest on long-term debt	29,200	29,159	30,129
Contributions to other organizations	217,800	163,804	98,692
	\$ 18,281,000	\$ 19,744,594	\$ 18,594,838

15. 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.

There are claims outstanding against the Municipality either in progress or threatened, in respect of breach of contract, injury to persons, negligence and like items. The cost to the Municipality, if any, cannot be determined because the financial outcome of these actions is uncertain and/or the existence of a liability is not determinable, and no provision has been made in these statements to reflect any of these claims. Any settlements or awards which may arise will be reflected in the financial records in the year that the amount has been determined.

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

December 31, 2023

16. Post Retirement Benefits

OMERS provides pension services to more than 600,000 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, 2023. The results of this valuation disclosed total actuarial liabilities of \$136,185 million in respect of benefits accrued for service with actuarial assets at that date of \$131,983 million indicating an actuarial deficit of \$4,202 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 2023 were \$604,812 (2022 - \$574,596).

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 \$90,964 (2022 - \$77,262).

17. 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, 2023

17. 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, 2023

17. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Health Services	Recreation and Cultural Services	Planning and Development	2023 Total
Revenue							
Taxation	\$ 3,203,389	\$ 2,732,634	\$ 1,975,847	\$ 74,747	\$ 5,035,521	\$ 1,008,894	\$ 14,031,032
Fees and user charges	539,191	462,153	567,698	15,988	230,188	421,695	2,236,913
Government transfers	615,023	-	1,787,382	-	91,800	-	2,494,205
Gain on disposal of tangible capital assets	-	52,954	20,536	-	6,356	-	79,846
Obligatory reserve fund revenue recognized	25,524	1,634,391	508,362	-	219,779	15,803	2,403,859
Other	1,823,567	-	-	20,154	8,901	-	1,852,622
	6,206,694	4,882,132	4,859,825	110,889	5,592,545	1,446,392	23,098,477
Expenses							
Amortization	200,674	764,328	1,991,951	58,889	701,485	-	3,717,327
Salaries and benefits	2,544,725	2,793,094	1,923,852	66,436	1,611,965	967,997	9,908,069
Materials	746,587	887,997	1,568,990	48,763	1,387,289	22,398	4,662,024
Contracted services	325,283	147,774	408,224	9,428	84,303	150,446	1,125,458
Rents and financial expenses	33,351	69,286	28,282	-	7,834	-	138,753
Interest on long-term debt	29,159	-	-	-	-	-	29,159
Contributions to other organizations	163,804	-	-	-	-	-	163,804
Inter-segment transfers	(100,000)	100,000	-	-	-	-	-
	3,943,583	4,762,479	5,921,299	183,516	3,792,876	1,140,841	19,744,594
	\$ 2,263,111	\$ 119,653	\$ (1,061,474)	\$ (72,627)	\$ 1,799,669	\$ 305,551	\$ 3,353,883

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

December 31, 2023

17. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Health Services	Recreation and Cultural Services	Planning and Development	(Note 2) 2022 Total
Revenue							
Taxation	\$ 3,279,778	\$ 2,488,515	\$ 2,507,447	\$ 47,235	\$ 4,085,618	\$ 938,079	\$ 13,346,672
Fees and user charges	674,568	266,848	569,361	25,322	173,023	588,695	2,297,817
Government transfers	678,103	-	1,750,136	-	213,732	-	2,641,971
Gain on disposal of tangible capital assets	-	57,587	10,000	-	13,707	-	81,294
Obligatory reserve fund revenue recognized	(117,132)	1,593,039	521,117	-	120,499	38,780	2,156,303
Other	1,019,130	100	-	8,508	4,042	-	1,031,780
	5,534,447	4,406,089	5,358,061	81,065	4,610,621	1,565,554	21,555,837
Expenses							
Amortization of tangible capital assets	211,401	678,394	1,685,306	58,353	687,822	-	3,321,276
Salaries and benefits	2,290,307	2,467,741	1,785,074	84,142	1,399,072	961,877	8,988,213
Materials	1,068,923	891,963	1,731,627	63,274	1,098,102	29,081	4,882,970
Contracted services	312,030	142,402	394,447	2,035	80,661	219,954	1,151,529
Rents and financial expenses	27,169	59,359	20,798	-	14,703	-	122,029
Interest on long-term debt	30,129	-	-	-	-	-	30,129
Contributions to other organizations	98,692	-	-	-	-	-	98,692
Inter-segment transfers	(100,000)	100,000	-	-	-	-	-
	3,938,651	4,339,859	5,617,252	207,804	3,280,360	1,210,912	18,594,838
	\$ 1,595,796	\$ 66,230	\$ (259,191)	\$ (126,739)	\$ 1,330,261	\$ 354,642	\$ 2,960,999

**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, 2023**

	2023	2022
Assets		
Due from general account	\$ 7,390	\$ 9,066
Investments	553,239	506,434
	\$ 560,629	\$ 515,500
Fund balances	\$ 560,629	\$ 515,500

**Continuity of Cemetery Care and Maintenance Trust Fund
for the year ended December 31, 2023**

	2023	2022
Balance , beginning of year	\$ 515,500	\$ 506,434
Receipts		
Investment income	37,739	-
Perpetual care receipts	7,390	9,066
Balance , end of year	\$ 560,629	\$ 515,500