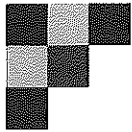


**THE CORPORATION OF THE
TOWN OF HUNTSVILLE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

THE CORPORATION OF THE TOWN OF HUNTSVILLE
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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Huntsville

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Huntsville as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The comparative financial statements as at December 31, 2017 have been restated as disclosed in Note 2 to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

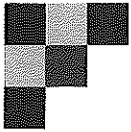
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements 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 relating 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 Responsibility for the Audit of the 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:



PAHAPILL and ASSOCIATES Chartered Accountants

Professional Corporation

- 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.

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.

Huntsville, Ontario
July 22, 2019

Pahapill and Associates

Pahapill and Associates Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

THE CORPORATION OF THE TOWN OF HUNTSVILLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017 (Note 2)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 13,757,753	\$ 9,271,300
Taxes receivable	5,357,156	4,954,463
Trade and other receivables, net of allowance of \$19,932 (2017 \$19,932)	920,467	822,859
Due from trust funds	-	5,406
Investment in Lakeland Holding Ltd. (Note 6)	11,748,999	10,828,264
	31,784,375	25,882,292
LIABILITIES		
Accounts payable and accrued liabilities	6,249,411	6,039,528
Deferred revenue - general	380,182	370,353
Deferred revenue - obligatory reserve funds (Note 7)	2,960,357	2,580,400
Municipal debt (Note 8)	7,286,075	7,991,324
Due to trust funds	47	-
	16,876,072	16,981,605
NET FINANCIAL ASSETS	14,908,303	8,900,687
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 10, Schedule 1)	81,445,487	91,303,444
Inventories of supplies	176,678	319,060
Prepaid expenses	205,892	176,738
	81,828,057	91,799,242
ACCUMULATED SURPLUS	\$ 96,736,360	\$ 100,699,929

CONTINGENT LIABILITIES (Note 15)

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF HUNTSVILLE
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 (Note 13)	Actual 2018	Actual 2017 (Note 2)
REVENUE			
Property taxes	\$ 14,447,820	\$ 14,646,611	\$ 13,657,145
User fees	2,141,427	2,267,841	2,307,569
Government transfers	1,055,221	946,078	998,449
Government transfers - OMPF	1,819,700	1,819,700	1,816,100
Contributions from obligatory reserve fund	926,828	1,191,903	1,238,940
Lakeland Holding Ltd. - share of income (Note 6)	424,000	1,315,903	1,418,596
Other (Note 11)	2,050,197	(932,387)	2,931,953
TOTAL REVENUE	22,865,193	21,255,649	24,368,752
EXPENSES			
General government	7,211,843	7,370,384	6,862,086
Protection to persons and property	2,584,819	2,387,468	2,241,585
Transportation services	8,147,506	8,537,067	8,895,821
Environmental services	969,041	1,301,708	1,158,787
Health services	247,549	353,314	245,280
Social and family services	83,199	77,049	75,121
Recreation and culture	4,137,106	4,078,850	3,865,680
Planning and development	1,562,438	1,120,608	908,247
TOTAL EXPENSES	24,943,501	25,226,448	24,252,607
ANNUAL SURPLUS (DEFICIT)	(2,078,308)	(3,970,799)	116,145
ACCUMULATED SURPLUS, BEGINNING OF YEAR	100,699,929	100,699,929	100,576,554
Lakeland Holding Ltd. - share of change in other comprehensive income	\$ -	\$ 7,230	\$ 7,230
ACCUMULATED SURPLUS, END OF YEAR	\$ 98,621,621	\$ 96,736,360	\$ 100,699,929

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF HUNTSVILLE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 (Note 13)	Actual 2018	Actual 2017 (Note 2)
Annual surplus	\$ (2,078,308)	\$ (3,970,799)	\$ 116,145
Lakeland Holding Ltd. - share of change in other comprehensive income	-	7,230	7,230
Acquisition of tangible capital assets	(5,157,249)	(5,590,603)	(5,040,393)
Amortization of tangible capital assets	6,944,778	6,944,778	7,570,182
Contributed tangible capital assets	-	-	(497,572)
Allocation from work in progress	-	85,117	728,092
(Gain) loss on disposition of tangible capital assets	-	4,252,592	151,247
Proceeds on disposition of tangible capital assets	-	4,166,073	55,698
Change in supplies inventories	-	142,382	(143,209)
Change in prepaid expense	-	(29,154)	357,477
Increase (decrease) in net financial assets	(290,779)	6,007,616	3,304,897
Net financial assets (debt), beginning of year	8,900,687	8,900,687	5,595,790
Net financial assets (debt), end of year	\$ 8,609,908	\$ 14,908,303	\$ 8,900,687

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF HUNTSVILLE
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017 (Note 2)
Operating transactions		
Annual surplus	\$ (3,970,799)	\$ 116,145
Non-cash charges to operations:		
Amortization	6,944,778	7,570,182
(Gain) loss on disposal of tangible capital assets	4,252,592	151,247
Contributed tangible capital assets	-	(497,572)
	<u>7,226,571</u>	<u>7,340,002</u>
Changes in non-cash items:		
Taxes receivable	(402,693)	57,054
Trade and other receivables	(97,608)	481,025
Long-term receivables	-	86,592
Lakeland Holding Ltd. - share of income (Note 6)	(1,315,903)	(1,418,596)
Due to/from trust funds	5,453	(14,569)
Accounts payable and accrued liabilities	209,883	157,280
Deferred revenue - general	9,829	(133,728)
Deferred revenue - obligatory reserve funds	379,957	94,477
Inventories of supplies	142,382	(143,209)
Prepaid expenses	(29,154)	357,477
	<u>(1,097,854)</u>	<u>(476,197)</u>
Cash provided by operating transactions	<u>6,128,717</u>	<u>6,863,805</u>
Capital transactions		
Acquisition of tangible capital assets	(5,590,603)	(5,040,393)
Allocation from work in progress	85,117	728,092
Proceeds on disposal of tangible capital asset	4,166,073	55,698
Cash applied to capital transactions	<u>(1,339,413)</u>	<u>(4,256,603)</u>
Investing transactions		
Dividends received (Note 6)	402,398	380,395
Cash provided by investing transactions	<u>402,398</u>	<u>380,395</u>
Financing transactions		
Debt principal repayments	(705,249)	(694,320)
Cash applied to financing transactions	<u>(705,249)</u>	<u>(694,320)</u>
Net change in cash and cash equivalents	<u>4,486,453</u>	<u>2,293,277</u>
Cash and cash equivalents, beginning of year	<u>9,271,300</u>	<u>6,978,023</u>
Cash and cash equivalents, end of year	<u>\$ 13,757,753</u>	<u>\$ 9,271,300</u>

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

The Corporation of the Town of Huntsville is a lower-tier municipality located in the District of Muskoka in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Planning Act, Building Code Act and other related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Town of Huntsville (the "Municipality") are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended in the Public Sector Accounting Board "PSAB" of the Chartered Professional Accountants Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues, expenses and reserve and reserve fund balances of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Consolidated and Proportionally Consolidated entities

The following local boards are consolidated:

Huntsville Public Library Board
Business Improvement Area Board of Management

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the Municipality and interorganizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements: Lakeland Holding Ltd.

(iii) Accounting for District and school board transactions

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

(iv) Trust funds

Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

(b) Basis of Accounting

(i) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. This method recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

The Consolidated Statement of Financial Position reflects all of the financial assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Net financial assets represents the financial position of the Municipality and is the difference between its financial assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

(ii) Non-financial assets

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

(a) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt with a corresponding amount recorded as revenue. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements - 3 to 30 years
Buildings - 15 to 50 years
Equipment, fleet and vehicles- 3 to 25 years
Roads, bridges and storm systems - 5 to 50 years

Assets under construction are not amortized until the asset is available for productive use.

The Municipality has a capitalization threshold of \$5,000; individual tangible capital assets of lesser value are expensed in the year of purchase.

(b) Inventories of supplies

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, balances with banks and short term deposits with original maturities of three months or less.

(iii) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

THE CORPORATION OF THE TOWN OF HUNTSVILLENOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

- (iv) Government transfers
Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
- (v) Deferred revenue
The Municipality receives gas tax revenue from the Federal Government and payments in lieu of parkland under the authority of provincial legislation and Municipal by-laws. These funds are restricted in their use and until applied to the applicable expenditures are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended. The Municipality also defers recognition of certain government grants which have been collected but for which the related expenditures have yet to be incurred. These amounts will be recognized as revenues in the fiscal year the services are performed.
- (vi) Taxation and related revenues
Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known. 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.
- (vii) Investment income
Investment income earned on a surplus is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the restricted deferred revenue balance.
- (viii) Fees and user charges
Fees, user charges, permits, licenses and rents are recognized as revenue when the services are provided and there is reasonable assurance of collection.
- (ix) Pensions and employee benefits
The Municipality is an employer member of the Ontario Municipal Employee Retirement System (OMERS), 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.

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

(x) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include allowance for uncollectible taxes, estimated useful lives of tangible capital assets, allowance for doubtful accounts and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future. The estimates are reviewed periodically and any resulting adjustments are reported in earnings in the year in which they become known.

(xi) Land inventory

Land inventory is held for resale and is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

2. RESTATEMENT

The comparative figures included in these financial statements have been restated to conform with the accounting and reporting practices adopted for the current year.

During the year, the Town completed its implementation of a new capital asset software management program. In order to improve the overall financial statement presentation and accurate measurement of the Tangible Capital Assets of the Town, during the implementation, a review of the accounting measurement including historical cost and accumulated amortization, asset category classification and presentation categories was completed.

As a result of this review, the Town has implemented a change in certain asset classifications with a resultant change in historical amortization amounts. These changes (detailed below) have been presented as a change in accounting policy and have been applied on a retroactive basis with restatement of prior years' amounts.

In addition, during the software implementation, several errors in certain recorded historical costs and related amortization were identified. These errors (detailed below) have been corrected on a retroactive restated basis.

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

The effects of this restatement are as follows:

Year ended December 31, 2017

ACCUMULATED SURPLUS	
Accumulated surplus, as previously reported	\$ 97,013,009
Policy changes:	
Amortization change resulting from road surface and subsurface being combined	2,935,621
Errors:	
Reversal of road segments not owned by the Town	(871,085)
Reversal of Centennial Centre amortization recorded when should be classified as work in process	564,829
Previously recorded amortization of road segments not owned by the Town	775,432
Accumulated amortization change for adjustment to streetlight inventory	138,112
Accumulated amortization change due to change of in-service dates of sidewalks	83,093
Other	60,918
ACCUMULATED SURPLUS, AS RESTATED	\$ 100,699,929

ANNUAL SURPLUS	
Annual surplus as previously reported	\$ 563,404
Policy changes:	
Amortization change resulting from road surface and subsurface being combined	(449,203)
Errors:	
Amortization change due to change of in-service dates of sidewalks	1,944
ANNUAL SURPLUS, AS RESTATED	\$ 116,145

3. CASH

Cash consists of the following:

	2018	2017
Unrestricted	\$ 10,874,924	\$ 6,690,900
Restricted		
Federal gas tax	235,796	628,486
Development charges act	1,641,346	1,243,759
Parkland	951,670	655,270
Parking	54,017	52,885
	\$ 13,757,753	\$ 9,271,300

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

4. OPERATIONS OF SCHOOL BOARDS AND THE DISTRICT MUNICIPALITY OF MUSKOKA

Further to Note 1(a)(iii), the Municipality is required to collect property taxes and payments-in-lieu of taxes on the behalf of the school boards and the District Municipality of Muskoka. The amounts collected, remitted and outstanding are as follows:

	2018 School Boards	2018 District	2018 Total	2017 Total
Payable (receivable) at the beginning of the year	\$ (70,823)	\$ 87,194	\$ 16,371	\$ (105,123)
Taxation and payments-in-lieu, net of adjustments	8,874,449	17,798,787	26,673,236	25,579,411
Remitted during the year	(8,881,148)	(17,821,760)	(26,702,908)	(25,457,917)
Payable (receivable) at the end of the year	\$ (77,522)	\$ 64,221	\$ (13,301)	\$ 16,371

5. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$690,161 (2017 \$668,280) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

6. INVESTMENT IN LAKELAND HOLDING LTD.

Effective July 1, 2014, the Municipality holds a 21.74% ownership in the common shares of Lakeland Holding Ltd. Prior to July 1, 2014 the Municipality held a 25.13% ownership in the common shares of Lakeland Holding Ltd. On July 1, 2014 Lakeland Holding Ltd. amalgamated with Parry Sound Hydro Corporation and this amalgamation was accounted for as a business combination. The Municipality's share of the gain on the business combination in 2014 was \$211,252. As a government business enterprise of the Municipality, Lakeland Holding Ltd. is accounted for in these consolidated financial statements using the modified equity method. Lakeland Holding Ltd. and its subsidiaries are incorporation under the laws of Ontario and together they generate, sell and distribute hydro electric power and other retail services to users in Parry Sound, Bracebridge, Huntsville, Sundridge, Burk's Falls and Magnetawan, Ontario.

	2018	2017
Consolidated Balance Sheet		
Assets:		
Current assets	\$ 4,967,609	\$ 4,533,560
Capital and other assets	22,311,855	21,126,169
Total Assets	\$ 27,279,464	\$ 25,659,729
Liabilities:		
Other liabilities	15,539,724	14,830,924
Total Liabilities	15,539,724	14,830,924
Equity		
Shareholder's equity	11,739,740	10,828,805
Total Equity	11,739,740	10,828,805
Total Liabilities and Equity	\$ 27,279,464	\$ 25,659,729

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

Municipality's share of equity	\$ 11,739,740	\$ 10,828,805
Consolidated Statement of Operations, Retained Earnings and Comprehensive Income		
Total Revenues	\$ 12,324,887	\$ 12,315,790
Total Expenses	11,008,984	10,897,194
Net income	1,315,903	1,418,596
Less: dividends	(402,398)	(380,395)
Add: amortization of change in fair value of interest rate swap	7,230	7,230
Net income, net of dividends	\$ 920,735	\$ 1,045,431
Municipality's share of net income, net of dividends	\$ 920,735	\$ 1,045,431
Investment balance, beginning of year	\$ 10,828,264	\$ 9,782,833
Investment balance, end of year	\$ 11,748,999	\$ 10,828,264

7. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The 2018 continuity of transactions within the obligatory reserve funds are described below:

	Balance beginning of year	Contributions received	Interest earned	Amounts taken into revenue	Balance end of year
Cash in lieu of parkland	\$ 708,155	\$ 283,360	\$ 14,172	\$ -	\$ 1,005,687
Development charges	1,243,759	638,199	21,816	(184,900)	1,718,874
Federal gas tax	628,486	606,952	7,361	(1,007,003)	235,796
	\$ 2,580,400	\$ 1,528,511	\$ 43,349	\$(1,191,903)	\$ 2,960,357

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

8. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2018	2017
Debenture payable to the District Municipality of Muskoka, repayable in semi annual payments of \$44,405 including interest calculated at 6.02% per annum, maturing 2023 and is secured by future funding.	\$ 378,618	\$ 441,782
Debenture payable to the District Municipality of Muskoka, repayable in semi annual payments of \$24,375 plus interest calculated at 2.45% per annum, maturing 2025 and is secured by future funding.	\$ 316,875	\$ 365,625
Debenture payable to the District Municipality of Muskoka, repayable in semi annual payments of \$61,478 including interest calculated at 5.34% per annum, maturing 2026 and is secured by future funding.	792,074	869,614
Debenture payable to the District Municipality of Muskoka, repayable in semi annual payments of \$54,433 including interest calculated at 5.23% per annum, maturing 2027 and is secured by future funding.	773,508	839,303
Debenture payable to the District Municipality of Muskoka, repayable in annual payments of \$525,000 (varies every 5 years) and semi-annual interest payments at 1.1% to 5.1% per annum, maturing 2030 and is secured by future funding.	5,025,000	5,475,000
	\$ 7,286,075	\$ 7,991,324

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2019	\$ 716,790	\$ 343,817
2020	728,980	310,304
2021	716,853	276,133
2022	730,449	241,368
2023	744,808	205,521
2024 onwards	3,648,195	579,426
	\$ 7,286,075	\$ 1,956,569

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2018	2017
Principal payments	\$ 705,248	\$ 694,320
Interest	370,214	401,073
	\$ 1,075,462	\$ 1,095,393

The annual principal and interest payments required to service the Municipality's debt were within the annual debt repayment limit of \$3,230,691 prescribed by the Ministry of Municipal Affairs and Housing.

9. BANK INDEBTEDNESS

The Municipality has a revolving demand facility agreement with TD Canada Trust. The maximum amount available under this facility is \$4,500,000 (2017 \$4,500,000), of which \$NIL (2017 \$NIL) was used at the end of the year. The loan is payable on demand and bears interest at the bank's prime rate less 0.5%.

10. TANGIBLE CAPITAL ASSETS

Schedule 1 provides information on the tangible capital assets of the Municipality by major asset class. Additional information relating to these assets is provided below.

(a) Contributed tangible capital assets

The Municipality records all tangible capital assets contributed by external parties at the fair market value. During the year \$NIL (2017 \$497,572) such contributions were recorded.

(b) Tangible capital assets recorded at nominal value

Certain tangible capital assets have been assigned a nominal value because of the difficulty of establishing a reasonable historical cost. Land is the only category where nominal values were assigned.

(c) Works of art and historical treasures

The Town holds various pieces of art and historical treasures including Muskoka Heritage Place, Public Art and Sports Memorabilia Collections.

(d) Capitalization of Interest

The Municipality has a policy of expensing borrowing costs related to the acquisition of tangible capital assets.

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

11. OTHER INCOME

	2018	2017
Fees, permits, licences and fines	\$ 1,833,667	\$ 1,605,756
Penalties and interest on taxation	683,869	688,765
Investment income	238,794	128,373
Donations	24,332	37,531
Contributed tangible capital assets	-	497,572
Sale of miscellaneous items and other	539,543	83,491
Gain (loss) on sale of tangible capital assets	(4,252,592)	(109,535)
	\$ (932,387)	\$ 2,931,953

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule and segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

General Government

General Government accounts for the revenues and expenses that relate to the operations of the Municipality itself and cannot be directly attributed to any specific segment.

Protection Services

Protection is comprised of fire protection, by-law enforcement services, emergency planning, and maintenance and enforcement of building and construction codes. The fire department is responsible to provide fire suppression services, fire prevention programs, training and education. The members of the fire department includes volunteers.

Transportation

Transportation is responsible for the maintenance of roads, winter control, storm sewer maintenance, street lighting and the municipal transit system.

Environmental Services

Includes storm system maintenance and solar generation activity.

Health Services

Included in health services is the maintenance and upkeep of the municipally controlled cemeteries.

Social and Family Services

This service area provides services meant to improve the health and development of the Municipality's citizens.

Recreation and Culture

Recreational programs and cultural programs like swimming and skating lessons are provided at arenas, aquatic centers and community centers. Also, the Municipality provides library services to assist with its citizens' information needs.

Planning and Development

This department provides a number of services including town and economic planning and review of all property development plans through its application process.

Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Included in this category is Lakeland Holding Ltd income.

In preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of rent to specific segments.

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ 5,334,398	\$ 1,209,037	\$ 5,268,887	\$ 621,850	\$ 66,781	\$ 16,595	\$ 1,870,654	\$ 258,409	\$ -	\$ 14,646,611
User fees	245,347	59,684	113,988	648	135,149	15,669	1,634,965	62,391	-	2,267,841
Government transfers	51,917	202,613	380,507	41,759	-	51,979	115,867	101,436	-	946,078
Government transfers - OMPF	708,577	160,598	699,875	82,601	8,871	2,204	122,649	34,325	-	1,819,700
Contributions from obligatory reserve funds	-	-	1,045,663	-	-	-	146,240	-	-	1,191,903
Lakeland Holding Ltd - share of income	-	-	-	-	-	-	-	-	1,315,903	1,315,903
Penalties and interest on taxation	266,293	60,355	263,023	31,043	3,334	828	46,093	12,900	-	683,869
Other	(3,730,376)	1,122,039	170,350	(82,779)	9,291	-	365,083	530,136	-	(1,616,256)
TOTAL REVENUE	2,876,156	2,814,326	7,942,293	695,122	223,426	87,275	4,301,551	999,597	1,315,903	21,255,649
EXPENSES										
Salaries, wages and benefits	3,517,086	1,529,015	2,088,403	177,052	170,305	60,057	2,351,892	676,409	-	10,570,219
Long-term debt charges (interest)	211,134	23,689	95,994	2,164	-	-	37,233	-	-	370,214
Operating expenses	969,217	249,222	1,269,690	73,781	40,032	16,992	546,522	202,229	-	3,367,685
Contracted services	1,745,908	117,671	1,143,139	214,830	121,250	-	323,171	229,018	-	3,894,987
Rents and financial expenses	39,722	-	6,106	-	-	-	20,843	6,121	-	72,792
Internal allocations	(298,986)	166,101	(339,008)	343,813	(154)	-	133,963	-	-	5,729
Amortization	1,186,303	301,770	4,272,743	490,068	21,881	-	665,226	6,831	-	6,944,822
TOTAL EXPENSES	7,370,384	2,387,468	8,537,067	1,301,708	353,314	77,049	4,078,850	1,120,608	-	25,226,448
ANNUAL SURPLUS (DEFICIT)	\$(4,494,228)	\$ 426,858	\$(694,774)	\$(606,586)	\$(129,888)	\$ 10,226	\$ 222,701	\$(121,011)	\$ 1,315,903	\$(3,970,799)

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018

12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated (Restated - Note 2)
REVENUE										
Property taxes	\$ 5,242,086	\$ 1,134,335	\$ 4,830,082	\$ 530,650	\$ 83,010	\$ 8,188	\$ 1,669,700	\$ 159,094	\$ -	\$ 13,657,145
User fees	245,153	67,738	123,018	-	99,745	21,958	1,689,234	60,723	-	2,307,569
Government transfers	11,572	191,258	406,872	41,722	-	53,038	284,987	9,000	-	998,449
Government transfers - OMPF	749,039	162,084	690,167	75,824	11,861	1,170	103,222	22,733	-	1,816,100
Contributions from obligatory reserve funds	-	-	876,242	-	-	-	362,698	-	-	1,238,940
Lakeland Holding Ltd - share of income	-	-	-	-	-	-	-	-	1,418,596	1,418,596
Penalties and interest on taxation	284,076	61,471	261,749	28,757	4,498	444	39,148	8,622	-	688,765
Other	29,928	931,461	487,320	40,338	8,711	2	283,665	461,763	-	2,243,188
TOTAL REVENUE	6,561,854	2,548,347	7,675,450	717,291	207,825	84,800	4,432,654	721,935	1,418,596	24,368,752
EXPENSES										
Salaries, wages and benefits	3,369,090	1,455,424	1,800,276	148,576	162,158	58,450	2,211,257	533,177	-	9,738,408
Long-term debt charges (interest)	228,780	25,511	103,450	2,463	-	-	40,869	-	-	401,073
Operating expenses	884,154	238,546	1,013,188	116,240	46,432	16,671	501,323	218,664	-	3,035,218
Contracted services	1,302,067	122,251	1,374,959	154,887	14,599	-	331,854	143,458	-	3,444,075
Rents and financial expenses	38,833	-	6,115	-	-	-	22,142	6,117	-	73,207
Internal allocations	(248,207)	114,668	(264,701)	258,882	(132)	-	129,929	-	-	(9,561)
Amortization	1,287,369	285,185	4,862,534	477,739	22,223	-	628,306	6,831	-	7,570,187
TOTAL EXPENSES	6,862,086	2,241,585	8,895,821	1,158,787	245,280	75,121	3,865,680	908,247	-	24,252,607
ANNUAL SURPLUS (DEFICIT)	\$ (300,232)	\$ 306,762	\$(1,220,371)	\$ (441,496)	\$ (37,455)	\$ 9,679	\$ 566,974	\$ (186,312)	\$ 1,418,596	\$ 116,145

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

13. BUDGET FIGURES

The unaudited budget adopted for the current year was prepared on a fund basis, and has been amended to conform with the accounting and reporting standards adopted for the current year actual results. Town Council approved a balanced budget as required under the Municipal Act. The budget in the financial statements has been amended in order to comply with PSAB requirements to prepare the financial statements on a full accrual basis.

The following schedule provides additional detail regarding the 2018 unconsolidated municipal operating surplus.

SUPPLEMENTARY MUNICIPAL INFORMATION

	Municipal Budget 2018
CONSOLIDATED ANNUAL SURPLUS (DEFICIT)	(2,078,308)
Transfer (to) from municipal reserves	994,167
Transfer to unfunded liabilities	(703,431)
Municipal amortization	6,944,821
Municipal capital expenditures	(5,157,249)
MUNICIPAL SURPLUS (DEFICIT)	\$ -

14. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2018. The results of this valuation disclosed total actuarial liabilities of \$99,058 million with respect to benefits accrued for service with actuarial assets at that date of \$94,867 million indicating an actuarial deficit of \$4,191 million. Because OMERS is a multi employer plan, any 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 Plan surplus or deficit.

The amount contributed to OMERS for the current year was \$676,718 (2017 \$649,518) for current service and is included as an expense on the Consolidated Statement of Operations.

15. CONTINGENT LIABILITY

In the normal course of business, the municipality is named to lawsuits related to its operations. Management is of the view that these lawsuits are without merit and any settlement would not be material to the financial position of the municipality.

16. COMPARATIVE FIGURES

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

THE CORPORATION OF THE TOWN OF HUNTSVILLE
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 1

	Land and Land Improvements	Buildings	Equipment, Fleet and Vehicles	Roads, Bridges, and Storm Systems	Assets Under Construction	TOTAL 2018	TOTAL 2017 (Note 2)
COST							
Balance, beginning of year	\$ 13,554,168	\$ 52,923,835	\$ 13,337,661	\$ 96,865,957	\$ 171,750	\$ 176,853,371	\$ 173,272,321
Additions and betterments	399,095	653,995	1,452,182	2,979,421	105,910	5,590,603	5,537,965
Disposals and writedowns	(138,359)	(10,633,635)	(1,531,763)	(4,627)	(85,117)	(12,308,384)	(1,228,823)
Allocation from work in progress						(85,117)	(728,092)
BALANCE, END OF YEAR	13,814,904	42,944,195	13,258,080	99,840,751	192,543	170,050,473	176,853,371
ACCUMULATED AMORTIZATION							
Balance, beginning of year	5,342,751	17,306,589	8,105,935	54,794,652		85,549,927	79,001,623
Annual amortization	450,287	1,190,493	925,203	4,378,795		6,944,778	7,570,182
Amortization disposals	(16,660)	(2,363,526)	(1,504,906)	(4,627)		(3,889,719)	(1,021,878)
BALANCE, END OF YEAR	5,776,378	16,133,556	7,526,232	59,168,820		88,604,986	85,549,927
TANGIBLE CAPITAL ASSETS-NET	\$ 8,038,526	\$ 26,810,639	\$ 5,731,848	\$ 40,671,931	\$ 192,543	\$ 81,445,487	\$ 91,303,444

THE CORPORATION OF THE TOWN OF HUNTSVILLE
SUPPLEMENTARY UNAUDITED SCHEDULE OF SURPLUS
2018

	2018	2017 (Note 2)
RESERVES AND RESERVE FUNDS		
Operating		
BIA	\$ 79,032	\$ 74,463
General government	502,723	574,133
Planning and development	189,078	195,025
Protection services	1,172,402	798,905
Recreation and culture	36,082	4,388
Working funds	5,346,255	721,299
Capital		
General government	445,287	306,090
Library	458,643	457,104
Protection services	832,207	686,573
Health	81,766	68,766
Recreation and culture	2,098,100	1,746,816
Transportation services	(579,380)	758,380
TOTAL RESERVES AND RESERVE FUNDS	10,662,195	6,391,942
OTHER		
Investment in tangible capital assets	81,445,487	91,303,444
General operating surplus(deficit)	352	48,478
Investment in inventory for own use	176,678	127,831
Investment in Lakeland Holding Ltd. (Note 6)	11,739,740	10,828,805
Capital outlay financed by long-term liabilities and to be recovered in future years	(7,286,075)	(7,991,324)
Share of Lakeland Holding Ltd.'s accumulated comprehensive loss	(28,105)	(35,335)
Change in Lakeland Holding Ltd.'s comprehensive loss (defined benefit plan)	26,088	26,088
TOTAL OTHER	86,074,165	94,307,987
ACCUMULATED SURPLUS	\$ 96,736,360	\$100,699,929