

**THE CORPORATION OF THE
TOWN OF HUNTSVILLE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, and the consolidated statements of operations, the consolidated change in its net financial assets and its consolidated 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 financial position of The Corporation of the Town of Huntsville as at December 31, 2022, 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 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 those 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 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 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:



PAHAPILL and ASSOCIATES Chartered Professional 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.
- 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.

Pahapill and Associates

Huntsville, Ontario
July 24, 2023

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, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 31,964,914	\$ 25,829,909
Taxes receivable	3,653,362	5,017,805
Trade and other receivables, net of allowance of \$58,754 (2021 \$51,362)	1,536,646	2,319,845
Due from trust funds	-	85,713
Investment in Lakeland Holding Ltd. <i>(Note 5)</i>	13,486,047	13,247,177
	50,640,969	46,500,449
LIABILITIES		
Accounts payable and accrued liabilities	10,410,628	9,498,520
Deferred revenue - general	917,918	559,680
Deferred revenue - obligatory reserve funds <i>(Note 6)</i>	5,380,629	4,767,822
Municipal debt <i>(Note 7)</i>	4,393,005	5,123,453
Due to trust funds	10,501	-
	21,112,681	19,949,475
NET FINANCIAL ASSETS	29,528,288	26,550,974
NON-FINANCIAL ASSETS		
Tangible capital assets - net <i>(Note 9, Schedule 1)</i>	79,571,238	79,961,277
Inventories of supplies	258,659	238,891
Prepaid expenses	310,784	299,352
	80,140,681	80,499,520
ACCUMULATED SURPLUS	\$ 109,668,969	\$ 107,050,494

CONTINGENT LIABILITIES *(Note 14)*

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, 2022

	Budget 2022 (Note 12)	Actual 2022	Actual 2021
REVENUE			
Property taxes	\$ 18,293,867	\$ 18,365,843	\$ 17,583,611
User fees	2,466,015	2,530,821	1,569,223
Government transfers	1,015,614	1,807,790	2,704,720
Government transfers - OMPF	1,869,800	1,869,800	1,841,000
Contributions from obligatory reserve fund	1,084,041	1,431,026	1,347,548
Lakeland Holding Ltd. - share of income (Note 5)	424,400	646,480	1,117,705
Other (Note 10)	4,014,673	6,268,294	6,610,687
TOTAL REVENUE	29,168,410	32,920,054	32,774,494
EXPENSES			
General government	5,133,284	5,427,658	4,457,144
Protection to persons and property	3,204,306	3,195,046	3,151,348
Transportation services	10,309,869	10,252,753	9,050,899
Environmental services	982,715	1,326,845	1,283,081
Health services	238,615	242,177	248,213
Social and family services	68,531	49,433	49,366
Recreation and culture	7,874,502	7,446,291	6,371,910
Planning and development	1,936,889	2,378,166	2,185,189
TOTAL EXPENSES	29,748,711	30,318,369	26,797,150
ANNUAL SURPLUS (DEFICIT)	(580,301)	2,601,685	5,977,344
ACCUMULATED SURPLUS, BEGINNING OF YEAR	107,050,494	107,050,494	101,066,093
Lakeland Holding Ltd. - share of change in other comprehensive income	\$ -	\$ 4,493	\$ 7,057
Lakeland Holding Ltd. - remeasurement of defined benefit plan	\$ -	\$ 12,297	\$ -
ACCUMULATED SURPLUS, END OF YEAR	\$ 106,470,193	\$ 109,668,969	\$ 107,050,494

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
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget 2022 (Note 12)	Actual 2022	Actual 2021
Annual surplus (deficit)	\$ (580,301)	\$ 2,601,685	\$ 5,977,344
Lakeland Holding Ltd. - share of change in other comprehensive income	-	16,790	7,057
Acquisition of tangible capital assets	(9,543,117)	(7,427,514)	(7,726,299)
Amortization of tangible capital assets	8,541,604	8,541,604	7,675,814
Contributed tangible capital assets	-	(1,103,369)	(2,115,650)
(Gain) loss on disposition of tangible capital assets	-	354,318	747,163
Proceeds on disposition of tangible capital assets	-	25,000	29,237
Change in supplies inventories	-	(19,768)	54,402
Change in prepaid expense	-	(11,432)	(67,584)
Increase in net financial assets	(1,581,814)	2,977,314	4,581,484
Net financial assets, beginning of year	26,550,974	26,550,974	21,969,490
Net financial assets, end of year	\$ 24,969,160	\$ 29,528,288	\$ 26,550,974

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, 2022

	2022	2021
Operating transactions		
Annual surplus (deficit)	\$ 2,601,685	\$ 5,977,344
Non-cash charges to operations:		
Amortization	8,541,604	7,675,814
(Gain) loss on disposal of tangible capital assets	354,318	747,163
	11,497,607	14,400,321
Changes in non-cash items:		
Taxes receivable	1,364,443	1,058,650
Trade and other receivables	783,199	608,829
Lakeland Holding Ltd. - share of income (Note 5)	(646,480)	(1,117,705)
Due to/from trust funds	96,214	(10,133)
Accounts payable and accrued liabilities	912,108	3,000,043
Deferred revenue - general	358,238	279,340
Deferred revenue - obligatory reserve funds	612,807	1,077,010
Inventories of supplies	(19,768)	54,402
Prepaid expenses	(11,432)	(67,584)
	3,449,329	4,882,852
Cash provided by operating transactions	14,946,936	19,283,173
Capital transactions		
Acquisition of tangible capital assets	(8,530,883)	(9,841,949)
Proceeds on disposal of tangible capital asset	25,000	29,237
Cash applied to capital transactions	(8,505,883)	(9,812,712)
Investing transactions		
Dividends received (Note 5)	424,400	424,400
Cash provided by investing transactions	424,400	424,400
Financing transactions		
Debt principal repayments	(730,448)	(716,853)
Cash applied to financing transactions	(730,448)	(716,853)
Net change in cash and cash equivalents	6,135,005	9,178,008
Cash and cash equivalents, beginning of year	25,829,909	16,651,901
Cash and cash equivalents, end of year	\$ 31,964,914	\$ 25,829,909

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, 2022

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, 2022

(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.

(iii) 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.

(iv) 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 HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022

- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) Investment income
Investment income earned on surplus funds 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.
- (ix) 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.
- (x) 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, 2022

(xi) 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.

(xii) 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. CASH AND CASH EQUIVALENTS

Cash consists of the following:

	2022	2021
Unrestricted	\$ 26,969,278	\$ 21,578,293
Restricted		
Federal gas tax	781,891	762,082
Development charges act	4,001,447	3,003,187
Parkland in-Lieu	203,231	480,632
Parking in-Lieu	9,067	5,715
	\$ 31,964,914	\$ 25,829,909

3. 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:

	2022 School Boards	2022 District	2022 Total	2021 Total
Payable (receivable) beginning of year	\$ (102,423)	\$ 30,996	\$ (71,427)	\$ (410,303)
Taxation and payments-in-lieu, net of adjustments	9,314,539	21,150,942	30,465,481	29,229,991
Remitted during the year	(9,295,341)	(21,007,047)	(30,302,388)	(28,891,115)
Payable (receivable) end of year	\$ (83,225)	\$ 174,891	\$ 91,666	\$ (71,427)

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

4. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$787,456 (2021 \$753,297) 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.

5. INVESTMENT IN LAKELAND HOLDING LTD.

Effective June 8, 2018, the Town holds a 21.22% ownership in the common shares of Lakeland Holding Ltd.

As a government business enterprise of the Town, Lakeland Holding Ltd. is accounted for in these consolidated financial statements using the modified equity method. Lakeland Holding Ltd. and its subsidiaries are incorporated under the laws of Ontario and together they generate, sell and distribute hydro electric power and other retail services to users in Bracebridge, Burk's Falls, Huntsville, Magnetawan, Parry Sound and Sundridge, Ontario.

	2022	2021
Consolidated Balance Sheet		
Assets:		
Current assets	\$ 4,183,183	\$ 4,856,227
Capital and other assets	29,193,117	28,452,222
Total Assets	\$ 33,376,300	\$ 33,308,449
Liabilities:		
Other liabilities	19,890,253	20,061,272
Total Liabilities	19,890,253	20,061,272
Equity		
Shareholder's equity	13,486,047	13,247,177
Total Equity	13,486,047	13,247,177
Total Liabilities and Equity	\$ 33,376,300	\$ 33,308,449
Municipality's share of equity	\$ 13,486,047	\$ 13,247,177

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

Consolidated Statement of Operations, Retained Earnings and Comprehensive Income

Total Revenues	\$ 13,693,123	\$ 13,703,100
Total Expenses	13,046,643	12,585,395
Net income	646,480	1,117,705
Less: dividends	(424,400)	(424,400)
Add: amortization of change in fair value of interest rate swap	4,493	7,057
Less: remeasurement of defined benefit plan	12,297	-
Net income, net of dividends	\$ 238,870	\$ 700,362
Municipality's share of net income, net of dividends	\$ 238,870	\$ 700,362
Investment balance, beginning of year	\$ 13,247,177	\$ 12,546,815
Investment balance, end of year	\$ 13,486,047	\$ 13,247,177

6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The 2022 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
Planning act	\$ 486,347	\$ 29,798	\$ 13,330	\$ (317,177)	\$ 212,298
Development charges	3,519,394	1,414,700	88,641	(636,295)	4,386,440
Federal gas tax	762,081	628,467	19,809	(628,466)	781,891
	\$ 4,767,822	\$ 2,072,965	\$ 121,780	\$(1,581,938)	\$ 5,380,629

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2022

7. MUNICIPAL DEBT

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

	2022	2021
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.	\$ 84,957	\$ 165,024
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.	121,875	170,625
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.	437,626	533,360
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.	473,547	554,444
Debenture payable to the District Municipality of Muskoka, repayable in annual payments of \$425,000 (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.	3,275,000	3,700,000
	\$ 4,393,005	\$ 5,123,453

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

	Principal	Interest
2023	\$ 744,808	\$ 205,521
2024	669,828	169,895
2025	655,965	137,247
2026	617,665	105,356
2027	504,739	75,228
2028 onwards	1,200,000	91,700
	\$ 4,393,005	\$ 784,947

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

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

	2022	2021
Principal payments	\$ 730,449	\$ 716,853
Interest	234,657	269,675
	\$ 965,106	\$ 986,528

The annual principal and interest payments required to service the Municipality's debt were within the annual debt repayment limit of \$4,686,095 prescribed by the Ministry of Municipal Affairs and Housing.

8. 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 (2021 \$4,500,000), of which \$NIL (2021 \$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%.

9. 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 \$1,103,369 (2021 \$2,115,650) such contributions were recorded. The 2022 contributions consisted primarily of roads.

(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. The value of these are not included in the balances provided in Schedule 1.

(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, 2022

10. OTHER INCOME

	2022	2021
Fees, permits, licences and fines	\$ 4,078,043	\$ 3,547,936
Penalties and interest on taxation	572,498	734,138
Investment income	660,577	471,315
Donations	34,760	27,593
Contributed tangible capital assets	1,103,369	2,115,650
Sale of miscellaneous items and other	173,365	461,218
Gain (loss) on sale of tangible capital assets	(354,318)	(747,163)
	\$ 6,268,294	\$ 6,610,687

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

11. 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. Included in this category is Lakeland Holding Ltd. income.

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.

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, 2022

11. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2022

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Consolidated
REVENUE									
Property taxes	\$ 6,023,000	\$ 1,092,238	\$ 7,414,125	\$ 596,909	\$ 36,933	\$ (22,641)	\$ 2,754,690	\$ 470,589	\$ 18,365,843
User fees	131,000	51,639	237,746	117,876	173,247	22,119	1,441,151	356,043	2,530,821
Government transfers	218,228	367,240	925,973	-	-	71,490	162,559	62,300	1,807,790
Government transfers - OMPF	650,939	118,044	801,287	64,511	3,992	(2,447)	196,987	36,487	1,869,800
Contributions from obligatory reserve funds	-	-	967,127	-	-	-	463,899	-	1,431,026
Lakeland Holding Ltd - share of income	646,480	-	-	-	-	-	-	-	646,480
Penalties and interest on taxation	199,305	36,143	245,339	19,752	1,222	(749)	60,314	11,172	572,498
Other	1,225,997	1,456,574	647,631	(115,186)	53,911	880	436,886	1,989,103	5,695,796
TOTAL REVENUE	9,094,949	3,121,878	11,239,228	683,862	269,305	68,652	5,516,486	2,925,694	32,920,054
EXPENSES									
Salaries, wages and benefits	2,913,507	1,942,680	2,288,988	290,148	166,824	36,366	4,164,155	863,519	12,666,187
Long-term debt charges (interest)	42,252	15,227	62,566	927	-	-	113,685	-	234,657
Operating expenses	337,103	273,258	1,549,511	82,321	25,301	6,187	908,186	162,842	3,344,709
Contracted services	2,132,797	295,906	886,594	69,490	28,104	-	647,536	1,320,765	5,381,192
Rents and financial expenses	37,207	14,990	19,329	-	-	-	57,325	21,169	150,020
Internal allocations	(385,046)	313,558	(372,055)	372,055	-	6,880	56,994	7,614	-
Amortization	349,838	339,427	5,817,820	511,904	21,948	-	1,498,410	2,257	8,541,604
TOTAL EXPENSES	5,427,658	3,195,046	10,252,753	1,326,845	242,177	49,433	7,446,291	2,378,166	30,318,369
ANNUAL SURPLUS (DEFICIT)	\$ 3,667,291	\$ (73,168)	\$ 986,475	\$ (642,983)	\$ 27,128	\$ 19,219	\$(1,929,805)	\$ 547,528	\$ 2,601,685

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022

11. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Consolidated
REVENUE									
Property taxes	\$ 6,120,258	\$ 645,754	\$ 6,841,941	\$ 701,812	\$ 104,489	\$ (5,407)	\$ 2,739,613	\$ 435,151	\$ 17,583,611
User fees	163,632	74,706	166,480	15,632	121,754	7,113	603,483	416,423	1,569,223
Government transfers	1,129	1,226,349	1,179,120	-	-	51,948	209,247	36,927	2,704,720
Government transfers - OMPF	678,948	71,637	759,009	77,855	11,592	(600)	208,749	33,810	1,841,000
Contributions from obligatory reserve funds	-	-	1,169,171	-	-	-	178,377	-	1,347,548
Lakeland Holding Ltd - share of income	1,117,705	-	-	-	-	-	-	-	1,117,705
Penalties and interest on taxation	270,746	28,567	302,671	31,046	4,622	(239)	83,243	13,482	734,138
Other	1,037,889	1,485,490	1,777,086	27,114	27,245	2	45,313	1,476,410	5,876,549
TOTAL REVENUE	9,390,307	3,532,503	12,195,478	853,459	269,702	52,817	4,068,025	2,412,203	32,774,494
EXPENSES									
Salaries, wages and benefits	2,738,233	1,882,094	2,261,432	250,052	186,155	35,167	3,458,005	818,617	11,629,755
Long-term debt charges (interest)	51,270	17,473	70,624	1,219	-	-	129,089	-	269,675
Operating expenses	200,427	273,960	1,223,372	56,300	19,796	5,191	679,922	221,715	2,680,683
Contracted services	1,452,312	260,908	770,337	135,963	9,798	-	659,842	1,136,800	4,425,960
Rents and financial expenses	61,929	16,600	8,580	-	-	-	22,354	5,800	115,263
Internal allocations	(373,334)	390,806	(350,995)	347,319	-	9,008	(22,804)	-	-
Amortization	326,307	309,507	5,067,549	492,228	32,464	-	1,445,502	2,257	7,675,814
TOTAL EXPENSES	4,457,144	3,151,348	9,050,899	1,283,081	248,213	49,366	6,371,910	2,185,189	26,797,150
ANNUAL SURPLUS (DEFICIT)	\$ 4,933,163	\$ 381,155	\$ 3,144,579	\$ (429,622)	\$ 21,489	\$ 3,451	\$ (2,303,885)	\$ 227,014	\$ 5,977,344

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2022

12. 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 2022 unconsolidated municipal operating surplus.

SUPPLEMENTARY MUNICIPAL INFORMATION

		Municipal Budget 2022
CONSOLIDATED ANNUAL SURPLUS (DEFICIT)	\$	(580,301)
Transfer (to) from municipal reserves		2,312,264
Transfer to unfunded liabilities		(730,450)
Municipal amortization		8,541,604
Municipal capital expenditures		(9,543,117)
MUNICIPAL SURPLUS (DEFICIT)	\$	-

13. 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, 2022. The results of this valuation disclosed total actuarial liabilities of \$128,789 million with respect to benefits accrued for service with actuarial assets at that date of \$122,111 million indicating an actuarial deficit of \$6,678 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 \$819,918 (2021 \$744,865) for current service and is included as an expense on the Consolidated Statement of Operations.

14. 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.

THE CORPORATION OF THE TOWN OF HUNTSVILLE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**Year Ended December 31, 2022

15. LIABILITIES FOR CONTAMINATED SITES

The Municipality reports environmental liabilities related to the management and remediation of any contaminated sites where the Municipality is obligated or likely obligated to incur such costs.

The Municipality identified one potential site. The extent and amount of any future remediation is currently unknown and therefore no liability has been recorded.

The Municipality's ongoing efforts to assess contaminated sites may result in future environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Municipality's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and can be reasonably estimated.

THE CORPORATION OF THE TOWN OF HUNTSVILLE
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule 1

	Land and Land Improvements	Buildings	Equipment, Fleet and Vehicles	Roads, Bridges, and Storm Systems	Assets Under Construction	TOTAL 2022	TOTAL 2021
COST							
Balance, beginning of year	\$ 16,088,198	\$ 43,509,276	\$ 14,227,572	\$ 106,854,982	\$ 2,583,898	\$ 183,263,926	\$ 176,464,231
Additions and betterments	3,368,183	157,281	1,197,624	2,436,423	1,371,372	8,530,883	9,841,949
Disposals and writedowns	(223,861)		(228,376)	(1,333,503)		(1,785,740)	(3,042,254)
Allocation from work in progress	307,733			3,193,785	(3,501,518)		
BALANCE, END OF YEAR	19,540,253	43,666,557	15,196,820	111,151,687	453,752	190,009,069	183,263,926
ACCUMULATED AMORTIZATION							
Balance, beginning of year	5,859,660	19,260,895	6,848,651	71,333,443		103,302,649	97,892,689
Annual amortization	616,271	1,113,818	1,127,254	5,684,261		8,541,604	7,675,814
Amortization disposals	(161,555)		(188,256)	(1,056,611)		(1,406,422)	(2,265,854)
BALANCE, END OF YEAR	6,314,376	20,374,713	7,787,649	75,961,093		110,437,831	103,302,649
TANGIBLE CAPITAL ASSETS-NET	\$ 13,225,877	\$ 23,291,844	\$ 7,409,171	\$ 35,190,594	\$ 453,752	\$ 79,571,238	\$ 79,961,277

THE CORPORATION OF THE TOWN OF HUNTSVILLE

SUPPLEMENTARY UNAUDITED SCHEDULE OF SURPLUS

2022

	2022	2021
RESERVES AND RESERVE FUNDS		
Operating		
BIA	\$ 61,969	\$ 86,508
General government	6,477,602	5,793,188
Protection services	2,806,721	3,023,311
Transportation services	85,000	85,000
Health services	125,000	9,500
Recreation and culture	144,530	142,886
Planning and development	1,282,214	846,658
Working funds	2,809,821	4,041,524
Capital		
Library	796,700	678,717
General government	2,066,518	1,627,785
Protection services	945,991	725,456
Transportation services	1,980,374	723,779
Health services	198,161	183,542
Recreation and culture	994,519	732,126
Planning and development	10,142	46,402
TOTAL RESERVES AND RESERVE FUNDS	20,785,262	18,746,382
OTHER		
Investment in tangible capital assets	79,571,238	79,961,277
General operating surplus (deficit)	(40,337)	(9,992)
Investment in inventory for own use	258,659	238,891
Unfunded accommodation tax reserve	(23,843)	(17,946)
Investment in Lakeland Holding Ltd. (Note 5)	13,486,047	13,247,177
Capital outlay financed by long-term liabilities and to be recovered in future years	(4,393,005)	(5,123,453)
Share of Lakeland Holding Ltd.'s accumulated comprehensive loss	(2,614)	(7,107)
Change in Lakeland Holding Ltd.'s comprehensive loss (defined benefit plan)	27,562	15,265
TOTAL OTHER	88,883,707	88,304,112
ACCUMULATED SURPLUS	\$109,668,969	\$107,050,494