

**THE CORPORATION OF THE
TOWN OF HUNTSVILLE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

THE CORPORATION OF THE TOWN OF HUNTSVILLE
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Independent Auditors' Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flow	6
Notes to the Consolidated Financial Statements	7 - 20
Schedule 1 - Consolidated Schedule of Tangible Capital Assets	21
Supplementary Unaudited Schedule of Surplus	22



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, 2020, 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 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, 2020, 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, 2019 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
June 30, 2021

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, 2020

	2020	2019 (Note 2)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 16,651,901	\$ 16,899,865
Taxes receivable	6,076,455	5,688,944
Trade and other receivables, net of allowance of \$19,932 (2019 \$19,932)	2,928,674	1,691,437
Due from trust funds	75,580	1,528
Investment in Lakeland Holding Ltd. (Note 6)	12,546,815	11,911,717
	38,279,425	36,193,491
LIABILITIES		
Accounts payable and accrued liabilities	6,498,477	8,244,614
Deferred revenue - general	280,340	438,214
Deferred revenue - obligatory reserve funds (Note 7)	3,690,812	2,988,130
Municipal debt (Note 8)	5,840,306	6,569,286
	16,309,935	18,240,244
NET FINANCIAL ASSETS	21,969,490	17,953,247
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 10, Schedule 1)	78,571,542	80,530,405
Inventories of supplies	293,293	247,273
Prepaid expenses	231,768	157,687
	79,096,603	80,935,365
ACCUMULATED SURPLUS	\$ 101,066,093	\$ 98,888,612

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, 2020

	Budget 2020 (Note 13)	Actual 2020	Actual 2019 (Note 2)
REVENUE			
Property taxes	\$ 16,891,513	\$ 17,029,248	\$ 15,929,821
User fees	2,388,809	1,209,471	2,697,325
Government transfers	1,603,302	2,193,768	2,416,470
Government transfers - OMPF	1,840,000	1,840,000	1,814,100
Contributions from obligatory reserve fund	1,132,476	961,893	2,216,871
Lakeland Holding Ltd. - share of income (Note 6)	424,400	1,048,716	884,671
Other (Note 11)	2,481,216	2,991,521	3,152,737
TOTAL REVENUE	26,761,716	27,274,617	29,111,995
EXPENSES			
General government	4,659,537	4,099,640	4,546,229
Protection to persons and property	2,911,706	2,692,911	2,659,369
Transportation services	9,077,284	8,738,929	8,306,353
Environmental services	989,858	1,497,352	1,497,669
Health services	231,817	203,050	219,580
Social and family services	122,064	68,555	98,085
Recreation and culture	7,628,334	6,107,741	7,561,766
Planning and development	1,392,228	1,699,740	1,773,139
TOTAL EXPENSES	27,012,828	25,107,918	26,662,190
ANNUAL SURPLUS (DEFICIT)	(251,112)	2,166,699	2,449,805
ACCUMULATED SURPLUS, BEGINNING OF YEAR	98,888,612	98,888,612	96,446,298
Lakeland Holding Ltd. - share of change in other comprehensive income	\$ -	\$ 7,057	\$ 7,057
Lakeland Holding Ltd. - remeasurement of defined benefit plan	\$ -	\$ 3,725	\$ (14,548)
ACCUMULATED SURPLUS, END OF YEAR	\$ 98,637,500	\$ 101,066,093	\$ 98,888,612

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, 2020

	Budget 2020 (Note 13)	Actual 2020	Actual 2019 (Note 2)
Annual surplus (deficit)	\$ (251,112)	\$ 2,166,699	\$ 2,449,805
Lakeland Holding Ltd. - share of change in other comprehensive income	-	10,782	(7,491)
Acquisition of tangible capital assets	(5,630,680)	(6,169,302)	(6,521,559)
Amortization of tangible capital assets	7,430,512	7,430,512	6,881,432
(Gain) loss on disposition of tangible capital assets	-	597,866	286,175
Proceeds on disposition of tangible capital assets	-	99,787	269,034
Change in supplies inventories	-	(46,020)	(70,595)
Change in prepaid expense	-	(74,081)	48,205
Increase in net financial assets	1,548,720	4,016,243	3,335,006
Net financial assets, beginning of year	17,953,247	17,953,247	14,618,241
Net financial assets, end of year	\$ 19,501,967	\$ 21,969,490	\$ 17,953,247

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, 2020

	2020	2019 (Note 2)
Operating transactions		
Annual surplus (deficit)	\$ 2,166,699	\$ 2,449,805
Non-cash charges to operations:		
Amortization	7,430,512	6,881,432
(Gain) loss on disposal of tangible capital assets	597,866	286,175
	10,195,077	9,617,412
Changes in non-cash items:		
Taxes receivable	(387,511)	(331,788)
Trade and other receivables	(1,237,237)	(772,475)
Lakeland Holding Ltd. - share of income (Note 6)	(1,048,716)	(884,671)
Due to/from trust funds	(74,052)	(70)
Accounts payable and accrued liabilities	(1,746,137)	1,995,203
Deferred revenue - general	(157,874)	58,032
Deferred revenue - obligatory reserve funds	702,682	27,773
Inventories of supplies	(46,020)	(70,595)
Prepaid expenses	(74,081)	48,205
	(4,068,946)	69,614
Cash provided by operating transactions	6,126,131	9,687,026
Capital transactions		
Acquisition of tangible capital assets	(6,169,302)	(6,521,559)
Proceeds on disposal of tangible capital asset	99,787	269,034
Cash applied to capital transactions	(6,069,515)	(6,252,525)
Investing transactions		
Dividends received (Note 6)	424,400	424,400
Cash provided by investing transactions	424,400	424,400
Financing transactions		
Debt principal repayments	(728,980)	(716,789)
Cash applied to financing transactions	(728,980)	(716,789)
Net change in cash and cash equivalents	(247,964)	3,142,112
Cash and cash equivalents, beginning of year	16,899,865	13,757,753
Cash and cash equivalents, end of year	\$ 16,651,901	\$ 16,899,865

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, 2020

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, 2020

(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, 2020

- (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, 2020

(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. 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, information became available that demonstrated that the Town had overstated its ownership percentage in Lakeland Holdings Ltd. due to a dilution of ownership (see Note 6) for the years ending December 31, 2018 and 2019. This error has been corrected on a retroactive restated basis.

The effects of this restatement are as follows:

Year ended December 31, 2019

ACCUMULATED SURPLUS	
Accumulated surplus, as previously reported	\$ 99,200,170
Reduction in Investment in Lakeland Holding Ltd.	(291,899)
Reduction in share of Lakeland Holding Ltd.'s accumulated comprehensive loss	(346)
Increase in change in Lakeland Holding Ltd.'s comprehensive loss (defined benefit plan)	356
Increase in general operating deficit relating to previously reported difference in asset and equity investment amounts of Lakeland Holding Ltd.	(19,669)
ACCUMULATED SURPLUS, AS RESTATED	\$ 98,888,612
ANNUAL SURPLUS	
Annual surplus, as previously reported	\$ 2,471,484
Reduction in Lakeland Holding Ltd. - share of income	(21,679)
ANNUAL SURPLUS, AS RESTATED	\$ 2,449,805

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

3. CASH

Cash consists of the following:

	2020	2019
Unrestricted	\$ 13,343,795	\$ 14,049,475
Restricted		
Federal gas tax	723,512	717,055
Development charges act	2,115,778	1,790,819
Parkland in-Lieu	466,195	287,067
Parking in-Lieu	2,621	55,449
	\$ 16,651,901	\$ 16,899,865

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:

	2020 School Boards	2020 District	2020 Total	2019 Total
Payable (receivable) beginning of year	\$ (76,057)	\$ 369,333	\$ 293,276	\$ (13,301)
Taxation and payments-in-lieu, net of adjustments	8,884,401	19,259,102	28,143,503	27,727,715
Remitted during the year	(8,896,510)	(19,950,572)	(28,847,082)	(27,421,138)
Payable (receivable) end of year	\$ (88,166)	\$ (322,137)	\$ (410,303)	\$ 293,276

5. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$734,682 (2019 \$717,569) 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 June 8, 2018, the Town holds a 21.22% ownership in the common shares of Lakeland Holding Ltd.

Prior to June 8, 2018, the Town held 21.74% ownership in the common shares of Lakeland Holding Ltd. On that date, Lakeland Holding Ltd. allotment of share allocations was amended in accordance with the shareholder agreement as the result of the addition of the Cascade Generating Station in Parry Sound. The Town's loss on reduction in ownership percentage was \$259,002.

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

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.

	2020	2019
Consolidated Balance Sheet		
Assets:		
Current assets	\$ 4,896,147	\$ 4,977,567
Capital and other assets	25,133,629	23,082,429
Total Assets	\$ 30,029,776	\$ 28,059,996
Liabilities:		
Other liabilities	17,482,961	16,148,279
Total Liabilities	17,482,961	16,148,279
Equity		
Shareholder's equity	12,546,815	11,911,717
Total Equity	12,546,815	11,911,717
Total Liabilities and Equity	\$ 30,029,776	\$ 28,059,996
Municipality's share of equity	\$ 12,546,815	\$ 11,911,717
Consolidated Statement of Operations, Retained Earnings and Comprehensive Income		
Total Revenues	\$ 14,344,712	\$ 12,770,821
Total Expenses	13,295,996	11,886,150
Net income	1,048,716	884,671
Less: dividends	(424,400)	(424,400)
Add: amortization of change in fair value of interest rate swap	7,057	7,057
Less: remeasurement of defined benefit plan	3,725	(14,548)
Net income, net of dividends	\$ 635,098	\$ 452,780
Municipality's share of net income, net of dividends	\$ 635,098	\$ 452,780
Investment balance, beginning of year	\$ 11,911,717	\$ 11,458,937
Investment balance, end of year	\$ 12,546,815	\$ 11,911,717

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

7. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The 2020 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	\$ 342,516	\$ 89,885	\$ 36,416	\$ -	\$ 468,817
Development charges	1,928,559	847,333	83,342	(360,750)	2,498,484
Federal gas tax	717,055	601,143	6,456	(601,143)	723,511
	\$ 2,988,130	\$ 1,538,361	\$ 126,214	\$ (961,893)	\$ 3,690,812

8. MUNICIPAL DEBT

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

	2020	2019
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.	\$ 240,482	\$ 311,597
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.	219,375	268,125
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.	624,181	710,339
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.	631,268	704,225
Debenture payable to the District Municipality of Muskoka, repayable in annual payments of \$450,000 (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.	4,125,000	4,575,000
	\$ 5,840,306	\$ 6,569,286

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

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

	Principal	Interest
2021	\$ 716,853	\$ 276,133
2022	730,449	241,368
2023	744,808	205,521
2024	669,828	169,895
2025	655,965	137,247
2026 onwards	2,322,403	272,285
	\$ 5,840,306	\$ 1,302,449

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

	2020	2019
Principal payments	\$ 728,980	\$ 716,789
Interest	304,145	336,059
	\$ 1,033,125	\$ 1,052,848

The annual principal and interest payments required to service the Municipality's debt were within the annual debt repayment limit of \$4,274,304 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 (2019 \$4,500,000), of which \$NIL (2019 \$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 (2019 \$NIL) 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. The value of these are not included in the balances provided in Schedule 1.

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

(d) Capitalization of Interest

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

11. OTHER INCOME

	2020	2019
Fees, permits, licences and fines	\$ 2,331,521	\$ 2,210,395
Penalties and interest on taxation	658,233	746,044
Investment income	441,967	301,337
Donations	6,040	26,310
Sale of miscellaneous items and other	151,683	154,826
Gain (loss) on sale of tangible capital assets	(597,923)	(286,175)
	\$ 2,991,521	\$ 3,152,737

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

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. 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, 2020

12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

	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	\$ 5,665,101	\$ 1,289,262	\$ 5,960,247	\$ 834,013	\$ 62,811	\$ 14,387	\$ 2,719,535	\$ 483,892	\$ 17,029,248
User fees	101,113	34,610	149,395	13,820	103,375	4,302	538,573	264,283	1,209,471
Government transfers	1,917	994,494	994,684	-	-	51,187	84,935	66,551	2,193,768
Government transfers - OMPF	650,810	148,111	684,717	95,812	7,216	1,653	210,775	40,906	1,840,000
Contributions from obligatory reserve funds	-	-	819,803	-	-	-	142,090	-	961,893
Lakeland Holding Ltd - share of income	1,048,716	-	-	-	-	-	-	-	1,048,716
Penalties and interest on taxation	232,819	52,985	244,947	34,275	2,581	591	75,402	14,633	658,233
Other	406,645	1,216,042	(123,954)	18,957	80,052	1,206	(247,646)	981,986	2,333,288
TOTAL REVENUE	8,107,121	3,735,504	8,729,839	996,877	256,035	73,326	3,523,664	1,852,251	27,274,617
EXPENSES									
Salaries, wages and benefits	2,612,514	1,604,582	2,233,109	236,529	145,202	56,492	3,060,317	741,141	10,689,886
Long-term debt charges (interest)	59,856	19,607	78,734	1,519	-	-	144,429	-	304,145
Operating expenses	214,520	231,349	1,143,476	76,050	20,386	6,079	696,272	114,223	2,502,355
Contracted services	1,167,807	265,483	913,104	120,070	15,852	-	777,617	836,502	4,096,435
Rents and financial expenses	53,911	22	6,109	-	-	-	18,926	5,617	84,585
Internal allocations	(324,178)	278,728	(573,030)	566,883	-	5,984	45,613	-	-
Amortization	315,210	293,140	4,937,427	496,301	21,610	-	1,364,567	2,257	7,430,512
TOTAL EXPENSES	4,099,640	2,692,911	8,738,929	1,497,352	203,050	68,555	6,107,741	1,699,740	25,107,918
ANNUAL SURPLUS (DEFICIT)	\$ 4,007,481	\$ 1,042,593	\$ (9,090)	\$ (500,475)	\$ 52,985	\$ 4,771	\$ (2,584,077)	\$ 152,511	\$ 2,166,699

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2019

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Consolidated (Restated - Note 2)
REVENUE									
Property taxes	\$ 5,747,407	\$ 1,411,077	\$ 5,418,990	\$ 827,660	\$ 47,603	\$ 28,982	\$ 2,185,175	\$ 262,927	\$ 15,929,821
User fees	211,470	39,234	167,904	16,683	143,138	15,017	1,589,163	514,716	2,697,325
Government transfers	614,598	203,182	1,180,196	-	-	49,505	107,477	261,512	2,416,470
Government transfers - OMPF	703,664	172,760	663,454	101,331	5,828	3,548	146,667	16,848	1,814,100
Contributions from obligatory reserve funds	503,216	-	970,527	-	-	-	743,128	-	2,216,871
Lakeland Holding Ltd - share of income	884,671	-	-	-	-	-	-	-	884,671
Penalties and interest on taxation	289,379	71,047	272,844	41,672	2,397	1,459	60,317	6,929	746,044
Other	310,641	1,105,668	(69,963)	22,039	10,316	4,809	97,987	925,196	2,406,693
TOTAL REVENUE	9,265,046	3,002,968	8,603,952	1,009,385	209,282	103,320	4,929,914	1,988,128	29,111,995
EXPENSES									
Salaries, wages and benefits	2,629,429	1,734,344	2,154,890	208,623	157,528	76,617	3,805,640	643,868	11,410,939
Long-term debt charges (interest)	67,421	21,592	86,371	1,794	-	-	158,881	-	336,059
Operating expenses	372,004	211,073	1,245,027	124,596	23,583	10,743	1,206,384	290,924	3,484,334
Contracted services	1,501,533	199,615	982,265	120,855	15,835	-	817,025	798,529	4,435,657
Rents and financial expenses	33,190	6	8,145	-	-	-	38,441	33,987	113,769
Internal allocations	(353,425)	211,942	(557,498)	557,493	-	10,725	130,763	-	-
Amortization	296,077	280,797	4,387,153	484,308	22,634	-	1,404,632	5,831	6,881,432
TOTAL EXPENSES	4,546,229	2,659,369	8,306,353	1,497,669	219,580	98,085	7,561,766	1,773,139	26,662,190
ANNUAL SURPLUS (DEFICIT)	\$ 4,718,817	\$ 343,599	\$ 297,599	\$ (488,284)	\$ (10,298)	\$ 5,235	\$ (2,631,852)	\$ 214,989	\$ 2,449,805

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2020

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 2020 unconsolidated municipal operating surplus.

SUPPLEMENTARY MUNICIPAL INFORMATION

	Municipal Budget 2020
CONSOLIDATED ANNUAL SURPLUS (DEFICIT)	\$ (251,112)
Transfer (to) from municipal reserves	(819,740)
Transfer to unfunded liabilities	(728,980)
Municipal amortization	7,430,512
Municipal capital expenditures	(5,630,680)
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, 2020. The results of this valuation disclosed total actuarial liabilities of \$111,820 million with respect to benefits accrued for service with actuarial assets at that date of \$108,609 million indicating an actuarial deficit of \$3,211 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 \$749,532 (2019 \$746,572) 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.

THE CORPORATION OF THE TOWN OF HUNTSVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

16. 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.

During the year 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.

17. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at December 31, 2020, the Municipality is not aware of changes in its operations as a result of the COVID-19 crisis.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, the potential impact on the Municipality's operations as at the date of the financial statements cannot be reasonably estimated.

18. 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, 2020

Schedule 1

	Land and Land Improvements	Buildings	Equipment, Fleet and Vehicles	Roads, Bridges, and Storm Systems	Assets Under Construction	TOTAL 2020	TOTAL 2019
COST							
Balance, beginning of year	\$ 13,664,454	\$ 43,035,588	\$ 13,721,711	\$ 102,007,142	\$ 1,080,563	\$ 173,509,458	\$ 170,050,473
Additions and betterments	1,606,330	131,600	1,491,171	2,631,577	308,624	6,169,302	6,521,559
Disposals and writedowns	(850,499)	(70,446)	(1,956,665)	(336,919)		(3,214,529)	(3,062,574)
Allocation from work in progress	887,845			111,736	(999,581)		
BALANCE, END OF YEAR	15,308,130	43,096,742	13,256,217	104,413,536	389,606	176,464,231	173,509,458
ACCUMULATED AMORTIZATION							
Balance, beginning of year	5,326,709	17,124,807	7,436,162	63,091,375		92,979,053	88,604,986
Annual amortization	416,217	1,088,404	989,117	4,936,774		7,430,512	6,881,432
Amortization disposals	(413,893)	(55,865)	(1,858,873)	(188,245)		(2,516,876)	(2,507,365)
BALANCE, END OF YEAR	5,329,033	18,157,346	6,566,406	67,839,904		97,892,689	92,979,053
TANGIBLE CAPITAL ASSETS-NET	\$ 9,979,097	\$ 24,939,396	\$ 6,689,811	\$ 36,573,632	\$ 389,606	\$ 78,571,542	\$ 80,530,405

THE CORPORATION OF THE TOWN OF HUNTSVILLE

SUPPLEMENTARY UNAUDITED SCHEDULE OF SURPLUS

2020

	2020	2019 (Note 2)
RESERVES AND RESERVE FUNDS		
Operating		
BIA	\$ 99,030	\$ 93,421
General government	5,095,957	5,710,032
Protection services	2,915,671	1,527,856
Transportation services	85,000	85,000
Health services	7,500	5,500
Recreation and culture	145,901	147,006
Planning and development	606,937	380,552
Working funds	1,981,804	1,446,344
Capital		
Library	662,646	467,497
General government	1,348,722	1,134,848
Protection services	959,301	737,800
Transportation services	779,170	(112,267)
Health services	154,027	81,074
Recreation and culture	686,772	1,011,114
Planning and development	41,301	82,076
TOTAL RESERVES AND RESERVE FUNDS	15,569,739	12,797,853
OTHER		
Investment in tangible capital assets	78,571,542	80,530,405
General operating surplus (deficit)	(4,313)	(19,669)
Investment in inventory for own use	293,293	247,273
Unfunded accommodation tax reserve	(71,778)	-
Investment in Lakeland Holding Ltd. (Note 6)	12,546,815	11,911,717
Capital outlay financed by long-term liabilities and to be recovered in future years	(5,840,306)	(6,569,286)
Share of Lakeland Holding Ltd.'s accumulated comprehensive loss	(14,164)	(21,221)
Change in Lakeland Holding Ltd.'s comprehensive loss (defined benefit plan)	15,265	11,540
TOTAL OTHER	85,496,354	86,090,759
ACCUMULATED SURPLUS	\$101,066,093	\$ 98,888,612