

The District Municipality of Muskoka
Consolidated Financial Statements
For the year ended December 31, 2025

**The District Municipality of Muskoka
Consolidated Financial Statements
For the year ended December 31, 2025**

Contents

Management Responsibility for the Consolidated Financial Statements	2
Independent Auditor's Report	3 - 4
Consolidated Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations and Accumulated Surplus	6
Consolidated Statement of Remeasurement Gains	7
Consolidated Statement of Changes in Net Financial Assets	8
Consolidated Statement of Cash Flows	9
Summary of Significant Accounting Policies	10 - 15
Notes to Consolidated Financial Statements	16 - 37

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The District Municipality of Muskoka (the "District") are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described on pages 10-15 of the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.

Signed by:



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Director of Finance

Signed by:



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Commissioner Finance & Corporate Services

September 3, 2026

Independent Auditor's Report

To the Members of Council, Residents and Ratepayers of The District Municipality of Muskoka

Opinion

We have audited the consolidated financial statements of The District Municipality of Muskoka and its entities (the District), which comprise the consolidated statement of financial position as at December 31, 2025, the consolidated statements of operations and accumulated surplus, remeasurement gains, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2025, and its consolidated results of operations, its consolidated remeasurement gains, its consolidated change in net financial assets, and its consolidated 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 District in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 District'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 District 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the District as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review work of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
September 3, 2026

The District Municipality of Muskoka

Consolidated Statement of Financial Position

December 31	2025	2024
Financial assets		
Cash and cash equivalents (Note 2)	\$ 68,923,335	\$ 55,954,349
Investments (Note 3)	176,902,554	184,435,625
Trade and other receivables	28,409,524	31,328,617
Long-term receivables (Notes 4 and 7)	62,105,822	65,241,485
Inventory for resale	104,133	50,867
	<u>336,445,368</u>	<u>337,010,943</u>
Liabilities		
Accounts payable and accrued liabilities	81,840,324	71,619,355
Employee future benefits payable (Note 5)	3,619,123	3,102,008
Deferred revenue - obligatory reserves (Note 2)	33,854,091	29,364,772
Deferred revenue - other (Note 2)	2,484,972	2,451,900
Asset retirement obligations (Note 6)	38,144,989	40,558,087
Municipal debt (Note 7)	105,743,133	91,737,555
Mortgages payable (Note 8)	252,362	448,793
	<u>265,938,994</u>	<u>239,282,470</u>
Net financial assets	<u>70,506,374</u>	<u>97,728,473</u>
Non-financial assets		
Prepaid expenses	4,258,505	3,514,654
Inventories of supplies	1,013,021	853,586
Tangible capital assets (Note 9)	734,877,734	649,557,063
	<u>740,149,260</u>	<u>653,925,303</u>
Accumulated surplus and remeasurement gains		
Accumulated surplus (Note 10)	810,186,675	751,653,776
Accumulated remeasurement gains	468,960	-
	<u>\$ 810,655,635</u>	<u>\$ 751,653,776</u>

Contingencies (Note 13)

The District Municipality of Muskoka

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2025 (See Note 11)	Actual 2025	Actual 2024
Revenue			
Requisition on area municipalities	\$ 133,977,540	\$ 134,351,296	\$ 126,454,431
User charges	42,501,791	43,337,963	41,370,340
Government transfers	55,534,441	60,251,330	55,884,878
Investment income	2,919,312	30,346,751	11,694,191
Canada Community-Building Fund (Note 2)	(2,165,760)	244,870	1,603,394
Provincial gas tax (Note 2)	100,000	41,867	39,288
Ontario Community Infrastructure Fund (Note 2)	1,314,518	758,572	11,356,269
Housing enabling water system fund (Note 2)	40,137,119	4,547,593	-
Development charges (Note 2)	3,121,765	16,201,369	7,765,141
Provincial Offences Act (Note 12)	1,094,863	833,530	769,645
Other	-	12,199,106	11,024,547
Gain on disposal of tangible capital assets	-	63,217	168,311
	<u>278,535,589</u>	<u>303,177,464</u>	<u>268,130,435</u>
Expenses (Note 16)			
General government	13,541,074	14,340,117	12,905,494
Protection to persons and property	18,097,574	19,647,763	17,728,837
Transportation services	31,229,823	49,249,875	41,437,299
Environmental services	59,982,928	61,131,743	67,528,195
Health services	19,037,257	20,952,073	18,543,595
Social and family services	66,306,277	67,972,238	63,596,657
Social housing	8,633,649	8,058,911	8,587,158
Planning and development	3,186,265	3,291,845	2,716,417
	<u>220,014,847</u>	<u>244,644,565</u>	<u>233,043,652</u>
Annual surplus	58,520,742	58,532,899	35,086,783
Accumulated surplus, beginning of year	751,653,776	751,653,776	716,566,993
Accumulated surplus, end of year	<u>\$ 810,174,518</u>	<u>\$ 810,186,675</u>	<u>\$ 751,653,776</u>

The District Municipality of Muskoka
Consolidated Statement of Remeasurement Gains

For the year ended 2025	2025 Actual	2024 Actual
Accumulated remeasurement gains, beginning of year	\$ -	\$ -
Unrealized gains attributed to:		
Investments	<u>468,960</u>	<u>-</u>
Accumulated remeasurement gains, end of year	\$ 468,960	\$ -

The District Municipality of Muskoka

Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	Budget 2025 (Note 11)	Actual 2025	Actual 2024
Annual surplus	\$ 58,520,742	\$ 58,532,899	\$ 35,086,783
Acquisition of tangible capital assets	(133,963,373)	(125,174,816)	(109,733,803)
Asset Retirement Obligation/TCA adjustments	-	3,216,580	766,244
Contributed tangible capital assets	-	-	(2,912,275)
Amortization of tangible capital assets	38,069,199	36,138,525	35,172,110
Gain on disposal of tangible capital assets	-	(63,217)	(168,311)
Proceeds on disposal of tangible capital assets	-	179,946	260,577
Write off of construction in progress	-	382,311	649,448
	<u>(37,373,432)</u>	<u>(26,787,772)</u>	<u>(40,879,227)</u>
Change in supplies inventory	-	(159,435)	170,765
Change in prepaid expenses	-	(743,851)	(651,543)
	<u>-</u>	<u>(903,287)</u>	<u>(480,778)</u>
Decrease in net financial assets excluding net remeasurement gains	(37,373,432)	(27,691,059)	(41,360,005)
Net remeasurement gains			
Portfolio investments	-	468,960	-
Decrease in net financial assets	(27,222,099)	(27,222,099)	(41,360,005)
Net financial assets, beginning of year	97,728,473	97,728,473	139,088,478
Net financial assets, end of year	\$ 60,355,041	\$ 70,506,374	\$ 97,728,473

The District Municipality of Muskoka

Consolidated Statement of Cash Flows

For the year ended December 31	2025	2024
Operating transactions		
Annual surplus	\$ 58,532,899	\$ 35,086,783
Non-cash items:		
Amortization of tangible capital assets	36,138,525	35,172,110
Asset retirement obligation accretion and other expenses	1,691,931	7,829,393
Contributed tangible capital assets	-	(2,912,275)
Gain on disposal of tangible capital assets	(63,217)	(168,311)
Write off of construction in progress costs	382,311	656,093
	<u>96,682,449</u>	<u>75,663,793</u>
Changes in non-cash assets and liabilities		
Trade and other receivables	2,919,093	(9,533,777)
Inventories for resale	(53,266)	59,051
Accounts payable and accrued liabilities	10,220,968	17,208,813
Pensions and other employee benefits	517,115	562,671
Deferred revenue	4,522,391	(9,002,535)
Inventories of supplies	(159,435)	170,767
Prepaid expenses	(743,851)	(651,543)
	<u>113,905,464</u>	<u>74,477,240</u>
Capital transactions		
Proceeds on disposal of tangible capital assets	179,946	260,577
Acquisition of tangible capital assets	(125,174,816)	(109,733,798)
	<u>(124,994,870)</u>	<u>(109,473,221)</u>
Investing transactions		
Proceeds from disposition of investments	<u>8,002,031</u>	<u>19,496,789</u>
Financing transactions		
Proceeds on issuance of long-term debt	20,000,000	-
Repayments of municipal debt (net of long-term receivable repayments)	(2,858,762)	(3,713,641)
Repayments of mortgages payable	(196,432)	(1,089,305)
Asset retirement obligation payments	(888,445)	(419,333)
	<u>16,056,361</u>	<u>(5,222,279)</u>
Increase (decrease) in cash and cash equivalents	12,968,986	(20,721,471)
Cash and cash equivalents, beginning of year	55,954,349	76,675,820
Cash and cash equivalents, end of year	\$ 68,923,335	\$ 55,954,349

The District Municipality of Muskoka Summary of Significant Accounting Policies

December 31, 2025

Nature of District	These consolidated financial statements are of The District Municipality of Muskoka ("District") which is an upper-tier municipal district in the Province of Ontario.
Basis of Accounting	The consolidated financial statements have been prepared using Canadian public sector accounting standards.
Basis of Consolidation	The consolidated financial statements reflect the assets, liabilities, revenue, expenditures and surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the District and which are owned or controlled by the District. Accounting policies of consolidated entities conform to those of the Municipality and inter-organizational balances and transactions are eliminated upon consolidation. The financial information relating to the Muskoka Municipal Non-Profit Housing Corporation and Muskoka Airport Inc. are included in these consolidated financial statements. In segmented disclosures, the revenues and expenses of the Muskoka Airport are recorded in transportation services and the revenues and expenses of the Muskoka Municipal Non-Profit Housing Corporation are recorded in social housing services.
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and temporary investments having a maturity of less than three months from date of acquisition and are held for the purpose of meeting short-term cash commitments.
Inventory for Resale	Inventory for resale consists of fuel inventory at the Muskoka Airport and is recognized as a financial asset as it is held for resale. It is measured and recorded at the lower of cost and net realizable value. Cost includes all acquisition costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.
Deferred Revenue	Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

The District Municipality of Muskoka

Summary of Significant Accounting Policies

December 31, 2025

Post Retirement Benefits

The District is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The District has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

Employee Future Benefits

Employee future benefits include Schedule 1 and Schedule 2 employer benefits under the Workplace Safety and Insurance (WSIB) Act. The costs of WSIB obligations are actuarially determined and recognized in the period they occur.

Non-financial Assets

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

Inventory

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

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the District may undertake in the future. The principal estimates used in the preparation of these consolidated financial statements relate to the determination of the valuation allowance for accounts receivables, asset retirement obligations, employee future benefits, the allowance for tax revenue reductions and the estimated useful life of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

The District Municipality of Muskoka Summary of Significant Accounting Policies

December 31, 2025

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue.

Amortization, excluding land and landfill capacity, is recorded on a straight-line basis over the estimated life of the tangible capital asset. Land is considered to have an infinite life without amortization, landfill capacity is amortized based on the annual rate of consumption. Residual values of assets are assumed to be zero and any revenues arising from the disposal of assets are recognized in the consolidated statement of operations. Amortization is based on six months for the year of acquisition regardless of the month acquired and annual thereafter. Assets under construction are not amortized until the asset is in service.

According to the accounting rules of the Ministry of Municipal Affairs and Housing, non-profit housing land and the original building are capitalized and amortization is based on mortgage principal payments or 30 years straight line. Any improvements are expensed in the year rather than being amortized over their estimated useful lives. Amortization is based on the following classifications and useful lives:

Classification	Useful Life (Years)
Site improvements	10 to 25 years
Structures	20 to 50 years
Leasehold improvements	term of lease
Equipment	3 to 20 years
Fleet	4 to 20 years
Roads	15 to 50 years
Airport	10 to 20 years
Locks	10 to 40 years
Water	10 to 50 years
Wastewater	10 to 50 years
Lagoons	10 to 20 years
Non-profit housing land and building	principal debt payment or 30 years straight line

The District Municipality of Muskoka

Summary of Significant Accounting Policies

December 31, 2025

Financial Instruments

Cash and cash equivalents and portfolio investments traded in an active market are measured at fair value. Accounts receivable, accounts payable and accrued liabilities, long-term debt and portfolio investments that are not traded in an active market are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

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

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

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

The District Municipality of Muskoka

Summary of Significant Accounting Policies

December 31, 2025

Revenue Recognition

The District recognizes taxation revenue (requisition on area municipalities) on an annual basis using total assessment values for the year and annually established tax rates as imposed by municipalities within the District. Property assessment values are provided by the Municipal Property Assessment Corporation and tax rates are established and approved by members of Council. The issuance of supplementary assessment rolls, which provide updated information with respect to changes in property assessments are used by the District to determine the taxes applicable and render the supplementary tax billings.

Government transfers are recognized as revenue in the year in which events that give rise to the transfer occur, providing that the transfers are authorized, any eligibility criteria have been met, and the amounts can be reasonably estimated. Transfers consist of grants and subsidies received for various operating and capital programs. Deferred grant revenue arises when grants received are conditional upon eligible expenses being incurred and where amounts received in advance have not been fully expended on eligible expenses. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue from transactions with performance obligations is recognized when or as the District satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor.

The District recognizes revenue from user charges and other revenues at the point in time or period of time over which the performance obligations are satisfied and there is reasonable assurance of collection.

Revenue from transactions without performance obligation is recognized at realizable value when the District has the authority to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources. The District's revenue without performance obligations consists of Provincial offences act fine revenue.

Investment income is reported as revenue in the period earned. Income earned on specified deferred revenues is added to the respective deferred revenue balances.

The District Municipality of Muskoka

Summary of Significant Accounting Policies

December 31, 2025

Asset Retirement Obligations

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

Reserve and Reserve Funds

The District follows the practice of allocating surpluses into reserves and reserve funds that are retained for general and specific purposes. These reserve and reserve funds make up a portion of the accumulated surplus as disclosed in Note 10 of these consolidated financial statements.

These reserves and reserve funds are established by Council resolution or by-law and are available for future operating and capital purposes. Amounts are only expended in accordance with the terms and policies established by Council. Expenses in respect of operating items for which reserves and reserve funds have been created are reported on the consolidated statement of operations.

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2025

1. Financial Instruments

Classification

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

	2025		
	Fair Value	Cost/ Amortized Cost	Total
Cash and cash equivalents	\$ 68,923,335	\$ -	\$ 68,923,335
Investments	155,339,718	21,562,836	176,902,554
Trade and other receivable	-	28,409,524	28,409,524
Long-term receivables	-	62,105,822	62,105,822
Accounts payable and accrued liabilities	-	81,840,323	81,840,323
Long-term debt and mortgages payable	-	105,995,495	105,995,495
	\$ 224,263,053	\$ 299,914,000	\$ 524,177,053

	2024		
	Fair Value	Cost/ Amortized Cost	Total
Cash and cash equivalents	\$ 55,954,349	\$ -	\$ 55,954,349
Investments	-	184,435,625	184,435,625
Trade and other receivables	-	31,328,617	31,328,617
Long-term receivables	-	65,241,485	65,241,485
Accounts payable and accrued liabilities	-	71,619,355	71,619,355
Long-term debt and mortgages payable	-	92,186,348	92,186,348
	\$ 55,954,349	\$ 444,811,430	\$ 500,765,779

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2025

1. Financial Instruments (continued)

Financial Instrument Fair Value Measurement

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

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

	2025			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 68,923,335	\$ -	\$ -	\$ 68,923,335
Investments	\$ 155,339,718	\$ -	\$ -	\$ 155,339,718
Total	\$ 224,263,053	\$ -	\$ -	\$ 224,263,053

	2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 55,954,349	\$ -	\$ -	\$ 55,954,349

There were no transfers between Level 1 and Level 2 for the year ended December 31, 2025. There were also no transfers in or out of Level 3.

Financial Instrument Risk Management

The District is exposed to credit risk, liquidity risk, and market risk. This note describes the District's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

1. Financial Instruments (continued)

Credit Risk

Credit risk is the risk of financial loss to the District if a debtor fails to make payments of interest and principal when due. It is management's opinion that the District is not exposed to significant credit risk. There have not been any changes to these risks from the prior year. The amounts outstanding at year end, which is the District's maximum exposure to credit risk related to receivables, were as follows:

	0-30 days	31-90 days	91-365 days	1 to 10+ years
Trades and other receivables	\$ 17,387,038	\$ 2,188,090	\$ 8,820,447	\$ 13,949
Long-term receivables	-	-	2,807,585	59,298,238
Total	\$ 17,387,038	\$ 2,188,090	\$ 11,628,031	\$ 59,312,187

Liquidity Risk

Liquidity risk is the risk that the District will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the District will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The District is exposed to this risk mainly in respect of accounts payable and accrued liabilities and long-term debt. The District's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. There have not been any changes to these risks from the prior year.

Unless otherwise noted, the expected cash outflows are within one year. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	2025			
	Within 6 months	6 months to 1 year	1 to 5 years	over 5 year
Accounts payable and accrued liabilities	\$ 39,379,141	\$ 18,794,623	\$ 23,666,559	\$ -
Municipal debt	2,890,936	2,890,936	24,344,393	75,616,867
Mortgages payable	126,181	126,181	-	-
Total financial liabilities	\$ 42,396,258	\$ 21,811,740	\$ 48,010,952	\$ 75,616,867

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2025

1. Financial Instruments (continued)

Liquidity Risk (continued)

	2024			
	Within 6 months	6 months to 1 year	1 to 5 years	over 5 year
Accounts payable and accrued liabilities	\$ 42,158,885	\$ 14,216,604	\$ 15,243,866	\$ -
Municipal debt	2,997,211	2,997,211	23,273,555	62,469,578
Mortgages payable	224,397	224,396	-	-
Total financial liabilities	\$ 45,380,493	\$ 17,438,211	\$ 38,517,421	\$ 62,469,578

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and equity risk.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The District is exposed to currency risk through its ownership of its investment in global equity and bond funds. This risk is mitigated through a diverse holding portfolio. There have not been any changes from the prior year in the District's exposure to currency risk or the policies and procedures it uses to manage and measure the risk.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The District is exposed to this risk through the ownership of its investments in domestic and global equity funds. There have not been any changes from the prior year in the District's exposure to this risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The District is exposed to this risk through its ownership of fixed income investment in term deposits, bonds and debentures.

The District holds long-term debt which involve risks of default on interest and principal and price changes due to, without limitation, such factors as interest rate changes and general economic conditions.

The District structures its finances so as to stagger the maturities of debt, thereby minimizing exposure to interest rate fluctuations. At December 31, 2025, a 1% fluctuation in interest rates on mortgages payable, with all other variables held constant, would have an estimated impact on the annual surplus of \$4,488.

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

2. Deferred Revenue

The balance of deferred revenue reported on the consolidated statement of financial position is made up of the following:

	2025	2024
Deferred revenue - obligatory reserve funds		
Development Charges Act	\$ 421,352	\$ 12,729,399
Canada Community-Building Fund	12,151,932	8,776,143
Ontario Gas Tax	457,503	349,634
Housing Enabling Water Systems Fund (HEWSF)	8,436,860	-
Ontario Community Infrastructure Fund (OCIF)	12,386,444	7,509,596
	33,854,091	29,364,772
Deferred revenue - other		
Social & family services	53,362	459,845
Social housing	1,881,018	1,673,240
Public works	59,598	59,598
Planning	-	11,916
Other	259,844	160,643
Health services	231,150	86,658
	2,484,972	2,451,900
Total deferred revenue	\$ 36,339,063	\$ 31,816,672

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

	Development Charges Act	CCBF & Ontario Gas Tax	HEWSF	OCIF	Total
Deferred revenue - obligatory reserve funds,					
beginning of year	\$ 12,729,399	\$ 9,125,777	-	\$ 7,509,596	\$ 29,364,772
Funds received					
during the year	2,024,244	2,267,265	12,389,519	5,075,892	21,756,920
Interest earned	1,869,078	1,503,130	594,934	559,528	4,526,670
Funds used during the year	(16,201,369)	(286,737)	(4,547,593)	(758,572)	(21,794,271)
Deferred revenue - obligatory reserve funds,					
end of year	\$ 421,352	\$ 12,609,435	\$ 8,436,860	\$ 12,386,444	\$ 33,854,091

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

2. Deferred Revenue (continued)

The above funds held as deferred revenue are restricted in their use by their respective legislation.

The interest earned is included as investment income on the consolidated statement of operations. The Development Charges Act, Canada Community-Building Fund and Provincial Gas Tax, HEWSF and OCIF funds used during the year of \$16,201,369, \$286,737, \$4,547,593 and \$758,572, respectively (2024 - \$7,765,141, \$1,642,682, \$Nil and \$11,356,269) are included in revenues.

Included in cash and cash equivalents at year end is \$33,854,091 (2024 - \$29,364,772) relating to the obligatory reserve funds and \$2,484,972 (2024 - \$2,451,900) relating to the other deferred revenue.

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

3. Investments

	2025	2024
Guaranteed investment certificates and other short term notes (i)	\$ 17,648,449	\$ 31,685,599
ONE Fund - Equities	-	65,737,085
Bonds (ii)	2,290,172	85,164,095
Debentures and other (iii)	1,624,215	1,848,846
ONE Fund - Model E (at fair value)		
PH&N Short Term Bond & Mortgage Fund	44,685,012	-
BlueBay Total Return Credit Fund (Canada)	19,231,694	-
PH&N Private Placement Corporate Debt Fund	7,551,515	-
PH&N Enhanced Total Return Bond Fund	3,871,363	-
RBC Commercial Mortgage Fund	1,394,800	-
RBC QUBE Low Volatility Canadian Equity Fund	20,192,787	-
RBC QUBE Canadian Equity Fund	6,781,479	-
PH&N Canadian Equity Fund	6,673,136	-
PH&N Canadian Equity Value Fund	6,653,049	-
RBC QUBE Low Volatility U.S. Equity Fund (CAD)	6,182,371	-
PH&N U.S. Equity Fund	3,006,706	-
RBC QUBE U.S. Equity Fund	2,997,888	-
RBC International Equity Index Fund	9,367,085	-
RBC International Equity Fund (CAD)	9,090,681	-
RBC International Equity Fund (CAD)	3,851,366	-
RBC Emerging Markets Equity Fund (CAD)	3,808,786	-
	<u>\$ 176,902,554</u>	<u>\$ 184,435,625</u>

One Fund Model E investments are stated at fair value since these are portfolio investments quoted in an active market. Guaranteed investment certificates and other short term notes, ONE Fund - Equities (investments not quoted in an active market) and Bonds and Debentures and other are stated at cost/amortized cost.

(i) Guaranteed investment certificates and other short term notes bear interest at 3.90% and mature in 18 months.

(ii) Bond investments durations range from 1 month to 5 or more years and yields ranging from 0.84% to 2.5%. The market value at December 31, 2025 is \$176,004,963 (2024 - \$198,262,851).

iii) Included in Debentures and other is \$1,624,215 (2024 - \$1,848,846) of the District's own Debentures (issued by the District Municipality of Muskoka) with a face value of \$1,597,000 (2024 - \$1,808,000). Interest ranges range from 2.95% to 5.1% and maturities range from May 2026 to November 2032.

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2025

4. Long-term Receivables

	2025	2024
Debt for which lower tier municipalities and municipal enterprises have assumed responsibility at terms equal to those described in Note 7.	\$ 62,105,822	\$ 65,241,485

All of the above receivables, net of an impairment allowance of \$Nil (2024 - \$Nil) related to municipal debt obtained by the District on behalf of the lower-tier municipalities.

5. Employee Future Benefits Payable

Workplace Safety and Insurance Board

The District self-insures its employees under schedule 2 of the WSIB. The District employees at the Pines Long Term Care facility are insured under schedule 1 of the WSIB.

Within the Workers Compensation & Employee Self-Insured Benefits reserve in Note 10, the District has set aside funds of \$7,491,338 (2024 - \$6,551,925) to fund future liabilities.

The liability reported in the consolidated statement of financial position is the result of a 2024 actuarial update that estimated potential liabilities of the District under the provisions of the Workplace Safety and Insurance Act.

Actuarial assumptions adopted in the valuation include an average discount rate of 4.50% (2024 - 4.50%) and Consumer Price index of 2.00% (2024 - 2.00%).

The results of the actuarial valuation are as follows:

	2025	2024
WSIB Liability		
Accrued benefit obligation at January 1	\$ 3,102,008	\$ 2,539,337
Add:		
Benefit/service cost	857,255	832,591
Interest	147,898	124,137
Less: expected benefit payments	(488,038)	(394,057)
Expected accrued benefit obligation at December 31	\$ 3,619,123	\$ 3,102,008

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

6. Asset Retirement Obligations

The District applied the new public sector accounting standard PS 3280, Asset Retirement Obligations, on January 1, 2023 using the modified retroactive method with restatement. Asset retirement obligations were recognized related to the remediation required for asbestos present in twenty-three municipal buildings, the planned decommissioning of the Mountview Waste Water Treatment Plant, 68.58 kilometres of sewer mains, 11.28 kilometres of water mains, and the closure and post-closure costs associated with the District's active and closed landfill sites. As at year end, an obligation of \$38,144,989 (2024 - \$40,558,087) has been recognized on the consolidated statement of financial position. This amount was determined based on total undiscounted expenditures of \$49,751,096 (2024 - \$45,660,113) present valued at a discount rate of 5.0% (2024 - 5.0%). The expected timing of remediation on the above noted assets are as follows:

Buildings with asbestos	22 - 30 years
Water and sewer mains	22 - 27 years
Landfills	20 - 42 years
Wastewater treatment plant	2 years

Payment to settle the asset retirement obligations related to the buildings with asbestos will occur at the end of their useful lives. Payment to settle water and sewer mains will occur at the end of their useful lives in 22 to 27 years. Payment to settle the waste water treatment plant will occur at the end of the plant's useful life in 2 years. Payment to settle the asset retirement obligations related to the District's active landfill will occur at regular intervals throughout its remaining useful life of 17 years. Monitoring costs for all closed landfills is for a period of 25 years.

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect the amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts currently recorded. At each reporting date, as more information and experience is obtained as it relates to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

The continuity of the Asset Retirement Obligations are as follows:

Balance, January 1, 2024	\$ 33,907,625
Change in estimate adjustments	6,225,356
Accretion expense	844,439
Cash outlays for the closure and post closure of landfill liabilities	(419,333)
Balance, December 31, 2024	<u>\$ 40,558,087</u>
Change in estimate adjustments	(3,216,581)
Accretion expense	1,691,928
Cash outlays for the closure and post closure of landfill liabilities	(888,445)
Balance, December 31, 2025	<u>\$ 38,144,989</u>

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2025

7. Municipal Debt

The balance of municipal debt reported on the consolidated statement of financial position is made up of the following:

	<u>2025</u>	<u>2024</u>
Total municipal debt incurred on behalf of the District, other municipalities and municipal enterprises outstanding at year end.	\$ 105,743,133	\$ 91,737,555
Less: Debt for which other municipalities and municipal enterprises have assumed responsibility for at same terms as the related debt.	<u>(62,105,822)</u>	<u>(65,241,485)</u>
	<u>\$ 43,637,311</u>	<u>\$ 26,496,070</u>

The above municipal debt matures between March 2026 and June 2053 (2024 - March 2025 and June 2053) and bears interest between 2.50% and 5.425% (2024 - 2.45% and 5.425%) per annum with semi-annual payments between \$37,320 and \$787,065 (2024 - \$37,320 and \$787,065).

Municipal debt payments for the next five years and thereafter are due as follows:

2026	\$ 2,974,287
2027	4,871,544
2028	2,019,631
2029	2,078,927
2030	2,140,659
Thereafter	<u>29,552,263</u>
	<u>\$ 43,637,311</u>

The municipal debt issued in the name of the District has received approval of the Ontario Municipal Board on or before December 31, 1992. Issues after that date have received appropriate approvals from Council. The annual principal and interest payments required to service these liabilities of the District are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

Interest expense on the municipal debt amounted to \$1,274,204 (2024 - \$1,385,940).

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

8. Mortgages Payable

The balance of mortgages payable reported on the consolidated statement of financial position is made up of the following:

	<u>2025</u>	<u>2024</u>
Huntsville - Sabrina Park, payable \$17,099 monthly including interest at 2.45%, maturity date of March 1, 2027.	<u>\$ 252,362</u>	<u>\$ 448,793</u>

The mortgages payable represent the amount owing on the properties owned by the Muskoka Municipal Non-Profit Housing Corporation. All mortgages are secured by a first mortgage on the land and building they relate to. It is assumed the mortgage will have the same terms upon renewal for the purposes of calculating future mortgage payments.

Mortgage payments for the next two years are due as follows:

2027	\$ 201,273
2028	<u>51,089</u>
	<u>\$ 252,362</u>

The District Municipality of Muskoka
Notes to Consolidated Financial Statements

December 31, 2025

9. Tangible Capital Assets

	Cost, beginning of year	Additions	Disposals	Cost, end of year	Accumulated amortization, beginning of year	Additions	Disposals	Accumulated amortization end of year	Net carrying amount
General Capital Assets									
Land	\$ 5,412,781	\$ 56,034	\$ -	\$ 5,468,815	\$ -	\$ -	\$ -	\$ -	\$ 5,468,815
Site improvements	61,308,295	1,167,760	(3,216,581)	59,259,473	48,981,459	1,603,536	-	50,584,995	8,674,478
Structures	42,283,646	2,458,556	(46,447)	44,695,755	16,879,012	1,075,326	(34,225)	17,920,114	26,775,641
Leasehold improvements	3,237,513	-	(116,002)	3,121,512	2,966,381	95,542	(116,002)	2,945,921	175,590
Equipment	38,148,448	4,478,686	(1,081,177)	41,545,955	23,994,920	2,171,659	(1,081,177)	25,085,402	16,460,554
Fleet	15,020,793	2,006,079	(2,428,848)	14,598,025	6,276,525	1,708,392	(1,832,440)	6,152,475	8,445,549
	<u>165,411,476</u>	<u>10,167,114</u>	<u>(6,889,054)</u>	<u>168,689,535</u>	<u>99,098,297</u>	<u>6,654,455</u>	<u>(3,063,845)</u>	<u>102,688,907</u>	<u>66,000,627</u>
Infrastructure Assets									
Roads	409,042,581	6,824,120	(209,756)	415,656,945	234,874,051	14,039,558	(209,756)	248,703,854	166,953,091
Airport	28,892,255	887,087	(16,046,918)	13,732,425	15,734,331	668,119	(16,046,918)	355,532	13,376,892
Locks	6,681,426	3,156,582	(61,000)	9,777,008	2,299,227	242,059	(46,363)	2,494,923	7,282,085
Water	253,634,229	2,958,309	(417,278)	256,175,260	128,956,284	5,628,089	(368,794)	134,215,579	121,959,680
Wastewater	335,473,127	11,087,756	(48,565)	346,512,318	180,100,394	8,349,245	(46,409)	188,403,229	158,109,088
Lagoons	7,751,111	-	-	7,751,111	6,417,796	131,792	-	6,549,587	1,201,523
	<u>1,041,474,729</u>	<u>24,913,854</u>	<u>(16,783,517)</u>	<u>1,049,605,066</u>	<u>568,382,083</u>	<u>29,058,862</u>	<u>(16,718,240)</u>	<u>580,722,704</u>	<u>468,882,362</u>
Construction in progress									
	<u>107,394,660</u>	<u>110,020,460</u>	<u>(19,751,744)</u>	<u>197,663,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,663,376</u>

The District Municipality of Muskoka
Notes to Consolidated Financial Statements

December 31, 2025

9. Tangible Capital Assets (continued)

	Cost, beginning of year	Additions	Disposals	Cost, end of year	Accumulated amortization, beginning of year	Additions	Disposals	Accumulated amortization, end of year	Net carrying amount
Non-profit Housing Land and Buildings									
Gravenhurst									
- Lofty Pines	2,960,077	-	-	2,960,077	2,960,077	-	-	2,960,077	-
Gravenhurst									
- The Ridge	3,811,805	-	-	3,811,805	3,075,802	164,624	-	3,240,427	571,378
Huntsville	3,766,569	-	-	3,766,569	3,317,778	196,431	-	3,514,210	252,359
Bracebridge - 100									
Oakwood Heights	1,113,496	-	-	1,113,496	1,113,496	-	-	1,113,496	-
Bracebridge - 200									
Oakwood Heights	1,291,648	-	-	1,291,648	1,291,648	-	-	1,291,648	-
Bracebridge									
- 1 Cambrian Court	3,074,031	-	-	3,074,031	1,502,247	64,154	-	1,566,400	1,507,631
	16,017,626	-	-	16,017,626	13,261,048	425,209	-	13,686,258	2,331,368
Year ended									
December 31, 2025	\$ 1,330,298,491	\$ 145,101,429	\$ (43,424,317)	\$ 1,431,975,603	\$ 680,741,428	\$ 36,138,526	\$ (19,782,085)	\$ 697,097,870	\$ 734,877,734
Year ended									
December 31, 2024	\$ 1,224,251,450	\$ 120,306,860	\$ (14,259,819)	\$ 1,330,298,491	\$ 650,660,399	\$ 35,172,110	\$ (5,091,081)	\$ 680,741,428	\$ 649,557,063

The net book value of tangible capital assets not being amortized because they are under construction is \$197,663,376 (2024 - \$107,394,660).

There were contributed capital assets of \$Nil (2024 - \$2,912,275). Contributed capital assets are recorded at fair value. No capital assets are recognized at nominal value in the consolidated financial statements.

The District owns various works of art created by local artists which are displayed at various District owned facilities. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

10. Accumulated Surplus

The District segregates its accumulated surplus in the following categories:

	2025	2024
Reserves set aside by Council		
Working fund	\$ 654,485	\$ 1,049,784
Tax stabilization	1,779,118	1,907,061
General government	4,056,080	2,952,198
Fairvern debt reserves	2,837,136	1,445,724
	<u>9,326,819</u>	<u>7,354,767</u>
Reserve funds set aside by Council		
Workers compensation and employee self-insured benefits	9,681,430	8,654,115
General government	2,170,623	453,306
Roads	50,021,680	38,706,643
Sewer	57,411,557	49,986,921
Water	16,591,488	15,316,623
Waste disposal	22,126,603	18,499,153
Health services	10,806,253	6,859,586
Social and family services	7,099,597	5,797,968
Social housing	5,713,546	5,274,363
Planning and development	743,085	699,180
Airport, locks, active transportation	3,133,481	5,766,591
Affordable housing	3,712,628	4,637,738
Muskoka services investment	248,443	351,944
Other housing	4,876,140	4,325,826
Muskoka Airport	2,857,376	-
Climate	518,826	1,020,246
Temporary borrowing from reserve funds (i)	(45,232,246)	-
	<u>152,480,510</u>	<u>166,350,203</u>
Total reserves and reserve funds	<u>161,807,329</u>	<u>173,704,970</u>
Endowment funds	<u>32,833</u>	<u>30,900</u>

(i) The District borrowed \$45,232,246 from Reserve funds during the year while awaiting identified government funding and debt financing for certain capital projects. This funding and financing was received subsequent to year end and the temporary borrowing was repaid.

The District Municipality of Muskoka
Notes to Consolidated Financial Statements

December 31, 2025

10. Accumulated Surplus (continued)

Surpluses/Deficits:

Investment in tangible capital assets	734,877,733	649,557,063
Asset retirement obligation cash outlay	-	(419,333)
Muskoka Municipal Non-Profit Housing deficit	(146,376)	(223,274)
Huntsville District Nursing Home deficit	(389,637)	(389,637)
Muskoka Airport deficit	(344,355)	-

Unfunded:

Asset retirement obligations	(38,144,989)	(40,558,087)
Capital fund	2,933	(1,955)
Employee future benefits payable	(3,619,123)	(3,102,008)
Municipal debt (net of long-term municipal receivables)	(43,637,311)	(26,496,070)
Mortgages payable	(252,362)	(448,793)

	648,346,513	577,917,906
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Accumulated surplus	\$ 810,186,675	\$ 751,653,776
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The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

11. Budget

The Rate Support Budget was adopted by Council on October 21, 2024 (2024 - November 20, 2023) and confirming by-law 2024-35 (2024 - 2023-64) was passed on the same date. The Tax Support Budget was adopted by Council on January 16, 2025 (2024 - December 18, 2023) and confirming by-law 2025-2 (2024 - 2023-71) was passed on the same date. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. Council has reviewed and approved the 2025 Report on Excluded Expenses as required by Ontario Regulation 284/09 which expressly permits municipalities to exclude amortization expense from the budget. The budget approved by council includes budgeted transfers from prior year's reserves and reduction of long-term debt. In addition, the budget expensed all tangible capital expenses rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the Financial Plan adopted by Council on October 21, 2024 and January 16, 2025 (2024 - November 20, 2023 and December 18, 2023) with adjustments as follows:

	Revenues	Expenses	Surplus
Council approved budget			
Operating	\$ 236,879,187	\$ 236,879,187	-
Capital	142,070,678	142,070,678	-
Total Council approved budget	378,949,865	378,949,865	-
Add:			
Amortization expense	-	38,069,199	(38,069,199)
Other	1,643,547	-	1,643,547
Less:			
Transfers from reserve funds	(102,057,823)	-	(102,057,823)
Transfers to reserve funds	-	(57,625,352)	57,625,352
Tangible capital assets	-	(133,963,373)	133,963,373
Debt principal repayments	-	(2,858,760)	2,858,760
Other	-	(2,556,732)	2,556,732
Adjusted budget	\$ 278,535,589	\$ 220,014,847	\$ 58,520,742

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2025 budget amounts for the District approved by Council have been restated to conform to the basis of preparation of the revenues and expenses on the consolidated statement of operations.

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

12. Provincial Offences Administration (POA)

The Ministry of the Attorney General requires all municipal partners administering Provincial Offences Administration to disclose in the year end audited consolidated financial statements a note on the gross and net provincial offences revenues earned. The following table provides condensed financial information required by the terms in the Memorandum of Understanding (MOU) for its 2025 fiscal year with comparative figures for the year 2024:

	2025	2024
Revenue		
Court fines	\$ 833,530	\$ 769,645
Expenses		
Computer services	21,843	20,629
Court costs	10,422	5,799
Office expenses	137,193	125,321
Prosecution expenses	263,546	259,151
Rent	61,269	58,349
Salaries and benefits	420,699	447,548
Travel	11,774	5,387
	926,746	922,184
Deficit	\$ (93,216)	\$ (152,539)

The total provincial offences fine receivables of \$11,507,834 (2024 - \$10,957,787) are not included in the consolidated financial statements or the condensed financial information above. This total includes the portion that would be owed to the province.

13. Contingencies

As a part of the ongoing operations of the District, claims requesting damages are filed against the District. The ultimate outcome and/or estimate of dollar amounts of these claims are not determinable at the time of issue of these consolidated financial statements. As such no provision for these claims has been recorded in these consolidated financial statements. Any settlements, in excess of applicable insurance, would be reflected in the period in which settlements outcome becomes known with more certainty and the respective dollar amounts are more reasonably estimated.

The District has a contingent liability (on default) for the mortgages on municipal non-profit, co-operatives and not-for-profit housing corporations for which it is assigned responsibility as service manager by the Act. The amount outstanding on the mortgage is \$804,650 (2024 - \$1,136,823).

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

14. Post Retirement Benefits

OMERS provides pension services to more than 600,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2025. The results of this valuation disclosed total actuarial liabilities of \$151,365 million (2024 - \$142,489 million) in respect of benefits accrued for service with actuarial assets at that date of \$150,043 million (2024 - \$139,576 million) indicating an actuarial deficit of \$1,322 million (2024 - \$2,913 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the District does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the District to OMERS for 2025 were \$5,110,334 (2024 - \$4,621,282).

The District makes contributions of 9% (2024 - 9%) of a qualifying employee's salary up to \$71,300 (2024 - \$68,500) and 14.6% (2024 - 14.6%) thereafter.

15. Trust Funds

Trust funds administered by the District for The Pines LTC residents amount to \$11,045 (2024 - \$15,986) and Huntsville District Nursing Home residents amount to \$23,585 (2024 - \$43,970). These amounts have been included in the consolidated statement of financial position.

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

16. Segmented Information

The District Municipality of Muskoka is an upper-tier municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

General government revenues and expenses are related to the governance and operations of the District itself and cannot be directly attributed to another specific segment.

Protection to persons and property

Protection provides policing, POA court administration and the emergency management program.

Transportation services

Transportation services administer, upgrade, maintain and plan for future requirements for the District road system and the operation of the Muskoka Airport and Port Carling locks.

Environmental services

Environmental services consist of waste management for the District and the operations of the water and wastewater systems in the urban areas of Muskoka.

Health services

Health services include the cost of the provision of public health services through the Simcoe Muskoka District Health Unit, land ambulance services, hospital capital grants and administration of health link programming.

The District Municipality of Muskoka

Notes to Consolidated Financial Statements

December 31, 2025

16. Segmented Information (continued)

Social and family services

Social and family services administer and deliver community services for the District including the Ontario Works program, various children's services, homelessness prevention programs, assistance to elderly persons and physically disabled adults and two long-term care facilities.

Social housing

Housing services administer and deliver housing services for the District, including maintaining the centralized waiting list for subsidized housing, managing and operating the District owned properties, administering the rent supplement program and funding and administering the non-profit, co-operative, municipal and federal housing programs in the District.

Planning and development

Planning and development services include responsibility for the District Official Plan and for the economic development services for the District.

Allocation methods

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are not directly attributable to one segment have been allocated as described below:

- a) Requisition of Area Municipalities (Taxation) have been allocated by percentage based on the approved budget for each segment. There is an allocation of the general levy as well as specific levies for wastewater, water and solid waste. The levies for wastewater, water and solid waste are included under Environment. The health services levy and hospital financing levy are included under the Health segment
- b) Interdepartmental charges are calculated based on estimates of support costs for services to other departments for services such as accounting and based on actual services rendered for services like fleet and communications.

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2025

16. Segmented Information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Health	Social and family services	Social Housing	Planning	2025 Total
Revenue									
Requisition on area municipalities	\$ 10,858,790	\$ 16,912,670	\$ 36,667,862	\$ 34,925,891	\$ 12,144,096	\$ 16,392,216	\$ 4,174,138	\$ 2,275,633	\$ 134,351,296
User charges	2,105,541	233,566	3,057,602	26,665,609	106,719	7,363,776	3,700,155	104,995	43,337,963
Government transfers	204,535	549,378	3,258,776	793,682	8,886,166	45,776,688	693,099	89,006	60,251,330
Investment income	2,986,877	-	11,822,507	12,270,117	1,191,469	1,318,022	702,468	55,291	30,346,751
Canada Community-Building Fund	-	-	-	244,870	-	-	-	-	244,870
Provincial gas tax	-	-	-	-	-	41,867	-	-	41,867
Ontario Community Infrastructure Fund	80,000	-	-	678,572	-	-	-	-	758,572
Housing enabling water system fund earned	-	-	-	4,547,593	-	-	-	-	4,547,593
Development charges	-	-	575,725	15,625,644	-	-	-	-	16,201,369
Provincial Offences Act	-	833,530	-	-	-	-	-	-	833,530
Other	1,746	-	8,861,232	2,518,816	500,000	311,884	-	5,428	12,199,106
Gain (loss) on disposal of tangible capital assets	126,793	-	(14,549)	(50,620)	13,815	-	(12,223)	-	63,217
	16,364,282	18,529,145	64,229,155	98,220,173	22,842,266	71,204,453	9,257,637	2,530,353	303,177,464
Expenses									
Salaries and benefits	12,936,163	562,531	3,440,819	9,379,112	14,798,960	29,328,524	1,152,927	2,046,156	73,645,192
Materials	3,172,278	61,334	3,331,996	6,874,546	873,682	4,046,573	1,714,390	79,028	20,153,827
Contracted services	7,338,415	18,719,291	23,184,327	20,268,247	530,163	15,667,445	3,406,702	487,764	89,602,354
Financial	211,845	28,380	29,254	1,778,521	554,710	438,051	146,814	-	3,187,575
Transfers to others	8,000	20,726	2,594,736	118,930	2,603,342	14,122,609	755,940	409,850	20,634,133
Debt services	-	-	-	1,189,061	-	85,143	8,755	-	1,282,959
Amortization of tangible capital assets	2,514,136	-	14,949,737	15,905,270	935,722	1,235,425	598,235	-	36,138,525
Interdepartmental charges	(11,840,720)	255,501	1,719,006	5,618,056	655,494	3,048,468	275,148	269,047	-
	14,340,117	19,647,763	49,249,875	61,131,743	20,952,073	67,972,238	8,058,911	3,291,845	244,644,565
Annual surplus (deficit)	\$ 2,024,165	\$ (1,118,618)	\$ 14,979,280	\$ 37,088,430	\$ 1,890,193	\$ 3,232,216	\$ 1,198,726	\$ (761,492)	\$ 58,532,899

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2025

16. Segmented Information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Health	Social and family services	Social Housing	Planning	2024 Total
Revenue									
Requisition on area municipalities	\$ 11,470,135	\$ 16,336,591	\$ 34,681,475	\$ 33,496,650	\$ 11,015,737	\$ 13,524,801	\$ 3,846,915	\$ 2,082,127	\$ 126,454,431
User charges	1,801,138	236,964	3,014,992	25,246,527	429,121	7,117,862	3,430,581	93,155	41,370,340
Government transfers	174,338	498,108	-	3,943,048	7,660,469	42,410,816	968,093	230,006	55,884,878
Investment income	2,205,657	-	2,495,355	5,174,822	405,277	932,212	417,464	63,404	11,694,191
Canada Community-Building Fund	-	-	-	1,603,394	-	-	-	-	1,603,394
Provincial gas tax	-	-	-	-	-	39,288	-	-	39,288
Ontario Community Infrastructure Fund	80,000	-	-	11,276,269	-	-	-	-	11,356,269
Development charges	-	-	2,564,551	5,200,590	-	-	-	-	7,765,141
Provincial Offences Act	-	769,645	-	-	-	-	-	-	769,645
Other	12,027	-	8,239,682	3,770,363	-	(997,525)	-	-	11,024,547
Gain (loss) on disposal of tangible capital assets	185,095	-	48	(38,776)	21,944	-	-	-	168,311
	15,928,390	17,841,308	50,996,103	89,672,887	19,532,548	63,027,454	8,663,053	2,468,692	268,130,435
Expenses									
Salaries and benefits	11,242,522	567,059	3,210,769	9,142,137	13,379,387	26,606,203	977,586	1,715,704	66,841,367
Materials	3,059,588	44,676	3,198,957	6,879,436	800,808	3,720,759	1,658,793	31,874	19,394,891
Contracted services	6,549,685	16,841,973	18,815,266	20,965,550	543,401	14,290,926	3,563,199	320,211	81,890,211
Financial	265,158	22,280	25,615	7,841,352	515,848	439,016	252,851	-	9,362,120
Transfers to others	108,000	15,360	884	122,388	1,996,119	15,083,643	1,241,348	410,087	18,977,829
Debt services	-	-	-	1,365,723	-	20,217	19,183	-	1,405,123
Amortization of tangible capital assets	2,345,674	-	14,664,646	15,568,974	651,330	1,351,016	590,471	-	35,172,111
Interdepartmental charges	(10,665,133)	237,489	1,521,162	5,642,635	656,702	2,084,877	283,727	238,541	-
	12,905,494	17,728,837	41,437,299	67,528,195	18,543,595	63,596,657	8,587,158	2,716,417	233,043,652
Annual surplus (deficit)	\$ 3,022,896	\$ 112,471	\$ 9,558,804	\$ 22,144,692	\$ 988,953	\$ (569,203)	\$ 75,895	\$ (247,725)	\$ 35,086,783