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# Consolidated financial statements of City of Kawartha Lakes

December 31, 2018

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## Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the City of Kawartha Lakes

### Opinion

We have audited the consolidated financial statements of the Corporation of the City of Kawartha Lakes (the "City"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and the results of its operations, change in net debt 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 ("Canadian GAAS"). 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 City 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 City'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 City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City'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 GAAS 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 GAAS, 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 City'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 City'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 City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*"Original signed by Deloitte"*

Chartered Professional Accountants  
Licensed Public Accountants  
June 11, 2019

**City of Kawartha Lakes**  
**Consolidated statement of financial position**  
As at December 31, 2018

	Notes	<b>2018</b>	2017
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash		<b>9,320,701</b>	17,510,990
Investments	3	<b>63,666,886</b>	68,720,897
Taxes receivable		<b>4,893,273</b>	4,707,683
Accounts receivable		<b>40,307,026</b>	34,913,240
Other current assets		<b>16,768</b>	21,323
		<b>118,204,654</b>	125,874,133
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>26,920,537</b>	28,151,540
Deferred revenue	4	<b>34,694,675</b>	37,992,703
Other liabilities		<b>4,025,684</b>	3,603,686
Accrued interest on long-term liabilities		<b>367,199</b>	369,282
Employee future benefits	5	<b>31,467,294</b>	23,387,836
Landfill closure and post closure accrual	6	<b>10,127,570</b>	10,074,352
Municipal debt	7	<b>116,889,083</b>	115,455,070
		<b>224,492,042</b>	219,034,469
Net debt		<b>(106,287,388)</b>	(93,160,336)
<b>Non-financial assets</b>			
Tangible capital assets	15	<b>509,648,303</b>	473,835,530
Inventory and prepaid expenses		<b>3,349,246</b>	3,404,317
		<b>512,997,549</b>	477,239,847
Contingencies and commitments	9		
<b>Accumulated surplus</b>	8	<b>406,710,161</b>	384,079,511

The accompanying notes are an integral part of the consolidated financial statements.

Approved by Council

\_\_\_\_\_, Member

\_\_\_\_\_, Member

**City of Kawartha Lakes**  
**Consolidated statement of operations**  
Year ended December 31, 2018

	Budget	2018 Actual	2017 Actual
	\$	\$	\$
Notes			
	<b>(Note 10)</b>		
<b>Revenue</b>			
Taxes levied for own purposes	<b>108,102,444</b>	<b>109,083,360</b>	106,613,134
Payments in lieu from other governments	<b>474,725</b>	<b>508,416</b>	487,918
Taxation	<b>108,577,169</b>	<b>109,591,776</b>	107,101,052
User charges, licenses and fines	<b>49,863,497</b>	<b>42,677,109</b>	39,240,543
Grants			
Government of Canada	<b>1,370,257</b>	<b>2,676,499</b>	2,031,747
Province of Ontario	<b>47,220,607</b>	<b>55,417,464</b>	53,922,991
Other municipalities	<b>1,793,889</b>	<b>1,747,010</b>	2,092,319
Other			
Investment income	<b>1,314,009</b>	<b>1,504,939</b>	894,817
Gain on disposal of tangible capital assets	<b>675,000</b>	<b>1,255,347</b>	809,693
Penalties and interest on taxes	<b>1,107,000</b>	<b>1,210,713</b>	1,124,020
Restricted amounts earned	<b>9,627,098</b>	<b>15,169,905</b>	12,221,606
Donations and other	<b>762,092</b>	<b>1,342,576</b>	780,823
Contributed tangible capital assets	<b>—</b>	<b>838,941</b>	5,450,877
	<b>222,310,618</b>	<b>233,432,279</b>	225,670,488
<b>Expenses</b>			
11			
General government	<b>23,450,177</b>	<b>26,129,721</b>	23,738,437
Protection to persons and property	<b>32,091,199</b>	<b>31,901,727</b>	31,349,459
Transportation services	<b>33,195,839</b>	<b>41,042,414</b>	39,986,245
Environmental services	<b>24,593,851</b>	<b>27,179,064</b>	23,520,443
Health services	<b>12,169,314</b>	<b>13,117,927</b>	12,342,507
Social services	<b>43,846,624</b>	<b>42,121,104</b>	41,975,567
Housing services	<b>11,586,167</b>	<b>10,228,030</b>	10,902,169
Recreational and cultural services	<b>16,698,467</b>	<b>14,943,183</b>	13,831,157
Planning and development	<b>4,360,989</b>	<b>4,138,459</b>	3,688,492
	<b>201,992,627</b>	<b>210,801,629</b>	201,334,476
Annual surplus	<b>20,317,991</b>	<b>22,630,650</b>	24,336,012
Accumulated surplus, beginning of year	<b>384,079,511</b>	<b>384,079,511</b>	359,743,499
<b>Accumulated surplus, end of year</b>	<b>404,397,502</b>	<b>406,710,161</b>	384,079,511

The accompanying notes are an integral part of the consolidated financial statements.

**City of Kawartha Lakes**

**Consolidated statement of change in net debt**

Year ended December 31, 2018

	<b>Budget</b>	<b>2018</b>	2017
	\$	Actual	Actual
	\$	\$	\$
	<b>(Note 10)</b>		
<b>Annual surplus</b>	<b>20,317,991</b>	<b>22,630,650</b>	24,336,012
Acquisition of tangible capital assets	<b>(40,353,827)</b>	<b>(61,308,746)</b>	(44,045,791)
Amortization of tangible capital assets	<b>18,773,409</b>	<b>25,224,156</b>	23,795,976
Gain on disposal of tangible capital assets	—	<b>(1,255,347)</b>	(809,693)
Proceeds on disposal of tangible capital assets	—	<b>1,527,164</b>	2,507,280
	<b>(1,262,427)</b>	<b>(13,182,123)</b>	5,783,784
Change in prepaid expenses	—	<b>52,584</b>	1,220,239
Change in inventory	—	<b>2,487</b>	89,221
	<b>(1,262,427)</b>	<b>(13,127,052)</b>	7,093,244
Net debt, beginning of year	<b>(93,160,336)</b>	<b>(93,160,336)</b>	(100,253,580)
<b>Net debt, end of year</b>	<b>(94,422,763)</b>	<b>(106,287,388)</b>	(93,160,336)

The accompanying notes are an integral part of the consolidated financial statements.

**City of Kawartha Lakes**  
**Consolidated statement of cash flows**  
Year ended December 31, 2018

	<b>2018</b>	2017
	\$	\$
<b>Operating activities</b>		
Annual surplus	<b>22,630,650</b>	24,336,012
Items not involving cash		
Amortization	<b>25,224,156</b>	23,795,976
Gain on disposal of tangible capital assets	<b>(1,255,347)</b>	(809,693)
Contributed tangible capital assets recorded in revenue	<b>(838,941)</b>	(5,450,877)
Change in non-cash assets and liabilities		
Taxes receivable	<b>(185,590)</b>	1,392,455
Accounts receivable	<b>(5,393,786)</b>	(4,867,564)
Other current assets	<b>4,555</b>	3,458
Accounts payable and accrued liabilities	<b>(1,231,003)</b>	3,374,099
Deferred revenue	<b>(3,298,028)</b>	(2,213,282)
Other liabilities	<b>421,998</b>	(1,184,657)
Accrued interest on long-term liabilities	<b>(2,083)</b>	4,040
Employee future benefits	<b>8,079,458</b>	5,985,080
Landfill closure and post closure accrual	<b>53,218</b>	(3,072,710)
Inventory and prepaid expenses	<b>55,071</b>	1,309,460
	<b>44,264,328</b>	42,601,797
<b>Capital activities</b>		
Acquisition of tangible capital assets	<b>(60,469,805)</b>	(38,594,914)
Proceeds on disposal of tangible capital assets	<b>1,527,164</b>	2,507,280
	<b>(58,942,641)</b>	(36,087,634)
<b>Investing activity</b>		
Decrease (increase) in investments	<b>5,054,011</b>	(28,330,102)
<b>Financing activities</b>		
Municipal debt issued	<b>12,707,677</b>	25,011,000
Municipal debt repaid	<b>(11,273,664)</b>	(10,535,755)
	<b>1,434,013</b>	14,475,245
Change in cash	<b>(8,190,289)</b>	(7,340,694)
Cash, beginning of year	<b>17,510,990</b>	24,851,684
<b>Cash, end of year</b>	<b>9,320,701</b>	17,510,990

The accompanying notes are an integral part of the consolidated financial statements.

## **Nature of business**

The City of Kawartha Lakes (the "City") was created on January 1, 2001 by a Restructuring Order under the Ontario Municipal Act. The City is a combination of the former County of Victoria and all 16 lower-tier municipalities along with their related local boards and police villages previously located within the county's boundaries.

### **1. Summary of significant accounting policies**

The consolidated financial statements of the City are the representations of management prepared in accordance with accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the City are as follows:

*(a) (i) Reporting entity*

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees controlled by the City, including the following:

Public Library Board  
Police Services Board including municipal and OPP services  
Lindsay Downtown Business Improvement Association  
Waterworks and Sewer Systems  
Cemetery Boards  
Parks, Recreation and Heritage Boards and Committees  
Community Centres  
Kawartha Lakes Haliburton Housing Corporation (Note 14)

All material inter-entity transactions and balances are eliminated on consolidation.

*(ii) Accounting for school board transactions*

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

*(iii) Trust funds*

Trust funds and their related operations administered by the City are not consolidated, but are reported separately.

*(b) (i) Basis of accounting*

Revenues and expenses are reported on the accrual basis of accounting with the exception of Provincial Offences Act fine revenues which are accounted for on a cash basis. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

*Investments*

Temporary investments are carried at the lower of cost and market value, at which time they are written down to recognize the loss in value. Discounts or premiums are amortized using the effective interest method.

**1. Summary of significant accounting policies (continued)**

(b) (i) *Basis of accounting (continued)*

*Non-financial assets*

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

*Tangible capital assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets excluding land are amortized on a straight line basis over their estimated useful lives as follows:

	<u>Useful life-years</u>
Land improvements	10-20
Building and building improvements	10-50
Vehicles, machinery and equipment	5-20
Water and sewer systems	25-80
Road infrastructure	<u>10-50</u>

One half of the amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

*Contribution of tangible capital assets*

Tangible capital assets received as contributions are recorded at their fair value as the date of receipt and also are recorded as revenue.

*Interest capitalization*

The City's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of tangible capital assets.

*Intangible assets*

Intangible assets are not recognized as assets in the consolidated financial statements.

(ii) *Deferred revenue*

Under PSAB accounting principles, obligatory reserve funds and any other externally restricted contributions must be reported as deferred revenue. These amounts will be recognized as revenues in the fiscal year in which the qualifying expenditures are made.

## **2. Summary of significant accounting policies (continued)**

### *(iii) Employee future benefits*

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of all employees covered.

### *(iv) Government transfers*

Government transfers are recognized as revenues by the City in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

Tax revenue is recognized on all taxable properties within the City that are included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the City as it relates to supplementary or omitted assessments, at tax rates authorized by Council for the City's own purposes in the period for which the tax is levied.

### *(v) Liability for Contaminated Sites*

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the City is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the City's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the consolidated financial statements. As at December 31, 2018 there is \$nil liability recorded in the consolidated financial statements (\$nil in 2017). The City will continue to review for potential contaminated sites on an annual basis.

### *(vi) Use of estimates*

The preparation of the periodic 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 consolidated financial statements and the reported amount of revenues and expenses during the period. Significant estimates relate to taxes receivable, accounts receivable, accrued liabilities, employee future benefits, landfill closure and post-closure accrual, contaminated sites, and tangible capital assets. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

**2. Taxation raised on behalf of others**

Further to Note 1(a)(ii), requisitions were made by the School Boards requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized as follows:

	<b>2018</b>	2017
	\$	\$
Requisitions of School Boards		
English public	<b>23,374,925</b>	23,243,811
French public	<b>53,729</b>	50,836
English separate	<b>2,260,612</b>	2,251,856
French separate	<b>41,561</b>	39,358
	<b>25,730,827</b>	25,585,861

**3. Investments**

Investments are marketable securities which are comprised of corporate and government debt securities and investment certificates from chartered banks with effective interest rates from 1.15% to 6.00% (1.15% to 6.25% in 2017). The costs presented approximate fair value.

**4. Deferred revenue**

	<b>2018</b>	2017
	\$	\$
Obligatory reserve funds		
Recreational land (Planning Act)	<b>558,340</b>	340,870
Development Charges Act	<b>(2,421,713)</b>	451,539
Federal and Provincial Gas Tax Reserves	<b>2,278,727</b>	3,896,191
Other	<b>2,023,906</b>	2,087,746
Reserve funds restricted for specified purposes to benefit residents in geographic areas of former municipalities (Restructuring Order and City of Kawartha Lakes Act)	<b>22,773,593</b>	22,894,866
	<b>25,212,853</b>	29,671,212
Restricted reserves		
Reserves restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order)	<b>8,447</b>	8,353
	<b>25,221,300</b>	29,679,565
Other deferred revenue		
Unearned grants	<b>3,109,714</b>	956,240
Other unearned revenue	<b>6,363,661</b>	7,356,898
	<b>34,694,675</b>	37,992,703

**4. Deferred revenue (continued)**

The net change during the year in the legislatively restricted deferred revenue balances is as follows:

	<b>2018</b>			<b>2017</b>	
	<b>Parkland levies and development charges</b>	<b>Gas tax reserves and other</b>	<b>Amounts restricted by amalgamation legislation</b>	<b>Total</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>792,410</b>	<b>5,983,936</b>	<b>22,903,219</b>	<b>29,679,565</b>	32,292,565
Restricted funds received	<b>5,209,464</b>	<b>5,267,662</b>	<b>304,842</b>	<b>10,781,968</b>	9,511,880
Interest earned	<b>(103,022)</b>	<b>32,584</b>	<b>110</b>	<b>(70,328)</b>	96,726
Revenue recognized	<b>(7,762,225)</b>	<b>(6,981,549)</b>	<b>(426,131)</b>	<b>(15,169,905)</b>	(12,221,606)
Balance, end of year	<b>(1,863,373)</b>	<b>4,302,633</b>	<b>22,782,040</b>	<b>25,221,300</b>	29,679,565

The City of Kawartha Lakes Act, 2001 required proceeds of sale of the six former municipal hydro systems to be set aside and used only for the benefit of residents in geographic areas served by each of the hydro systems. The net proceeds are included in restricted deferred revenue and will only be recognized as revenue in the consolidated statement of operations when qualifying expenses are incurred.

**5. Employee future benefits**

The City provides certain employee benefits which will require funding in future periods.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accrued payroll	<b>2,957,328</b>	2,226,533
Vacation and overtime payable	<b>1,044,682</b>	983,709
WSIB self-insured claims (Note 9)	<b>21,253,784</b>	14,878,994
Post-employment benefits	<b>6,211,500</b>	5,298,600
Employee future benefits payable	<b>31,467,294</b>	23,387,836

*Vacation pay and overtime liability*

The City budgets for payrolls and vacation and overtime banks based on timing of payment. The above liabilities for payrolls, vacation and overtime represent amounts earned by employees but not paid prior to year-end. The accrued balances will require funding in future periods, and are segregated in the accumulated surplus balance as disclosed in Note 8.

**5. Employee future benefits (continued)**

*Post-employment benefit liability*

The City sponsors a defined benefit plan for post employment benefits other than pensions for substantially all of its employees. The plan provides extended health and life insurance coverage to age 64 for full-time employees. The plan is unfunded and requires no contribution from employees. Total benefit payments to retirees during the year were \$207,628 (\$259,996 in 2017).

An actuarial valuation for accounting purposes is performed triennially using the projected benefit method prorated on service. The most recent actuarial valuation was completed as of December 31, 2017, with an extrapolation to December 31, 2018. The post-employment benefit liability at December 31 includes the following components:

	<b>2018</b>	2017
	<b>\$</b>	\$
Accrued benefit obligation	<b>7,346,700</b>	6,727,900
Actuarial loss	<b>(1,135,200)</b>	(1,429,300)
Post-employment benefits liability	<b>6,211,500</b>	5,298,600

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates. The main actuarial assumptions employed for the valuation are as follows:

Expected inflation rate		2.5%
Discount rate	<ul style="list-style-type: none"> <li>• beginning of year</li> <li>• end of year</li> </ul>	3.20%
Medical cost increases	<ul style="list-style-type: none"> <li>• first year</li> <li>• second year</li> <li>• decreasing over 10 years to</li> </ul>	6.80%
	4.00% plus CPI (assumed to be	6.66%
	10 years to	2.5%)
Expected annual rate of dental cost increase	4.00% plus CPI (assumed to be	2.5%)

The post-employment benefit expense is reported as a component of expenses on the consolidated statement of operations. Composition of the amount is as follows:

	<b>2018</b>	2017
	<b>\$</b>	\$
Current service cost	<b>413,400</b>	405,200
Amortization of actuarial gains	<b>294,100</b>	509,600
Interest on post-employment benefit liability	<b>228,100</b>	205,000
Total expense related to post-employment benefits	<b>935,600</b>	1,119,800

**5. Employee future benefits (continued)**

*Pension agreement*

The City makes contributions to the Ontario Municipal Employees' Retirement Fund 'OMERS', which is a multi-employer plan, on behalf of 660 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. The amount the City contributed to OMERS for 2018 was \$4,852,186 (\$4,643,068 in 2017) for current service which is included as an expense in the consolidated statement of operations.

**6. Landfill closure and post-closure liability**

The City is required to account for the solid waste landfill closure and post-closure liabilities as the landfill sites are used. The City currently has 13 closed sites and 5 active solid waste sites. Details of the active sites are as follows:

	<b>Estimated years to closure</b>	<b>Remaining capacity tonnes 2018</b>
Eldon	<b>40</b>	<b>71,996</b>
Fenelon	<b>8</b>	<b>60,204</b>
Laxton/Digby/Longford	<b>4</b>	<b>7,472</b>
Somerville	<b>18</b>	<b>117,564</b>
Lindsay-Operations	<b>18</b>	<b>593,305</b>

Engineering consultants were engaged to prepare estimates of closure and post closure costs as at December 31, 2017, with an extrapolation prepared to December 31, 2018. The estimates include 50 years of post-closure monitoring and maintenance for sites with less than five metres thickness of waste, and 100 years for sites with greater than 5 metres thickness of waste.

Following is a summary of the liability recognized.

	<b>2018 \$</b>	2017 \$
Estimated total closure and post-closure costs	<b>43,601,327</b>	43,862,140
Discount rate	<b>3.20%</b>	3.20%
Estimated present value of costs at end of year	<b>14,932,835</b>	14,730,616
Less		
Portion related to remaining available capacity	<b>(4,805,265)</b>	(4,656,264)
Expenses paid	<b>—</b>	—
Liability for capacity already used	<b>10,127,570</b>	10,074,352
Net expenses recognized in the year	<b>53,218</b>	(3,072,710)

**7. Municipal debt**

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

	<b>2018</b>	2017
	<b>\$</b>	\$
Total debt incurred and outstanding at December 31, 2018 to be financed from		
General tax rates	<b>45,639,603</b>	45,474,955
Water and sewer	<b>54,183,540</b>	51,277,529
Northwest Trunk Developer Debt	<b>11,337,385</b>	12,004,485
Benefiting landowners for local improvements and tile loans	<b>192,282</b>	239,963
Kawartha Lakes Haliburton Housing	<b>5,536,273</b>	6,458,138
Net municipal debt	<b>116,889,083</b>	115,455,070

- (a) The municipal debt issued in the City's name and the names of amalgamated former municipalities have been approved by the Ontario Municipal Board or by-law as required and the annual principal and interest payments required are within the annual debt repayment limit prescribed by the Ministry of Housing.
- (b) The City entered into an agreement with Infrastructure Ontario to debenture funds to offset future developer contributions for the Northwest Trunk capital project in the amount of \$14,139,897 plus \$4,540,300 in interest for a twenty year period. These funds are to be recovered as they are received for development.

**City of Kawartha Lakes**  
**Notes to the consolidated financial statements**  
December 31, 2018

**7. Municipal debt (continued)**

(c) Interest rates vary from 0.96% to 5.83%. Total future payments over the next 5 years and thereafter are summarized as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Principal							
Municipal	6,099,899	5,852,408	5,503,207	5,374,662	5,004,457	17,804,970	45,639,603
Water and sewer	4,111,633	3,927,835	3,958,440	4,044,091	3,758,013	34,383,528	54,183,540
Northwest Trunk Developer Debt	667,100	667,100	667,100	667,100	667,100	8,001,885	11,337,385
Tile Drain	27,414	29,059	26,577	28,171	24,929	56,132	192,282
Kawartha Lakes Haliburton Housing	942,179	951,022	925,963	846,060	701,451	1,169,598	5,536,273
	<u>11,848,225</u>	<u>11,427,424</u>	<u>11,081,287</u>	<u>10,960,084</u>	<u>10,155,950</u>	<u>61,416,113</u>	<u>116,889,083</u>
Interest							
Municipal	1,234,790	1,056,386	904,439	762,527	617,654	1,756,605	6,332,401
Water and sewer	1,962,297	1,811,409	1,652,455	1,494,322	1,341,155	6,738,504	15,000,142
Northwest Trunk Developer Debt	348,227	319,488	309,900	285,801	265,013	1,799,780	3,328,209
Tile Drain	11,512	9,867	8,124	6,529	4,869	8,475	49,376
Kawartha Lakes Haliburton Housing	278,149	233,779	187,844	153,654	108,535	180,898	1,142,859
	<u>15,683,200</u>	<u>14,858,353</u>	<u>14,144,049</u>	<u>13,662,917</u>	<u>12,493,176</u>	<u>71,900,375</u>	<u>142,742,070</u>

(d) Total gross payments for the year to service municipal debt are as follows:

						2018
	Municipal	Water and sewer	Tile drain	Kawartha Lakes Haliburton Housing	Northwest Trunk Developer Debt	Total
	\$	\$	\$	\$	\$	\$
Principal	<b>5,870,532</b>	<b>3,746,486</b>	<b>67,681</b>	<b>921,865</b>	<b>667,100</b>	<b>11,273,664</b>
Interest	<b>1,239,707</b>	<b>1,848,608</b>	<b>14,712</b>	<b>140,552</b>	<b>365,857</b>	<b>3,609,436</b>
	<u><b>7,110,239</b></u>	<u><b>5,595,094</b></u>	<u><b>82,393</b></u>	<u><b>1,062,417</b></u>	<u><b>1,032,957</b></u>	<u><b>14,883,100</b></u>

- (e) Kawartha Lakes Haliburton Housing debentures in the amount of \$2,442,570 (\$2,845,133 in 2017) are paid for by the Provincial government on behalf of the Housing corporation. The Province recovers this outlay by reducing subsidy payment cash flows.
- (f) The City has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$15 million via an overdraft or demand note. Any balance borrowed will bear interest at prime less .60% per year. Council authorized the temporary borrowing limit for 2018 in By-Law 2018-001. As at December 31, 2018, there was a balance outstanding of \$nil (\$nil in 2017).

**8. Accumulated surplus**

Accumulated surplus consists of the following:

	<b>2018</b>	2017
	<b>\$</b>	\$
Operating fund surplus (deficit)	<b>3,181,380</b>	(88,899)
Capital fund deficit - projects to be debentured	<b>(9,545,400)</b>	(6,326,518)
Capital fund deficit - municipal drain project	<b>(585,974)</b>	(530,803)
Capital fund surplus - all other projects	<b>10,358,257</b>	7,502,181
Unfunded employee future benefits	<b>(31,467,294)</b>	(23,387,836)
Post closure landfill costs	<b>(10,127,570)</b>	(10,074,352)
Accrued interest on long term debt	<b>(367,199)</b>	(369,282)
Long term debt	<b>(105,551,697)</b>	(103,450,585)
Reserve and reserve funds	<b>41,167,355</b>	46,970,075
Tangible capital assets	<b>509,648,303</b>	473,835,530
	<b>406,710,161</b>	384,079,511

**9. Contingencies and commitments**

*Workplace Safety Insurance Board Self Insured – Schedule 2*

Following restructuring, the Workplace Safety Insurance Board ('WSIB') required the City to convert all operations to Schedule 2 to become one self-insured entity.

Outside coverage is in place for certain types of claims to limit any loss to \$250,000. Claims paid out during the year amounted to \$2,695,692 (\$2,061,507 in 2017). The WSIB has estimated liability for future benefit costs as at December 31, 2018 to be \$21,253,784 (\$14,878,994 in 2017) and this liability has been included in employee future benefits payable (Note 5). The City has \$nil set aside in a reserve for WSIB self insurance as at December 31, 2018 (\$525,000 in 2017).

*Other contingencies*

Various legal actions and claims have been initiated against the City, some of which cannot be quantified. No provision has been made for any uninsured claims. It is management's opinion there will be no material uninsured liability arising from these claims. An expense will be recorded in the fiscal period in which a settlement becomes likely and measurable.

*Commitment – water and sewer system operating agreements*

The City is committed to an agreement with the Ontario Clean Water Agency ('OCWA') for the operation of twenty Drinking Water Systems and six Wastewater Systems. In addition to the current agreement there is room for inflationary adjustments and other service items that are unusual and outside of the current agreement. The agreement with OCWA is for the period of March 1, 2014 to February 28, 2021.

*Commitment – garbage and recycling collection contract*

On September 26, 2011, the City contracted out garbage and recycling collection services. The contract is for a seven year term with the option for two additional one year renewal terms. The contract requires the City to pay a base fee of \$3,585,963 for 2019 plus an annual fuel surcharge as well as an increase for new homes.

**9. Contingencies and commitments (continued)**

*Commitments – capital projects*

The City has committed to many capital projects expected to be completed over several years including upgrades to the water and sewer treatment plants and the expansion of the Lindsay/Operations landfill site. As at December 31, 2018, the City had awarded contracts in the amount of \$36,180,020 (\$31,574,644 in 2017) and has recorded \$26,333,961 of those awarded amounts. Therefore, the remaining contractual commitments will be recorded in future years as the projects are completed.

Funding for the completion costs is expected to include the use of capital surplus carried forward, grants, debt proceeds and use of funds from various discretionary and obligatory reserve funds.

*Commitments – Leases*

Under the terms of various operating leases in existence at December 31, 2018, the City is committed to future minimum annual payments as follows:

	\$
2019	468,958
2020	514,047
2021	429,000
2022	344,831
2023	271,476
Thereafter	519,663
	<u>2,547,975</u>

**10. Budget amounts**

The operating and tax rate supported capital budgets were approved by Council on December 13, 2017 to establish the tax rates for the year. In addition, the water and sewer operating and capital budgets were also approved by Council on October 31, 2017.

The budgets for Kawartha Lakes-Haliburton Housing Corporation were approved by the board individually, and only the net transfers to this entity were approved by Council. These budgets were not prepared on the same basis as these consolidated financial statements, and have been restated to conform to the requirements under PSAB accounting standards.

An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original council approved budget.

Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original council approved budget.

Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in consolidated statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are included in the consolidated statement of change in net debt.

**11. Expenses by object**

	<b>2018</b>	2017
	\$	\$
Salaries and wages	<b>80,888,300</b>	76,372,332
Materials, supplies and services	<b>21,201,012</b>	17,541,137
Contracted services	<b>33,346,528</b>	32,362,417
Rents and financial	<b>4,836,501</b>	5,324,784
Transfers to other entities	<b>41,048,497</b>	41,756,749
Tile drain loans and advanced to landowners	<b>20,000</b>	11,000
Interest on net municipal debt	<b>3,243,579</b>	3,152,923
Amortization expense	<b>25,224,156</b>	23,795,976
Other	<b>993,056</b>	1,017,158
	<b>210,801,629</b>	201,334,476

**12. Trust funds**

Trust funds administered by the City amounting to \$1,261,009 (\$1,253,279 in 2017) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

**13. Provincial Offences Act**

Under an operating agreement with the Province of Ontario, the City of Kawartha Lakes is responsible for operation of the Provincial Offences Office in Lindsay on behalf of the City and Haliburton County. Net revenues are to be allocated between the City and the County on a per capita basis. Revenues and expenses related to these operations have been reported as follows:

	<b>2018</b>	2017
	\$	\$
Gross revenues	<b>1,926,659</b>	2,131,733
Operating costs	<b>(1,323,093)</b>	(1,371,055)
Amount transferred to Haliburton County	<b>(120,076)</b>	(150,012)
Net City revenue	<b>483,490</b>	610,666

Revenue comprises payments received for certain types of fines and penalties resulting from charges laid in the Lindsay Court area. Since revenue has been recognized on a cash basis, accounts receivable balances for fines levied but not paid are not included as revenue.

**14. Supplementary information**

*Social Housing downloading*

As part of Provincial local services realignment programs, the City assumed control and funding responsibility from the Province for the following housing corporations on January 1, 2001:

- Lindsay Non-Profit Housing Corporation 'LNPHC'
- Kawartha Lakes Haliburton Housing Corporation 'KLHHC'

Under the provisions of transfer orders prepared under authority of the Social Housing Reform Act, the Kawartha Lakes Haliburton Housing Corporation was the recipient on January 1, 2001 of assets, liabilities, rights and obligations previously owned by the Ontario Housing Corporation 'OHC' and located in the City of Kawartha Lakes and County of Haliburton.

On December 15, 2005, KLHHC entered into an amalgamation agreement with Lindsay Non-Profit Housing Corporation 'LNPHC'. Under the terms of the agreement KLHHC and LNPHC amalgamated to form a new corporation (also known as Kawartha Lakes-Haliburton Housing Corporation) which commenced operations on January 1, 2006. KLHHC is exempt from income taxes under the Income Tax Act. The City is the sole shareholder and KLHHC is engaged in the business of providing housing primarily for persons of low or modest income at rentals below the median current rental market in the area of the City and the County of Haliburton.

Effective January 1, 2016 the structure of the KLHHC was revised to combine three different divisions consisting of Local Housing Corporation ("LHC"), Non Profit ("NP") and Affordable Housing Project ("AHP") into one overall division with the base year subsidy established by taking the 2015 subsidy level and then year over year applying budget directions set by the City. The surplus and capital reserves have been merged into one surplus reserve to fund projects with the City.

The net assets now under control of the City were financed by assumption of debt, and the effect of the downloading and consolidation of these two entities in these consolidated financial statements is summarized below.

	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
Effect on municipal position		
Unrestricted financial assets	<b>6,043,832</b>	5,578,783
Current liabilities	<b>6,517,225</b>	3,293,445
Debt and accrued interest on debt	<b>(5,547,463)</b>	(6,470,133)
Municipal position, end of year	<b>7,013,594</b>	2,402,095
Amounts to be recovered from future revenues	<b>5,547,463</b>	6,470,133
Fund balances, end of year	<b>12,561,057</b>	8,872,228
Effect on operations for the year		
Revenues	<b>6,003,326</b>	6,145,656
Operating expenditures	<b>(4,004,597)</b>	(3,813,548)
Non-tangible capital asset capital expenses	<b>155,592</b>	410,274
Net revenues	<b>2,154,321</b>	2,742,382
Decrease in amounts to be recovered from future revenues	<b>(922,670)</b>	(990,931)
Net increase in accumulated surplus	<b>1,231,651</b>	1,751,451

**15. Tangible capital assets**

*Tangible capital assets recognized at nominal value*

Certain assets have been assigned a nominal value of one Canadian dollar, because of the difficulty of determining a tenable valuation and/or the assets were older than their estimated expected useful lives, and therefore were fully amortized.

*Works of art and historical treasures*

The City applies efforts to protect and preserve a number of owned historical buildings, collections of equipment, artifacts, documents and exhibits and works of art. These assets are not held for financial gain or to provide service but rather for public exhibition, education or research in furtherance of public service. These historical treasures and works of art are not recognized as tangible capital assets in the consolidated financial statements. The acquisition or betterment of such assets is recognized in the consolidated financial statements as an operating expense.

**City of Kawartha Lakes**  
**Notes to the consolidated financial statements**  
December 31, 2018

**15. Tangible capital assets (continued)**

							2018
	Land and land improvements	Building and building improvements	Vehicles, machinery and equipment	Water and sewer	Road infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, beginning of year	34,206,497	142,786,982	79,642,048	222,796,757	366,459,235	53,105,558	898,997,077
Additions	4,088,641	25,013,249	1,810,394	35,304,612	55,636,631	61,308,746	183,162,273
Work in progress completed	(2,261,472)	(18,752,539)	(632,233)	(32,278,386)	(46,878,709)	—	(100,803,339)
Disposals/transfers	(8,094)	(151,744)	(2,254,047)	—	(2,217,156)	(21,050,188)	(25,681,229)
Balance, end of year	<b>36,025,572</b>	<b>148,895,948</b>	<b>78,566,162</b>	<b>225,822,983</b>	<b>373,000,001</b>	<b>93,364,116</b>	<b>955,674,782</b>
Accumulated amortization							
Balance, of year beginning	6,125,765	64,140,025	43,740,870	86,973,945	224,180,941	—	425,161,546
Disposals	—	(140,492)	(2,063,385)	—	(2,155,346)	—	(4,359,223)
Amortization expense	261,990	2,889,787	4,476,997	5,144,541	12,450,841	—	25,224,156
Balance, end of year	<b>6,387,755</b>	<b>66,889,320</b>	<b>46,154,482</b>	<b>92,118,486</b>	<b>234,476,436</b>	—	<b>446,026,479</b>
Net book value, end of year	<b>29,637,817</b>	<b>82,006,628</b>	<b>32,411,680</b>	<b>133,704,497</b>	<b>138,523,565</b>	<b>93,364,116</b>	<b>509,648,303</b>

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**City of Kawartha Lakes**  
**Notes to the consolidated financial statements**  
December 31, 2018

**15. Tangible capital assets (continued)**

	2017						
	Land and land improvements	Building and building improvements	Vehicles, machinery and equipment	Water and sewer	Road infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance, beginning of year	33,505,481	139,861,669	77,940,748	216,303,989	356,899,115	37,411,857	861,922,859
Additions	2,570,007	36,220,689	7,105,878	36,294,275	64,811,048	44,045,791	191,047,688
Work in progress completed	(1,572,172)	(32,985,276)	(3,372,798)	(29,580,506)	(51,139,055)	—	(118,649,807)
Disposals/transfers	(296,819)	(310,100)	(2,031,780)	(221,001)	(4,111,873)	(28,352,090)	(35,323,663)
Balance, end of year	<u>34,206,497</u>	<u>142,786,982</u>	<u>79,642,048</u>	<u>222,796,757</u>	<u>366,459,235</u>	<u>53,105,558</u>	<u>898,997,077</u>
<b>Accumulated amortization</b>							
Balance, of year beginning	6,305,212	61,641,417	40,979,318	82,109,007	215,604,603	—	406,639,557
Disposals	(6,835)	(232,526)	(880,526)	(185,857)	(3,968,242)	—	(5,273,986)
Amortization expense	(172,612)	2,731,134	3,642,078	5,050,795	12,544,581	—	23,795,976
Balance, end of year	<u>6,125,765</u>	<u>64,140,025</u>	<u>43,740,870</u>	<u>86,973,945</u>	<u>224,180,942</u>	<u>—</u>	<u>425,161,547</u>
Net book value, end of year	<u>28,080,732</u>	<u>78,646,957</u>	<u>35,901,178</u>	<u>135,822,812</u>	<u>142,278,293</u>	<u>53,105,558</u>	<u>473,835,530</u>

## **16. Segmented information**

The City provides a wide range of services to its residents.

Segmented information has been provided in Schedule 1 for the following City Services:

- General Government
- Protection to persons and property
- Transportation Services
- Environmental Services
- Health and Social Services
- Recreation and culture
- Planning and Development

Revenues and expenses directly attributable to each segment are reported by segment. Typically general government expenses are incurred in support of all services. Similarly general government revenues including taxes are used to finance all activities of the City. For purposes of segmented reporting general government revenues and expenses have not been allocated to the other services but rather are shown separately.

## **17. Comparative figures**

Certain prior year figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year.

**City of Kawartha Lakes**

**Schedule 1 – Consolidated schedule of segmented disclosure**

Year ended December 31, 2018

	General government \$	Protection to persons and property \$	Transportation services \$	Environmental services \$	Health and social services \$	Recreation and culture \$	Planning and development \$	Consolidated \$
<b>Expenses</b>								
Salaries and wages	16,661,512	16,455,463	10,519,823	2,921,048	24,471,260	7,033,513	2,825,681	80,888,300
Minor capital	(52,584)	(37,678)	882,996	—	51,418	170,934	—	1,015,086
Interest costs	1,351,765	—	—	1,673,283	203,819	—	14,712	3,243,579
Other expenses	7,797,534	13,740,068	14,980,732	17,256,728	38,737,447	6,619,933	1,298,066	100,430,508
Amortization expense	371,494	1,743,874	14,658,863	5,328,005	2,003,117	1,118,803	—	25,224,156
	<b>26,129,721</b>	<b>31,901,727</b>	<b>41,042,414</b>	<b>27,179,064</b>	<b>65,467,061</b>	<b>14,943,183</b>	<b>4,138,459</b>	<b>210,801,629</b>
External tax revenues	(86,812,538)	(21,050,402)	(1,228,801)	(131,355)	—	(286,287)	(82,393)	(109,591,776)
External non-tax revenues	(20,382,933)	(4,431,300)	(1,280,748)	(24,486,027)	(51,586,530)	(4,181,586)	(1,066,127)	(107,415,251)
Restricted amounts earned	(12,943,903)	(163,623)	(541,598)	(924,556)	(106,167)	(490,058)	—	(15,169,905)
Loss (gain) on disposal of tangible capital assets	252,471	(13,680)	(59,371)	—	(950,052)	—	(484,715)	(1,255,347)
	<b>(119,886,903)</b>	<b>(25,659,005)</b>	<b>(3,110,518)</b>	<b>(25,541,938)</b>	<b>(52,642,749)</b>	<b>(4,957,931)</b>	<b>(1,633,235)</b>	<b>(233,432,279)</b>
<b>Annual (surplus) deficit</b>	<b>(93,757,182)</b>	<b>6,242,722</b>	<b>37,931,896</b>	<b>1,637,126</b>	<b>12,824,312</b>	<b>9,985,252</b>	<b>2,505,224</b>	<b>(22,630,650)</b>

The accompanying notes are an integral part of the consolidated financial statements.

**City of Kawartha Lakes**

**Schedule 1 – Consolidated schedule of segmented disclosure (continued)**

Year ended December 31, 2017

	General government \$	Protection to persons and property \$	Transportation services \$	Environmental services \$	Health and social services \$	Recreation and culture \$	Planning and development \$	Consolidated \$
<b>Expenses</b>								
Salaries and wages	16,144,958	15,890,308	10,169,981	2,828,287	22,495,170	6,171,814	2,671,814	76,372,332
Minor capital	(14,922)	246,272	27,015	4,631	410,200	62,931	(5,608)	730,519
Interest costs	1,150,973	—	—	1,818,058	172,220	—	11,672	3,152,923
Other expenses	6,100,432	13,624,473	15,265,558	13,785,859	40,927,778	6,568,199	1,010,427	97,282,726
Amortization expense	356,996	1,588,406	14,523,691	5,083,608	1,214,875	1,028,213	187	23,795,976
	<u>23,738,437</u>	<u>31,349,459</u>	<u>39,986,245</u>	<u>23,520,443</u>	<u>65,220,243</u>	<u>13,831,157</u>	<u>3,688,492</u>	<u>201,334,476</u>
External tax revenues	(83,121,464)	(20,446,278)	(1,198,606)	(2,066,177)	—	(210,603)	(57,924)	(107,101,052)
External non-tax revenues	(18,659,921)	(5,397,412)	(1,430,769)	(21,511,058)	(52,105,127)	(4,202,144)	(2,231,706)	(105,538,137)
Restricted amounts earned	(9,984,649)	(145,956)	(764,328)	(581,133)	(115,176)	(595,552)	(34,812)	(12,221,606)
Loss (gain) on disposal of tangible capital assets	231,561	—	—	—	(1,041,254)	—	—	(809,693)
	<u>(111,534,473)</u>	<u>(25,989,646)</u>	<u>(3,393,703)</u>	<u>(24,158,368)</u>	<u>(53,261,557)</u>	<u>(5,008,299)</u>	<u>(2,324,442)</u>	<u>(225,670,488)</u>
<b>Annual (surplus) deficit</b>	<u>(87,796,036)</u>	<u>5,359,813</u>	<u>36,592,542</u>	<u>(637,925)</u>	<u>11,958,686</u>	<u>8,822,858</u>	<u>1,364,050</u>	<u>(24,336,012)</u>

The accompanying notes are an integral part of the consolidated financial statements.

**City of Kawartha Lakes**

**Schedule 2 – Schedule of operations of the Public Library Board**

Year ended December 31, 2018

	<b>Budget</b>	<b>2018</b>	2017
	\$	Actual	Actual
		\$	\$
<b>Revenue</b>			
Contribution from municipal tax revenues	<b>1,853,131</b>	<b>1,853,131</b>	1,753,390
Grants – Province of Ontario	<b>214,133</b>	<b>214,877</b>	247,958
Grants – Federal	—		1,197
User fees	<b>200</b>	<b>2,495</b>	1,552
Fines and penalties	<b>18,500</b>	<b>20,631</b>	18,322
Transfer from Reserves	<b>63,000</b>	<b>63,000</b>	63,000
Donations and other	<b>21,020</b>	<b>36,405</b>	34,193
	<b>2,169,984</b>	<b>2,190,539</b>	2,119,612
<b>Expenses</b>			
Administration and Board			
Salaries and benefits	<b>501,534</b>	<b>460,575</b>	423,131
Office and general	<b>17,330</b>	<b>36,154</b>	19,898
Equipment maintenance and rental	<b>57,450</b>	<b>42,547</b>	37,384
Training and development	<b>25,100</b>	<b>18,973</b>	22,548
Vehicle and travel	<b>6,700</b>	<b>6,028</b>	4,575
Advertising and promotion	<b>29,300</b>	<b>30,870</b>	5,905
Transfer to reserves	—	<b>190,771</b>	167,118
Books, periodicals purchases and processing	<b>505,300</b>	<b>462,996</b>	487,626
Library branches			
Wages and benefits	<b>904,720</b>	<b>817,828</b>	845,718
Building maintenance and utilities	<b>56,000</b>	<b>75,538</b>	43,503
Equipment maintenance and rental	<b>14,370</b>	<b>3,844</b>	7,381
Office and telephone	<b>52,180</b>	<b>44,415</b>	54,825
	<b>2,169,984</b>	<b>2,190,539</b>	2,119,612
<b>Net revenue</b>	—	—	—

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# Financial statements of City of Kawartha Lakes Trust Funds

December 31, 2018

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## Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the City of Kawartha Lakes

### Opinion

We have audited the financial statements of the trust funds of the Corporation of the City of Kawartha Lakes Trust Funds ("the Trust Funds"), which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the City as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 trust funds of the City in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City'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 City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust funds of the City's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 trust funds of the City'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 City'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 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 City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

"Original signed by Deloitte"

Chartered Professional Accountants  
Licensed Public Accountants  
June 11, 2019

**City of Kawartha Lakes Trust Funds**  
**Statement of financial position**  
As at December 31, 2018

	2018								2017	
	Ontario Home Renewal Program	Cemetery Perpetual Care Trusts	Disaster Trust Fund	Forbert Estate Bequests	Aged Comfort Trust	Treasurer's Maintenance Trust	Building Donation Fund	Other trusts	Total trusts	Total trusts
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>										
Cash	—	44,297	5,040	26,051	21,590	4,269	—	11,030	112,277	129,814
Accounts receivable	—	3,401	—	—	—	—	—	—	3,401	—
Investments	54,282	706,538	94,660	220,404	—	—	210,735	—	1,286,619	1,258,703
Accrued interest	—	17,650	1,290	3,534	—	—	—	—	22,474	24,257
	<b>54,282</b>	<b>771,886</b>	<b>100,990</b>	<b>249,989</b>	<b>21,590</b>	<b>4,269</b>	<b>210,735</b>	<b>11,030</b>	<b>1,424,771</b>	<b>1,412,774</b>
<b>Liabilities and fund balance</b>										
Accounts payable	—	—	—	4,436	—	—	—	—	4,436	4,729
Due to the City of Kawartha Lakes	1,144	(3,757)	2,758	16,067	(49)	1,010	142,153	—	159,326	154,766
	<b>1,144</b>	<b>(3,757)</b>	<b>2,758</b>	<b>20,503</b>	<b>(49)</b>	<b>1,010</b>	<b>142,153</b>	<b>—</b>	<b>163,762</b>	<b>159,495</b>
<b>Fund balances</b>	<b>53,138</b>	<b>775,643</b>	<b>98,232</b>	<b>229,486</b>	<b>21,639</b>	<b>3,259</b>	<b>68,582</b>	<b>11,030</b>	<b>1,261,009</b>	<b>1,253,279</b>
	<b>54,282</b>	<b>771,886</b>	<b>100,990</b>	<b>249,989</b>	<b>21,590</b>	<b>4,269</b>	<b>210,735</b>	<b>11,030</b>	<b>1,424,771</b>	<b>1,412,774</b>

Notes

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The accompanying notes are an integral part of the financial statements.

**City of Kawartha Lakes Trust Funds**  
**Statement of financial activities and fund balances**  
Year ended December 31, 2018

	2018								2017	
	Home Renewal Program	Cemetary Perpetual Care Trusts	Disaster Trust Fund	Forbert Estate Bequest	Aged Comfort Trust	Treasurer's Maintenance Trust	Building Donation Fund	Other trusts	Total trusts	Total trusts
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>53,138</b>	<b>762,640</b>	<b>99,370</b>	<b>229,486</b>	<b>26,072</b>	<b>3,176</b>	<b>68,582</b>	<b>10,815</b>	<b>1,253,279</b>	1,243,264
<b>Revenue</b>										
Interest earned	—	13,984	2,243	4,436	—	83	—	425	21,171	25,774
Plot sales	—	9,247	—	—	—	—	—	—	9,247	9,925
Donations and other	—	—	3,422	—	—	—	—	—	3,422	217
Manor residents	—	—	—	—	34,144	—	—	—	34,144	41,474
	<b>—</b>	<b>23,231</b>	<b>5,665</b>	<b>4,436</b>	<b>34,144</b>	<b>83</b>	<b>—</b>	<b>425</b>	<b>67,984</b>	77,390
<b>Expenses</b>										
Manor residents	—	—	—	—	38,577	—	—	—	38,577	43,263
Disaster relief	—	—	6,803	—	—	—	—	—	6,803	2,008
Contributed to minor hockey	—	—	—	2,218	—	—	—	—	2,218	2,364
Contributed to figure skating	—	—	—	2,218	—	—	—	—	2,218	2,365
Paid to general operations	—	10,228	—	—	—	—	—	210	10,438	17,375
	<b>—</b>	<b>10,228</b>	<b>6,803</b>	<b>4,436</b>	<b>38,577</b>	<b>—</b>	<b>—</b>	<b>210</b>	<b>60,254</b>	67,375
Excess (deficiency) of revenue over expenses	—	13,003	(1,138)	—	(4,433)	83	—	215	7,730	10,015
<b>Balance, end of year</b>	<b>53,138</b>	<b>775,643</b>	<b>98,232</b>	<b>229,486</b>	<b>21,639</b>	<b>3,259</b>	<b>68,582</b>	<b>11,030</b>	<b>1,261,009</b>	1,253,279

The accompanying notes are an integral part of the financial statements.

**City of Kawartha Lakes Trust Funds****Statement of cash flows**

Year ended December 31, 2018

	<b>2018</b>	2017
	<b>\$</b>	\$
<b>Operating activities</b>		
Excess of revenue over expenses	<b>7,730</b>	10,015
Change in non-cash assets and liabilities		
Accounts receivable	<b>(3,401)</b>	-
Accrued interest	<b>1,783</b>	(1,934)
Accounts payable	<b>(293)</b>	(373)
	<b>5,819</b>	7,708
<b>Investing activity</b>		
Increase in investments	<b>(27,916)</b>	(10,757)
<b>Financing activity</b>		
Increase in amount due to the City of Kawartha Lakes	<b>4,560</b>	24,882
Change in cash during the year	<b>(17,537)</b>	21,833
Cash, beginning of year	<b>129,814</b>	107,981
<b>Cash, end of year</b>	<b>112,277</b>	129,814

The accompanying notes are an integral part of the financial statements.

## City of Kawartha Lakes Trust Funds

### Notes to the financial statements

December 31, 2018

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#### 1. Significant accounting policies

The financial statements of the trust funds of the City of Kawartha Lakes (the "Trust Funds") are the representations of management prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

##### *Basis of accounting*

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenses are recorded in the period the goods and services are acquired and a liability is incurred, or transfers are due.

##### *Investments*

Investments are recorded at cost. The cost of investments approximates their fair market value.

##### *Use of estimates*

The preparation of the periodic financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 consolidated financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

#### 2. Ontario Home Renewal Program

- (a) The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.
- (b) Ontario Home Renewal Program loans receivable at December 31, 2018 comprise of repayable loans of nil (nil in 2017). In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.
- (c) Ontario Regulation 641 has established procedures for the winding down of the Ontario Home Renewal Program. Under conditions stipulated in the Regulation, all Fund balances were remitted to the Ministry during 1994. The City of Kawartha Lakes will continue to administer the collection of any outstanding loans and resmit the proceeds, net of 5% administration fee.

#### 3. Due to City of Kawartha Lakes

The amounts due to the City of Kawartha Lakes are non-interest bearing with no fixed terms of repayment.

#### 4. Cemetery perpetual care trusts

Cemetery perpetual care trusts represent a portion of the burial fees and proceeds of sale of cemetery plots of various cemeteries. The capital amounts are to be kept intact in perpetuity, with investment income earned on the funds used to maintain the cemeteries.

## **City of Kawartha Lakes Trust Funds**

### **Notes to the financial statements**

December 31, 2018

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#### **5. Forbert trust**

This trust fund represents a bequest from the Estate of Ross and Helen Forbert. Investment income on the funds is distributed to promote figure skating and minor hockey in the Village of Bobcaygeon. The capital is to remain intact.