

# The Corporation of the City of Kawartha Lakes

## Agenda

### Special Council Meeting

CC2018-13

Tuesday, June 12, 2018

Open Session Commencing at 1:00 p.m.

Council Chambers

City Hall

26 Francis Street, Lindsay, Ontario K9V 5R8

#### Members:

Mayor Andy Letham  
Councillor Isaac Breadner  
Councillor Pat Dunn  
Councillor Doug Elmslie  
Councillor Gord James  
Councillor Gerard Jilesen  
Councillor Brian S. Junkin  
Councillor Rob Macklem  
Councillor Mary Ann Martin  
Councillor Gord Miller  
Councillor Patrick O'Reilly  
Councillor John Pollard  
Councillor Kathleen Seymour-Fagan  
Councillor Heather Stauble  
Councillor Stephen Strangway  
Councillor Andrew Veale  
Councillor Emmett Yeo

Accessible formats and communication supports are available upon request.

1.	<b>Call to Order</b>	
2.	<b>Adoption of Agenda</b>	
3.	<b>Disclosure of Pecuniary Interest</b>	
4.	<b>Presentations and Deputations</b>	
4.1	CC2018-13.4.1	
	<b>2017 Year End Position</b>	
	Jennifer Stover, Director of Corporate Services	
	Carolyn Daynes, City Treasurer	
4.1.1	CORP2018-005	4 - 51
	<b>2017 Year End Position</b>	
	Carolyn Daynes, City Treasurer	
	<b>That Report CORP2018-005, 2017 Year End Position,</b> be received;	
	<b>That</b> the auditor’s report be received and the audited financial statements for 2017 be approved as circulated; and	
	<b>That</b> Council authorizes funding of \$439,129 from the General Contingency Reserve to cover the 2017 General Rated Operating Deficit.	
4.2	CC2018-13.4.2	
	<b>10 Year Financial Plan</b>	
	Adam Found, Manager of Corporate Assets	
4.3	CC2018-13.4.3	
	<b>5 Year Operating Plan</b>	
	Jennifer Stover, Director of Corporate Services	
	Carolyn Daynes, City Treasurer	
5.	<b>Reports</b>	
5.1	CORP2018-010	52 - 62
	<b>2019 Budget Process and Requests</b>	
	Jennifer Stover, Director of Corporate Services	

**That Report CORP2018-010, 2019 Budget Process and Requests, be received.**

**6. Closed Session**

**7. Matters from Closed Session**

**8. Confirming By-Law**

**8.1 CC2018-13.8.1**

**63 - 63**

**A By-Law to Confirm the Proceedings of a Special Council Meeting of Council, Tuesday, June 12, 2018**

**9. Adjournment**

**The Corporation of the City of Kawartha Lakes**  
**Council Report**

**Report Number CORP2018-005**

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**Date:** June 12, 2018  
**Time:** 2:00 p.m.  
**Place:** Council Chambers

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**Ward Community Identifier: All**

**Title: 2017 Year End Position**

**Author and Title:** Carolyn Daynes, Treasurer

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**Recommendation(s):**

**That** Report CORP2018-005, 2017 Year End Position, be received; and

**That** the auditor's report be received and the audited financial statements for 2017 be approved as circulated; and

**That** Council authorizes funding of \$439,129 from the General Contingency Reserve to cover the 2017 General Rated Operating Deficit.

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:** \_\_\_\_\_

**Chief Administrative Officer:** \_\_\_\_\_

**Background:**

This report provides Council with an update on the 2017 financial position. The audited financial statements are included in this report as Attachment A. These statements were presented to the Executive Committee on June 7, 2018. The 2017 year end and the final (Surplus) Deficit position is as follows:

	<b>(Surplus) Deficit</b>	<b>Transfer to Reserve</b>	<b>(Surplus) Deficit</b>
General Rated Tax Deficit	\$ 439,129	\$ -	\$439,129
Area Rated Tax (Surplus)Deficit	(800,996)	878,127	77,131
Water and Sewer (Surplus)	(755,740)	755,740	-
KLHHC (Surplus)	(427,360)		(437,360)
<b>Overall (Surplus)Deficit</b>	<b>\$(1,544,967)</b>	<b>\$ 1,633,867</b>	<b>\$88,900</b>

The City, prior to reserve transfers, has a 2017 surplus of \$1,544,967. This is a result of increased revenue in various areas of the City and reduced expenditures, with the exception of those expenses referred to below. This is compared to a deficit in the 2016 year of approximately \$1Million. This surplus is dealt with prior to year end, in the case of Area rates and Water and Sewer, through past Council resolutions that are still in force, as discussed below.

There is also attached, in Attachment B, an auditor letter which is addressed to the Executive Committee. It details the audit approach and any findings that they came across during the 2017 year end audit. The letter mentions under note 5 (e) the following:

***An uncorrected misstatement was identified in the Kawartha Lakes Haliburton Housing Corporation financial statements relating to amortization of land in 2016 for \$422,021. Management corrected the error by adjusting amortization expense in 2017 rather than adjust the opening accumulated surplus.***

This relates to an issue with the Housing Corporation but their statements are consolidated into the overall statements, in Attachment A, because the City is the sole shareholder. The interesting part of this misstatement is that it illustrates the issues that Staff had with the Excel based calculations used for Capital Asset Accounting. With the implementation of JDE, the Capital Asset Accounting is now done within the program and there will be no issues with the opening balances going forward.

**Rationale:**

**General Rated Tax Deficit:**

The net deficit of \$439,129 was attributable to the following factors:

Description	Budget 2017	Actual 2017	(Surplus)Deficit
			Variance
Winter Control	6,685,505.00	7,811,342.00	1,125,837.00
Workman's Compensation Claims	625,000.00	1,013,325.00	388,325.00
OPP Contract	8,738,634.00	8,503,432.00	(235,202.00)
Land Sales	640,000.00	1,195,423.00	(555,423.00)
Supplementary Taxes	563,000.00	988,983.00	(425,983.00)
<b>Total Factor that Affect the General Rated Deficit Position</b>			<b>297,554.00</b>
Miscellaneous Budget Items			(251,783.00)
Funding of 2016 Deficit			393,358.00
<b>2017 Overall (Surplus)Deficit</b>			<b>439,129.00</b>

**Winter Control**

The winter control budget has historically been too low which resulted in a deficit in 2016 of approximately \$1.3 million, and in 2017 of \$1.1 Million. The 2018 budget was increased by \$1.2 Million. Staff anticipates that winter control will continue to be a budget pressure in 2019 as a deficit is anticipated is anticipated again for 2018.

**Worker's Compensation (WSIB) Claims**

Council was made aware of the increased costs in the WSIB claim area throughout 2016 and 2017. The budget for 2018 has been adjusted, due to the known increases in this area, and was set at \$950,000 which is slightly lower than the 2017 actual. We will be evaluating this area for the 2019 budget and Council could potentially see an increase in this area.

**OPP Contract**

At the time of the 2017 budget the OPP contract amount was not known and Finance Staff had input an estimate. The actual contract amount came in lower resulting in a surplus in this area.

## **Land Sales**

The Land Sale revenue came in over-budget in 2017 by approximately 555,423. A portion of this surplus was used to finance the 2016 deficit remaining of approximately \$394,000 from 2016. Council will recall that in 2017 staff dealt with the 2016 deficit of \$993,359 by passing the following motion:

### **CR2017-343**

**Moved By** Councillor Miller

**Seconded By** Councillor Yeo

**RESOLVED THAT** Report CORP2017-014, **Direction to Fund 2016 Anticipated Deficit**, be received;

**THAT** the 2017 tax levy be increased by \$600,000.00 to fund the 2016 deficit; and

**THAT** the balance of the 2016 deficit be funded by the 2018 tax levy.

**CARRIED**

The balance of the 2016 deficit, rather than being funded by the 2018 tax levy, was covered by the increased land sale trending that Staff had noted to Council as the 2017 year progressed. During the 2018 budget deliberations, on December 13, 2017, the following motion was passed:

### **CR2017-1082**

**Moved By** Councillor Elmslie

**Seconded By** Councillor Seymour-Fagan

**Resolved That** the 2018 Tax-Supported Operating Budget, attached as Appendix A to Report CORP2017-030, as amended, be adopted;

**That** the transfers to and from reserves identified in Appendix C to Report CORP2017-030, be approved for the 2017 Tax-Supported Operating Budget; and

**That** the 2016 tax-supported deficit remaining of \$393,358.00, be funded from the 2017 surplus in land sales.

**CARRIED**

## **Supplementary Taxes**

This is always a hard revenue line to predict and it fluctuates from year to year depending on the assessment appeals as well as new housing and commercial

development. In 2016 the Total Supplementary taxes were \$871,000 compared to \$988,983 in 2017.

**Area Rated Deficit:**

The area rated deficit of \$77,130.72 can be broken down further but it is worth noting that Staff have already dealt with the majority of the 2017 Surplus positions by transferring these amounts to the Area Rate Stabilization Reserves during the year. In 2006 Council approved this treatment through the following resolution:

**CR2016-164**

***On a go forward basis, Council support transferring surplus from area-rated services into an area-rated service rate stabilization/contingency reserve to be used to offset any future deficits and/or for other purposes specific to that future services area.***

The area rate overall (surplus) deficits and reserve treatment are as follows:

Area Rate	Initial (Surplus)Deficit	To/(From) Reserve	Remaining (Surplus)Deficit
Fire Area A	\$(166,639.25)	\$166,639.25	\$ -
Fire Area C	(94,217.49)	94,217.49	-
Lindsay Parks	22,848.82	-	<b>22,848.82</b>
OPP Area	(291,871.32)	291,871.32	-
Kawartha Lakes Police Area	(82,413.40)	82,413.40	-
Street-lighting Area	(242,985.69)	242,985.69	-
Transit Area	54,281.90	-	<b>54,281.90</b>
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>(800,996.43)</b>	<b>\$878,127.15</b>	<b>\$77,130.72</b>

There are no reserves left in the Transit and Lindsay Parks area to draw down this deficit. In the past the transit deficit has been driven by lower than budget revenues however in 2017 the revenue is in line with budget. The main reason for the increased expenditures was that the Transit Strategic Plan was not budgeted and was only partially funded by Development Charges. This led to the approximately \$24,000 more in deficit. In regards to Lindsay Parks area revenues remained strong throughout the 2017 year and there were increased expenses in the fleet area, with decreases in the wage area that resulted in the deficit of approximately \$23,000.

### **Water and Sewer Surplus:**

The Water and Sewer area had a surplus of \$755,740. This surplus, as per Council resolution, goes to the Water and Sewer Infrastructure Reserves to support the capital program in future years.

### **Kawartha Lakes Haliburton Housing (KLHHC) Surplus:**

Any surplus in KLHHC will be transferred to the Operating Surplus reserve in that Corporation and will be handled through motions of their Board of Directors. The surplus has arisen due to lower than expected utility costs.

### **Balance Sheet Accounts**

#### **Cash and Investments**

Cash has decreased and investments have increased as Finance staff are trying to maximize the interest earned on excess cash. Overall the Cash and Investment area is approximately \$20 Million over the previous balance in 2016. This is due to the \$25 Million debenture that was raised to support the Ten Year Plan that was presented and adopted by Council in 2017.

#### **Taxes Receivable**

The balance in tax receivable went down from \$6.1 Million to \$4.7 Million. This shows effective collection policies however the allowance set up for doubtful collection was higher in 2017. This would involve adjustments related to appeals from various taxpayers for issues that have been resolved at the Provincial level. The resolution might result in properties receiving reduced assessment and therefore resulting in tax credits.

#### **Accounts Receivable**

Accounts receivable has increased primarily by the Water and Sewer grants that are outstanding on capital projects. This accounts for approximately \$1.8 Million of the \$4.9 Million increase. Another \$1 Million can be attributed to the amount owing back from our Benefit provider for reconciliation of actual 2017 charges versus billed 2017 charges. The rest was normal increases for grants and receivables outstanding at year end.

#### **North West Trunk (NWT) Receivable from Landowners**

Included in the Accounts receivable balance is approximately \$18,367,000 in amounts owing from landowners after the construction of the NWT. Council has

passed resolutions that imposed a capital charge on these landowners and also built into the resolution that their amount was not due until time of “development permission”. “Development Permission” is defined in the Capital Charge By-Law as “the permit or approval which is the earlier of the permit allowing connection of the Benefitting Owner’s land to the Northwest Sanitary Sewer Works, the issuance of a Building Permit, or approval to create a residential lot pursuant to Sections 50, 51 or 52 of the Planning Act.” In simple terms this means that the charge will primarily be paid at time of execution of a subdivision or site plan agreement. In addition to the portion of costs incurred to build the NWT Sewer infrastructure, for the landowner, Finance Staff are adding debenture interest costs and Cost of Living (COLA) increases to the receivable each year.

The external auditor has expressed concern that there have been no collections in 2017 from any landowner currently owing money on the NWT Receivable. In 2016 the landowners, who started their development, paid approximately \$212,200 on this receivable. In 2017 there were no landowner payments. There is the potential for landowners to start their development in 2018 but nothing is committed at this point; however there is approval activity on approximately 200 new lots.

Council is aware that each of the properties that have not paid their capital charge, currently have a lien imposed on their property so that they can’t subdivide or develop the property without paying the NWT capital charge, at the current value (including debenture interest and COLA). It is also important to note that the majority of the lots and development are contained within the three large parcels of land bounded by Colborne, Highway 35, Thunder Bridge and Angeline Streets. Once these three parcels of land start developing, the majority of the NWT capital charges will be collected. Staff will update Council on this receivable each year to ensure that Council members are aware of the balances.

### **Long Term Debt** **Note 7 – page 13 of the Financial Statements**

In Note 7 the level of Debt has increased from \$101 Million in 2016 to \$115 Million in 2017. The General tax levy debt and Water and Wastewater debt has decreased indicating payments on the debt are exceeding new debt issued to finance capital projects. The only increase in 2017 is the 10 Year financial plan debt, which is not part of the overall Council imposed debt limit. As it is paid off it does not build up room in the debt limit. Debt is within the prescribed City debt limits and the annual repayment limit prescribed by the Ministry.

### **Deferred Revenue**

Deferred Revenue has decreased by approximately \$3.5 Million. This is primarily in the Development Charge Reserve area as can be seen in Note 4 on page 8. Staff have advised Council on the actual DC revenue earned and the fact that it

does not match the DC study estimated revenue. In 2016 the DC revenue earned was \$2,375,830 and in 2017 the DC revenue earned was \$3,674,105, which indicates a modest growth. The DC reserve is currently in a Debit position, which means that we have taken more out of it for capital and operating expenditures than we have collected in revenue. Staff are estimating that the City will have to go out for debenture towards the end of 2018 to offset a debit balance of approximately \$5,000,000. Finance staff are working with Engineering staff to forecast revenues and expenditures to understand future debenture requirements. A detailed listing of Deferred Revenue reserves is included in Attachment C.

### **Reserves and Reserve Funds**

Note 8 – page 15 of the Financial Statements

Reserves and reserve funds have increased from \$20.3 Million in 2016 to \$47 Million in 2017. This is primarily due to the \$25Million debenture that was raised in 2017 for the 10 year plan and immediately put into a committed portion of the City Capital Reserve. A list of reserves at December 31<sup>st</sup>, 2017 is included in Attachment D.

### **Other Alternatives Considered:**

Council could choose to fund the General Rated Tax Deficit by choosing another reserve. This is not recommended as the Contingency Reserve is the primary vehicle used to fund deficits. No other operating reserve, other than area rate stabilization reserve, has enough money in it to fund this. Area rate reserves must be used on the area that they deliver services in, and there are outstanding older resolutions, mentioned in this report, that deal with surpluses in the Area Rate Deficit, Water and Sewer Surplus and the KLHHC Surplus. There are no other alternatives to consider.

### **Financial/Operation Impacts:**

The deficit from the General Rate Deficit of \$439,129 will be funded by the Contingency Reserve and will have no effect on income. The balance in the uncommitted portion of the Contingency Reserve, after this financing, will be \$1,047,168.22. The deficit from the Area Rate Deficits will be financed by 2018 tax levy increases as per Council policy. The surpluses in Water and Wastewater will be transferred to the Sewer and Water Infrastructure Reserves. The KLHHC surplus will be transferred to the KLHHC Operating Reserves as per Council Policy.

## **Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:**

The 2017 Deficit Disposition Report supports the strategic goal of responsible fiscal resource management. This report details the effective use of financial resources by departments working within budget constraints.

## **Consultations:**

Senior Management Team  
Executive Assistants

## **Attachments:**

### **Attachment A – 2017 Financial Statements**



ATTACHMENT A -  
2017 Audited Financials

### **Attachment B – 2017 Auditor Communication**



ATTACHMENT B -  
2017 Auditor Communication

### **Attachment C – 2017 Balance in Deferred Revenue Reserves**



CORP2018-005-ATT  
ACHMENT C.xlsx

### **Attachment D – 2017 Balance in Reserves**



CORP2018-005-ATT  
ACHMENT D.xlsx

**Department Head E-Mail: [jstover@kawarthalakes.ca](mailto:jstover@kawarthalakes.ca)**

**Department Head: Jennifer Stover**

**Department File: Corporate Services**

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# Consolidated financial statements of City of Kawartha Lakes

December 31, 2017

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Kawartha Lakes, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Kawartha Lakes as at December 31, 2017 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.



Chartered Professional Accountants  
Licensed Public Accountants  
May 31, 2018

**City of Kawartha Lakes**  
**Consolidated statement of financial position**  
As at December 31, 2017

	Notes	<b>2017</b>	2016
		\$	\$
<b>Assets</b>			
Cash		<b>17,510,990</b>	24,851,684
Investments	3	<b>68,720,897</b>	40,390,795
Taxes receivable		<b>4,707,683</b>	6,100,138
Accounts receivable		<b>34,913,240</b>	30,045,676
Other current assets		<b>21,323</b>	24,781
		<b>125,874,133</b>	101,413,074
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>28,151,540</b>	24,777,441
Deferred revenue	4	<b>37,992,703</b>	40,205,985
Other liabilities		<b>3,603,686</b>	4,788,343
Accrued interest on long-term liabilities		<b>369,282</b>	365,242
Employee future benefits	5	<b>23,387,836</b>	17,402,756
Landfill closure and post closure accrual	6	<b>10,074,352</b>	13,147,062
General tax related debt	7	<b>20,875,379</b>	24,906,747
Water and sewer user rated debt	7	<b>51,277,529</b>	55,162,787
10 year plan		<b>24,095,576</b>	—
Northwest Trunk	7	<b>12,004,485</b>	12,671,586
Kawartha Lakes Haliburton housing debt	7	<b>6,458,138</b>	7,447,694
Haliburton housing project debt	7	<b>504,000</b>	528,000
Tile drain debt	7	<b>239,963</b>	263,011
		<b>219,034,469</b>	201,666,654
Net debt		<b>(93,160,336)</b>	(100,253,580)
<b>Non-financial assets</b>			
Tangible capital assets	15	<b>473,835,530</b>	455,283,302
Inventory and prepaid expenses		<b>3,404,317</b>	4,713,777
		<b>477,239,847</b>	459,997,079
Contingencies and commitments	9		
<b>Accumulated surplus</b>	8	<b>384,079,511</b>	359,743,499

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, 2017

	Notes	2017		2016
		Budget	Actual	Actual
		\$	\$	\$
		(Note 10)		
<b>Revenue</b>				
Taxes levied for own purposes		105,046,501	106,613,134	99,705,128
Payments in lieu from other governments		273,129	487,918	500,399
Taxation		105,319,630	107,101,052	100,205,527
User charges, licenses and fines		47,735,189	39,240,543	40,255,177
Grants				
Government of Canada		883,089	2,031,747	1,776,134
Province of Ontario		49,071,667	53,922,991	48,318,055
Other municipalities		2,031,144	2,092,319	2,080,853
Other				
Investment income		754,839	894,817	646,660
Gain on disposal of tangible capital assets		—	809,693	53,968
Penalties and interest on taxes		1,107,000	1,124,020	1,087,284
Restricted amounts earned	4	1,424,245	12,221,606	4,282,516
Donations and other		497,246	780,823	852,019
Contributed tangible capital assets		—	5,450,877	—
		<b>208,824,049</b>	<b>225,670,488</b>	199,558,193
<b>Expenses</b>	11			
General government		28,434,071	23,738,437	23,236,699
Protection to persons and property		31,547,187	31,349,459	31,130,394
Transportation services		44,370,698	39,986,245	39,118,957
Environmental services		24,175,902	23,520,443	27,105,790
Health services		11,330,483	12,342,507	10,576,560
Social services		43,793,145	41,975,567	40,844,240
Housing services		11,680,132	10,902,169	10,150,235
Recreational and cultural services		15,299,111	13,831,157	13,458,320
Planning and development		4,079,308	3,688,492	3,565,710
		<b>214,710,037</b>	<b>201,334,476</b>	199,186,905
Annual surplus (deficit)		(5,885,988)	24,336,012	371,288
Accumulated surplus, beginning of year		359,743,499	359,743,499	359,372,211
<b>Accumulated surplus, end of year</b>		<b>353,857,511</b>	<b>384,079,511</b>	359,743,499

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, 2017

	<b>2017</b>		2016
	<b>Budget</b>	<b>Actual</b>	Actual
	\$	\$	\$
	<b>(Note 10)</b>		
<b>Annual surplus (deficit)</b>	<b>(5,885,988)</b>	<b>24,336,012</b>	371,288
Acquisition of tangible capital assets	<b>(37,471,901)</b>	<b>(44,045,791)</b>	(39,131,610)
Amortization of tangible capital assets	<b>21,962,941</b>	<b>23,795,976</b>	25,416,348
Gain on sale of tangible capital assets	—	<b>(809,693)</b>	(53,968)
Proceeds on sale of tangible capital assets	—	<b>2,507,280</b>	1,459,748
	<b>(21,394,948)</b>	<b>5,783,784</b>	(11,938,194)
Change in prepaid expenses	—	<b>1,220,239</b>	(1,286,009)
Change in inventory	—	<b>89,221</b>	41,487
	<b>(21,394,948)</b>	<b>7,093,244</b>	(13,182,716)
Net debt, beginning of year	<b>(100,253,580)</b>	<b>(100,253,580)</b>	(87,070,864)
<b>Net debt, end of year</b>	<b>(121,648,528)</b>	<b>(93,160,336)</b>	(100,253,580)

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, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
Annual surplus	24,336,012	371,288
Items not involving cash		
Amortization	23,795,976	25,416,348
Gain on disposal of capital assets	(809,693)	(53,968)
Contributed tangible capital assets recorded in revenue	(5,450,877)	—
Change in non-cash assets and liabilities		
Taxes receivable	1,392,455	(1,289,277)
Accounts receivable	(4,867,564)	(4,203,669)
Other current assets	3,458	30,027
Accounts payable and accrued liabilities	3,374,099	2,658,862
Deferred revenue	(2,213,282)	9,147,846
Other liabilities	(1,184,657)	2,225,136
Accrued interest on long-term liabilities	4,040	(11,759)
Employee future benefits	5,985,080	2,048,515
Landfill closure and post closure accrual	(3,072,710)	80,156
Inventory and prepaid expenses	1,309,460	(1,244,522)
	<b>42,601,797</b>	<b>35,174,983</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(38,594,914)	(39,131,610)
Proceeds from sale of tangible capital assets	2,507,280	1,459,748
	<b>(36,087,634)</b>	<b>(37,671,862)</b>
<b>Investing activities</b>		
(Increase) decrease in investments	(28,330,102)	8,358,789
<b>Financing activities</b>		
Municipal debt issued	25,011,000	20,352,151
Municipal debt repaid	(10,535,755)	(8,495,794)
	<b>14,475,245</b>	<b>11,856,357</b>
Change in cash	(7,340,694)	17,718,267
Cash, beginning of year	24,851,684	7,133,417
<b>Cash, end of year</b>	<b>17,510,990</b>	<b>24,851,684</b>

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.

*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.

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

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

*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.

*(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.

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

(b) (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, 2017 there is nil liability recorded in the consolidated financial statements (nil in 2016). 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>2017</b>	<b>2016</b>
	\$	\$
Requisitions of School Boards		
English public	<b>23,243,811</b>	23,880,069
French public	<b>50,836</b>	53,014
English separate	<b>2,251,856</b>	2,401,741
French separate	<b>39,358</b>	40,589
	<b>25,585,861</b>	26,375,413

**City of Kawartha Lakes**  
**Notes to the consolidated financial statements**  
December 31, 2017

**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 6.25% (1.15% to 6.25% in 2016). The costs presented approximate fair value.

**4. Deferred revenue**

	<b>2017</b>	2016
	\$	\$
Obligatory reserve funds		
Recreational land (Planning Act)	<b>340,870</b>	354,308
Development Charges Act	<b>451,539</b>	3,631,982
Federal and Provincial Gas Tax Reserves	<b>3,896,191</b>	3,060,370
Other	<b>2,087,746</b>	2,177,193
Reserve funds restricted for specified purposes to benefit residents in geographic areas of former municipalities (Restructuring Order and City of Kawartha Lakes Act)	<b>22,894,866</b>	23,055,234
	<b>29,671,212</b>	32,279,087
Restricted reserves		
Reserves restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order)	<b>8,353</b>	13,478
	<b>29,679,565</b>	32,292,565
Other deferred revenue		
Unearned grants	<b>956,240</b>	1,402,525
Other unearned revenue	<b>7,356,898</b>	6,510,895
	<b>37,992,703</b>	40,205,985

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

	<b>2017</b>				2016	
	Parkland levies and development charges	Parking revenues	Gas tax reserves and other	Amounts restricted by amalgamation legislation	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	<b>3,986,290</b>	—	<b>5,237,562</b>	<b>23,068,713</b>	<b>32,292,565</b>	28,471,222
Restricted funds received	<b>3,768,680</b>	—	<b>5,204,863</b>	<b>538,337</b>	<b>9,511,880</b>	8,000,081
Interest earned Revenue recognized	<b>10,546</b>	—	<b>82,344</b>	<b>3,836</b>	<b>96,726</b>	103,778
	<b>(6,973,106)</b>	—	<b>(4,540,833)</b>	<b>(707,667)</b>	<b>(12,221,606)</b>	(4,282,516)
Balance, end of year	<b>792,410</b>	—	<b>5,983,936</b>	<b>22,903,219</b>	<b>29,679,565</b>	32,292,565

**4. Deferred revenue (continued)**

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>2017</b>	2016
	\$	\$
Accrued payroll	<b>2,226,533</b>	2,058,935
Vacation and overtime payable	<b>983,709</b>	830,497
WSIB self-insured claims (Note 9)	<b>14,878,994</b>	9,820,324
Post-employment benefits	<b>5,298,600</b>	4,693,000
Post-employment benefits liability	<b>23,387,836</b>	17,402,756

*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.

*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 \$259,996 (\$222,812 in 2016).

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. The post-employment benefit liability at December 31 includes the following components:

	<b>2017</b>	2016
	\$	\$
Accrued benefit obligation	<b>6,727,900</b>	6,613,300
Actuarial (loss)	<b>(1,429,300)</b>	(1,920,300)
Post-employment benefits liability	<b>5,298,600</b>	4,693,000

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

*Post-employment benefit liability (continued)*

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>	<p>3.0%</p> <p>3.2%</p>
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>	<p>6.94%</p> <p>6.80%</p> <p>4.00% plus CPI (assumed to be 2.5%)</p>
Expected annual rate of dental cost increase		0.00% 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>2017</b>	2016
	\$	\$
Current service cost	<b>405,200</b>	401,600
Amortization of actuarial gains	<b>509,600</b>	296,500
Interest on post-employment benefit liability	<b>205,000</b>	196,100
Total expense related to post-employment benefits	<b>1,119,800</b>	894,200

*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 2017 was \$4,643,068 (\$4,609,643 in 2016) 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 2017</b>
Eldon	41	73,390
Fenelon	9	60,707
Laxton/Digby/Longford	5	9,370
Somerville	19	119,700
Lindsay-Operations	19	621,008

Engineering consultants were engaged to prepare estimates of closure and post closure costs as at December 31, 2017. 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>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Estimated total closure and post-closure costs	<b>43,862,140</b>	49,856,859
Discount rate	<b>3.20%</b>	3.00%
Estimated present value of costs at end of year	<b>14,730,616</b>	18,423,487
Less		
Portion related to remaining available capacity	<b>(4,656,264)</b>	(5,390,954)
Expenses paid	—	114,529
Liability for capacity already used	<b>10,074,352</b>	13,147,062
Net expenses recognized in the year	<b>(3,072,710)</b>	80,156

**7. Municipal debt**

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

	<b>2017</b>	2016
	\$	\$
Total debt incurred and outstanding at December 31, 2017 to be financed from		
General tax rates	<b>20,875,379</b>	24,906,747
Water and sewer user rates	<b>51,277,529</b>	55,162,787
10 year financial plan	<b>24,095,576</b>	—
Northwest Trunk	<b>12,004,485</b>	12,671,586
Benefiting landowners for local improvements and tile loans	<b>239,963</b>	263,011
Haliburton Housing Project	<b>504,000</b>	528,000
Housing corporation	<b>6,458,138</b>	7,447,694
Net municipal debt	<b>115,455,070</b>	100,979,825

- (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.

**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:

	2018	2019	2020	2021	2022	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Principal							
Municipal	3,479,501	3,396,783	3,072,389	2,645,001	2,437,553	5,844,152	20,875,379
Water and sewer	3,693,460	3,774,572	3,619,841	3,648,196	3,731,861	32,809,599	51,277,529
10 year financial plan	2,219,194	2,283,046	2,348,736	2,416,314	2,485,849	12,342,437	24,095,576
NW Trunk	667,100	667,100	667,100	667,100	667,100	8,668,985	12,004,485
Tile Drain	34,554	30,675	32,517	30,240	32,057	79,920	239,963
Haliburton Housing	24,000	24,000	24,000	24,000	24,000	384,000	504,000
Housing	1,016,297	1,066,645	1,086,519	1,144,161	1,205,200	939,316	6,458,138
	11,134,106	11,242,821	10,851,102	10,575,012	10,583,620	61,068,409	115,455,070
Interest							
Municipal	569,510	458,148	350,880	272,173	197,723	289,129	2,137,563
Water and sewer	1,866,938	1,725,507	1,585,246	1,437,906	1,291,030	6,445,935	14,352,562
10 year financial plan	655,525	591,673	525,982	458,405	388,880	834,645	3,455,110
NW Trunk	368,825	348,227	319,488	309,900	285,801	2,064,792	3,697,033
Tile Drain	14,387	12,314	10,473	8,521	6,707	11,223	63,625
Haliburton Housing	20,163	19,192	18,320	17,296	16,320	128,725	220,016
Housing	382,030	336,054	262,881	210,305	195,595	87,099	1,473,964
	15,011,484	14,733,936	13,924,372	13,289,518	12,965,676	70,929,957	140,854,943

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

	2017						
	Municipal	Water and sewer	Tile drain	Housing	Northwest trunk	10 year financial plan	Total
	\$	\$	\$	\$	\$	\$	\$
Principal	4,031,369	3,885,258	34,048	1,013,556	667,101	904,423	10,535,755
Interest	683,336	1,987,785	11,672	173,596	393,280	293,430	3,543,099
	4,714,705	5,873,043	45,720	1,187,152	1,060,381	1,197,853	14,078,854

(e) Housing debentures in the amount of \$2,845,133 (\$3,223,675 in 2016) 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 2017 in By-Law 2017-001. As at December 31, 2017, there was a balance outstanding of nil (nil in 2016).

**8. Accumulated surplus**

Accumulated surplus consists of the following:

	<b>2017</b>	2016
	\$	\$
Operating fund surplus	<b>(88,899)</b>	(665,959)
Capital fund deficit – projects to be debentured	<b>(6,326,518)</b>	(1,799,735)
Capital fund deficit – municipal drain projects	<b>(530,803)</b>	(458,400)
Capital fund surplus – all other projects	<b>7,502,181</b>	6,307,004
Unfunded employee future benefits	<b>(23,387,836)</b>	(17,402,756)
Post closure landfill costs	<b>(10,074,352)</b>	(13,147,062)
Accrued interest on long term debt	<b>(369,282)</b>	(365,242)
Long term debt	<b>(103,450,585)</b>	(88,308,239)
Reserves and reserve funds	<b>46,970,075</b>	20,300,586
Tangible capital assets	<b>473,835,530</b>	455,283,302
	<b>384,079,511</b>	359,743,499

**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 \$2,061,507 (2016 - \$1,153,141). The WSIB has estimated liability for future benefit costs as at December 31, 2017 to be \$14,878,994 (\$9,820,324 in 2016) and this liability has been included in employee future benefits payable (Note 5). The City has \$525,000 set aside in a reserve for WSIB self insurance as at December 31, 2017 (\$525,000 in 2016).

*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 five 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, 2019.

*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 \$3,884,222 for 2018 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, 2017, the City had awarded contracts in the amount of \$31,574,644 (\$35,539,948 in 2016) and has recorded \$12,621,634 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.

**10. Budget amounts**

The operating and tax rate supported capital budgets were approved by Council on December 6, 2016 to establish the tax rates for the year. In addition, the water and sewer operating and capital budgets were also approved by Council on November 15, 2016.

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 include in the consolidated statement of change in net debt.

**11. Expenses by object**

	<b>2017</b>	2016
	\$	\$
Salaries and wages	<b>76,372,332</b>	72,161,085
Materials, supplies and services	<b>17,541,137</b>	19,807,830
Contracted services	<b>32,362,417</b>	43,071,263
Rents and financial	<b>5,324,784</b>	5,157,105
Transfers to other entities	<b>41,756,749</b>	31,459,260
Tile drain loans and advanced to landowners	<b>11,000</b>	71,800
Interest on net municipal debt	<b>3,152,923</b>	2,555,234
Amortization expense	<b>23,795,976</b>	25,416,348
Other (recovery)	<b>1,017,158</b>	(513,020)
	<b>201,334,476</b>	199,186,905

**12. Trust funds**

Trust funds administered by the City amounting to \$1,253,279 (\$1,243,264 in 2016) 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>2017</b>	<b>2016</b>
	\$	\$
Gross revenues	<b>2,131,733</b>	2,060,352
Operating costs	<b>(2,592,386)</b>	(1,337,561)
Amount transferred to Haliburton County	<b>(150,012)</b>	(133,492)
Net City revenue	<b>(610,665)</b>	589,299

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.

**14. Supplementary information (continued)**

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>2017</b>	2016
	\$	\$
Effect on municipal position		
Unrestricted financial assets	<b>5,578,783</b>	5,523,336
Current liabilities	<b>3,293,445</b>	3,551,801
Debt and accrued interest on debt	<b>(6,470,133)</b>	(7,461,064)
Municipal position, end of year	<b>2,402,095</b>	1,614,073
Amounts to be recovered from future revenues	<b>6,470,133</b>	7,461,064
Fund balances, end of year	<b>8,872,228</b>	9,075,137
Effect on operations for the year		
Revenues	<b>6,145,656</b>	5,232,417
Operating expenditures	<b>(3,813,548)</b>	(3,593,985)
Non-tangible capital asset capital expenses	<b>410,274</b>	303,955
Net revenues	<b>2,742,382</b>	1,942,387
Decrease in amounts to be recovered from future revenues	<b>(990,931)</b>	(944,452)
Net increase in accumulated surplus	<b>1,751,451</b>	997,935

**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, 2017

**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
	\$	\$	\$	\$	\$	\$	\$
Cost							
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	<b>34,206,497</b>	<b>142,786,982</b>	<b>79,642,048</b>	<b>222,796,757</b>	<b>366,459,235</b>	<b>53,105,558</b>	<b>898,997,077</b>
Accumulated amortization							
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	<b>6,125,765</b>	<b>64,140,025</b>	<b>43,740,870</b>	<b>86,973,945</b>	<b>224,180,942</b>	<b>—</b>	<b>425,161,547</b>
Net book value, end of year	<b>28,080,732</b>	<b>78,646,957</b>	<b>35,901,178</b>	<b>135,822,812</b>	<b>142,278,293</b>	<b>53,105,558</b>	<b>473,835,530</b>

City of Kawartha Lakes (continued)

City of Kawartha Lakes

**City of Kawartha Lakes**  
**Notes to the consolidated financial statements**  
December 31, 2017

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

							2016
	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	33,537,743	131,539,892	77,582,544	212,585,949	351,914,155	21,379,526	828,539,809
Additions	1,572,172	32,985,276	3,372,798	29,580,506	51,139,055	39,131,610	157,781,417
Work in progress completed	(1,417,904)	(24,251,201)	(135,975)	(25,175,710)	(44,569,738)	—	(95,550,528)
Disposals/transfers	(186,530)	(412,298)	(2,878,619)	(686,756)	(1,584,357)	(23,099,279)	(28,847,839)
Balance, end of year	<u>33,505,481</u>	<u>139,861,669</u>	<u>77,940,748</u>	<u>216,303,989</u>	<u>356,899,115</u>	<u>37,411,857</u>	<u>861,922,859</u>
<b>Accumulated amortization</b>							
Balance, of year beginning	5,617,331	59,384,304	38,888,212	77,037,331	204,638,811	—	385,565,989
Disposals	—	(387,406)	(2,539,921)	(67,378)	(1,348,075)	—	(4,342,780)
Amortization expense	687,881	2,644,519	4,631,027	5,139,054	12,313,867	—	25,416,348
Balance, end of year	<u>6,305,212</u>	<u>61,641,417</u>	<u>40,979,318</u>	<u>82,109,007</u>	<u>215,604,603</u>	<u>—</u>	<u>406,639,557</u>
Net book value, end of year	<u>27,200,269</u>	<u>78,220,252</u>	<u>36,961,430</u>	<u>134,194,982</u>	<u>141,294,512</u>	<u>37,411,857</u>	<u>455,283,302</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.

**City of Kawartha Lakes**

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

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)
(Gain) loss on disposal of TCA	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>	<b>(87,796,036)</b>	<b>5,359,813</b>	<b>36,592,542</b>	<b>(637,925)</b>	<b>11,958,686</b>	<b>8,822,858</b>	<b>1,364,050</b>	<b>(24,336,012)</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, 2016

	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	13,134,615	16,105,628	9,584,526	2,934,183	21,753,558	6,078,910	2,569,665	72,161,085
Minor capital	1,626,157	—	—	—	303,955	—	—	1,930,112
Interest costs	690,540	—	—	1,644,192	206,974	—	13,428	2,555,134
Other expenses	7,329,005	13,621,819	14,735,757	17,232,184	36,807,896	6,415,475	982,090	97,124,226
Amortization expense	456,382	1,402,947	14,798,674	5,295,231	2,498,652	963,935	527	25,416,348
	<u>23,236,699</u>	<u>31,130,394</u>	<u>39,118,957</u>	<u>27,105,790</u>	<u>61,571,035</u>	<u>13,458,320</u>	<u>3,565,710</u>	<u>199,186,905</u>
External tax revenues	(77,964,692)	(21,189,465)	(423,980)	(28,947)	(221,025)	(205,723)	(171,695)	(100,205,527)
External non-tax revenues	(12,952,295)	(5,028,636)	(1,421,656)	(22,931,915)	(47,424,716)	(4,260,755)	(996,210)	(95,016,183)
Restricted amounts earned	(2,424,092)	—	(658,299)	(223,581)	(100,794)	(822,526)	(53,224)	(4,282,516)
(Gain) loss on disposal of TCA	(19,089)	—	414,395	611,030	(1,229,237)	—	168,934	(53,967)
	<u>(93,360,168)</u>	<u>(26,218,101)</u>	<u>(2,089,540)</u>	<u>(22,573,413)</u>	<u>(48,975,772)</u>	<u>(5,289,004)</u>	<u>(1,052,195)</u>	<u>(199,558,193)</u>
<b>Annual (surplus) deficit</b>	<u>(70,123,469)</u>	<u>4,912,293</u>	<u>37,029,417</u>	<u>4,532,377</u>	<u>12,595,263</u>	<u>8,169,316</u>	<u>2,513,515</u>	<u>(371,288)</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, 2017

	<b>2017</b>	2016
	<b>Budget</b>	Actual
	\$	\$
<b>Revenue</b>		
Contribution from municipal tax revenues	<b>1,753,390</b>	1,700,726
Grants – Province of Ontario	<b>208,833</b>	196,877
Grants – Federal	—	6,865
User fees	<b>1,300</b>	19,820
Fines and penalties	<b>21,525</b>	19,227
Transfer from Reserves	<b>63,000</b>	63,000
Donations	<b>20,060</b>	18,938
	<b>2,068,108</b>	2,025,453
<b>Expenses</b>		
Administration and Board		
Salaries and benefits	<b>458,311</b>	364,281
Office and general	<b>15,200</b>	13,902
Equipment maintenance and rental	<b>36,900</b>	35,603
Training and development	<b>15,475</b>	12,822
Vehicle and travel	<b>6,750</b>	4,349
Advertising and promotion	<b>9,500</b>	35,388
Minor capital expenses	<b>21,000</b>	—
Transfer to reserves	—	<b>167,118</b>
Books, periodicals purchases and processing	<b>512,380</b>	519,394
Library branches		
Wages and benefits	<b>897,267</b>	900,509
Building maintenance and utilities	<b>57,025</b>	22,934
Equipment maintenance and rental	<b>6,970</b>	3,566
Office and telephone	<b>31,330</b>	41,653
	<b>2,068,108</b>	1,954,401
<b>Net revenue</b>	<b>—</b>	71,052

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# Financial statements of City of Kawartha Lakes Trust Funds

December 31, 2017

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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

We have audited the accompanying financial statements of The Corporation of the City of Kawartha Lakes Trust Funds, which comprise the statement of financial position as at December 31, 2017, and the statements of financial activities and fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Kawartha Lakes Trust Funds as at December 31, 2017 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.



Chartered Professional Accountants  
Licensed Public Accountants  
May 31, 2018

**City of Kawartha Lakes Trust Funds**

**Statement of financial position**

As at December 31, 2017

									2017	2016
Notes	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	—	58,648	4,034	26,108	26,023	4,186	—	10,815	129,814	107,981
Investments	54,282	670,932	102,350	220,404	—	—	210,735	—	1,258,703	1,247,946
Accrued interest	—	19,155	1,332	3,770	—	—	—	—	24,257	22,323
	<b>54,282</b>	<b>748,735</b>	<b>107,716</b>	<b>250,282</b>	<b>26,023</b>	<b>4,186</b>	<b>210,735</b>	<b>10,815</b>	<b>1,412,774</b>	<b>1,378,250</b>
<b>Liabilities and fund balance</b>										
Accounts payable	—	—	—	4,729	—	—	—	—	4,729	5,102
Due to the City of Kawartha Lakes	3 1,144	(13,905)	8,346	16,067	(49)	1,010	142,153	—	154,766	129,884
	<b>1,144</b>	<b>(13,905)</b>	<b>8,346</b>	<b>20,796</b>	<b>(49)</b>	<b>1,010</b>	<b>142,153</b>	<b>—</b>	<b>159,495</b>	<b>134,986</b>
<b>Fund balances</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>	<b>1,243,264</b>
	<b>54,282</b>	<b>748,735</b>	<b>107,716</b>	<b>250,282</b>	<b>26,023</b>	<b>4,186</b>	<b>210,735</b>	<b>10,815</b>	<b>1,412,774</b>	<b>1,378,250</b>

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, 2017

									2017	2016
	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	<b>53,138</b>	<b>755,084</b>	<b>95,467</b>	<b>229,486</b>	<b>27,861</b>	<b>3,080</b>	<b>68,582</b>	<b>10,566</b>	<b>1,243,264</b>	1,223,159
<b>Revenue</b>										
Interest earned	—	14,789	5,911	4,729	—	96	—	249	25,774	20,034
Plot sales	—	9,925	—	—	—	—	—	—	9,925	21,839
Donations and other	—	—	—	—	—	—	—	217	217	713
Manor residents	—	—	—	—	41,474	—	—	—	41,474	42,732
	<b>—</b>	<b>24,714</b>	<b>5,911</b>	<b>4,729</b>	<b>41,474</b>	<b>96</b>	<b>—</b>	<b>466</b>	<b>77,390</b>	85,318
<b>Expenses</b>										
Repayment to province	—	—	—	—	43,263	—	—	—	43,263	—
Manor residents	—	—	2,008	—	—	—	—	—	2,008	38,271
Disaster relief	—	—	—	—	—	—	—	—	—	4,756
Contributed to minor hockey	—	—	—	2,364	—	—	—	—	2,364	—
Contributed to figure skating	—	—	—	2,365	—	—	—	—	2,365	2,551
Paid to general operations	—	17,158	—	—	—	—	—	217	17,375	17,084
	<b>—</b>	<b>17,158</b>	<b>2,008</b>	<b>4,729</b>	<b>43,263</b>	<b>—</b>	<b>—</b>	<b>217</b>	<b>67,375</b>	65,213
Excess (deficiency) of revenue over expenses	<b>—</b>	<b>7,556</b>	<b>3,903</b>	<b>—</b>	<b>(1,789)</b>	<b>96</b>	<b>—</b>	<b>249</b>	<b>10,015</b>	20,105
Balance, end of year	<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

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, 2017

	<b>2017</b>	2016
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	<b>10,015</b>	20,105
Change in non-cash assets and liabilities		
Accrued interest	<b>(1,934)</b>	3,919
Accounts payable	<b>(373)</b>	(307)
	<b>7,708</b>	23,717
<b>Investing activity</b>		
Increase in investments	<b>(10,757)</b>	(15,770)
<b>Financing activity</b>		
(Increase) decrease in amount due to the City of Kawartha Lakes	<b>24,882</b>	(7,032)
Change in cash during the year	<b>21,833</b>	915
Cash, beginning of year	<b>107,981</b>	107,066
<b>Cash, end of year</b>	<b>129,814</b>	107,981

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

## **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, 2017 comprise of repayable loans of nil (nil in 2016). 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 remit 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.

**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.

May 31, 2018

## **Private and confidential**

The Corporation of the City of Kawartha Lakes  
To the Members of the Executive Committee  
City of Kawartha Lakes  
P.O. Box 9000 26 Francis Street  
Lindsay ON K9V 5R8

## **Report on audited annual financial statements**

Dear Executive Committee Members:

We are pleased to submit our report on the status of our audit of The Corporation of the City of Kawartha Lakes ("the City") for the 2017 fiscal year.

1. We completed our audit with the following levels of responsibilities assumed

### **Our responsibilities**

We are responsible for performing an audit of the financial statements of the City for the year ended December 31, 2017 in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

### **Management's responsibilities**

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

2. We expect to be in a position to render our audit opinion dated May 31, 2018 on the financial statements of the City following approval of the financial statements by the executive committee and the completion of the following outstanding procedures
  - a. Receipt of signed management representation letter.
  - b. Receipt of legal letters.
  - c. Subsequent events update.
3. Materiality was set at on the basis of total budgeted expenses.
4. During the course of our audit, we
  - a. Assessed the design and implementation of internal controls that we considered relevant to the audit to assist us in determining the risks of material misstatement.
  - b. Tailored our audit approach to specifically address significant audit risks identified, which were: the presumed risk of fraud related to management override of controls and revenue recognition.
  - c. Completed the required procedures with respect to understanding the process to identify the risk of fraud in the City and the internal control that management has established to address this risk. This included for example, a discussion with you about your oversight over the processes established to mitigate the risk of fraud, as well as your knowledge of any known or suspected fraud. We did not become aware of any identified or suspected fraud during the course of our audit.

- d. We did not become aware of any legal or regulatory compliance issues during the course of our audit. We discussed with you any knowledge that you have of legal or regulatory compliance issues affecting the City.
- 5. We evaluated the significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and they were determined to be appropriate.
  - a. Significant areas requiring the use of management's estimates include taxes receivable, accounts receivable, accrued liabilities, employee future benefits, landfill closure and post-closure accrual, contaminated sites, and tangible capital assets. .
  - b. There were external management specialists and experts that assisted in the audit to the extent we considered necessary. Those specialists and experts included: actuarial experts and engineers. These experts assisted in the determination of employee future benefits and landfill closure and post-closure liability.
  - c. During the audit, we did not become aware of significant deficiencies in internal control.
  - d. There were no disclosure misstatements.
  - e. An uncorrected misstatement was identified in the Kawartha Lakes Haliburton Housing Corporation financial statements relating to amortization of land in 2016 for \$422,021. Management corrected the error by adjusting amortization expense in 2017 rather than adjust the opening accumulated surplus.
  - f. We confirm that we have complied with relevant ethical requirements regarding independence as communicated in our independence letter.
  - g. Management is responsible for assessing subsequent events up to the date of the approval of the City's financial statements. At the date of finalizing this letter, we are not aware of any significant post year-end events. We will complete audit procedures to update our subsequent events procedures up to the date of the Independent Auditor's Report.
  - h. We have not identified any related party transactions that are not in the normal course of operations or that involve significant judgments by management concerning measurement or disclosure.
  - i. This communication is intended solely for the use of the Executive Committee, management and others within the City to assist them in discharging their responsibilities with respect to financial statements of the City and is not intended for any other purpose.

Yours truly,

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants

CITY OF KAWARTHA LAKES  
 DEFERRED REVENUE RESERVES  
 DEC 31, 2017

CORP 2018-005-ATTACHMENT C

Account Description	Dec 31, 2017	Dec 31, 2016
<b>Recreational Land:</b>		
Emily Park 5%	105,842.17	104,004.86
Ops Park 5%	18,776.19	18,450.26
Bexley Park 5%	31,441.01	30,895.23
City Wide Park 5%	184,811.45	200,958.23
<b>Development Charges Act:</b>		
City DC	451,538.97	3,631,981.93
<b>Federal and Provincial Gas Tax Reserves:</b>		
Infrastructure Dedicated Gas Tax	3,145,535.23	1,890,719.20
Transit Dedicated Gas Tax	750,655.95	1,169,650.16
<b>Other:</b>		
DOOR Reserve	1,982,885.93	2,046,328.27
Grant Island-Fenelon Twp	29,858.06	29,339.76
Subdivider for Water-Emily	11,725.37	11,521.83
Tree Levy-Lindsay	14,680.73	42,249.87
A Smith Memorial bequest - interest for garden at arena	25,603.97	24,916.69
Cenotaph Fund - Interest used for garden at arena	13,988.24	13,988.24
from M.Cronin Estate for Woodville comm. Hall	9,004.05	8,847.75
<b>Reserve Funds restricted by Kawartha Lakes Act:</b>		
Lindsay Chest Fund	19,311,158.14	19,276,138.24
Bobcaygeon Chest Fund	2,882,782.80	2,874,217.09
Woodville Chest Fund	211,636.59	206,539.29
Omeme Chest Fund	281.56	274.77
Fenelon Falls Chest Fund	186,277.72	403,581.67
Kirkfield Chest Fund	116,585.29	113,777.32
BV-pool-Dike and Downey Estate	184,703.44	179,292.70
BV-H.Wilkinson Bobc Library don.	1,438.15	1,413.19
<b>Restricted Reserves for specific purposes to benefit residents in geographic areas of former municipalities(Restructuring Order)</b>		
SM-Heritage Park	8,353.00	8,353.00
VC-Vic Manor Special Projects	-	5,125.00
	29,679,564.01	32,292,564.55

**CITY OF KAWARTHA LAKES  
RESERVES  
DECEMBER 31, 2017**

**CORP 2018-005-ATTACHMENT D**

Reserve Name	Dec 31, 2017	Dec 31, 2016
<b>INFRASTRUCTURE:</b>		
Capital projects reserve	27,383,394.99	3,988,464.06
Pits and Quarries Gravel Reserve	369,862.73	394,138.22
Cemetery Capital Reserve	50,472.93	50,024.75
Forestry and Trail Reserve	156,986.00	256,986.00
Public Works Fleet Reserve	1,792,317.50	1,235,926.19
City Wide Parking Reserve	11,352.58	16,528.58
Sewer Infrastructure Renewal Reserve	1,593,213.14	584,828.87
Water Infrastructure Renewal Reserve	1,328,642.93	950,552.08
<b>RATE:</b>		
WSIB Reserve	-	525,000.00
9-1-1 Atlas reserve	14,049.74	13,361.21
Election reserve	260,776.83	203,680.84
Kawartha Lakes Police Services Contingency	210,011.46	417,194.61
OPP Rate Stabilization Reserve	477,445.94	185,581.94
Human Resource Rate Stabilization Rsv.	343,805.02	343,805.02
Employee Recognition Fund Reserve	12,611.67	32,839.68
Social Service Program Reserve	255,833.45	255,833.45
Area Rate Stabilization Reserve	695,065.90	608,274.73
Doctor Recruitment Reserve	84,500.00	8,000.00
Children's Service Reserve	1,331,336.42	1,331,518.42
Building Reserve	708,093.71	570,842.81
Property Development Reserve	244,430.39	335,017.37
Airport Surplus Reserve	-	8,456.83
Library Reserve	167,116.91	-
<b>CONTINGENCY:</b>		
General Contingency Reserve	2,676,630.69	2,103,810.34
<b>ECONOMIC DEVELOPMENT:</b>		
Tourism Info Centre reserve	100,000.00	100,000.00
Business Incubator reserve	205,813.10	205,813.10
Council Economic Development	672,723.90	701,515.55

Reserve Name	Dec 31, 2017	Dec 31, 2016
<b>WORKING CAPITAL:</b>		
City Working Capital reserve	2,535,975.41	2,272,350.41
<b>OTHER:</b>		
Lindsay Heritage Reserve(LACAC)	8,833.11	8,765.41
Fenelon Falls Powerlinks Reserve	259,338.31	251,146.91
Anne Langton Reserve	1,428.69	1,428.69
Social Committee reserve	9,839.77	9,403.53
Social Housing staff benefits rsrv	216,282.75	216,282.75
Housing Haliburton\COKL Reserve	53,637.24	53,637.24
Housing Capital Reserve-CKL only	1,609,443.20	1,206,079.69
Local Housing (F8) Surplus	1,128,499.64	853,193.26
	<u>46,969,766.05</u>	<u>20,300,282.54</u>
 Amalgamation debt retirement reserve fund(from the 2001 Special Tax Levy	 <u>308.60</u>	 <u>303.26</u>
	<u>308.60</u>	<u>303.26</u>
 <b>TOTAL</b>	 <b><u>46,970,074.65</u></b>	 <b><u>20,300,585.80</u></b>

**The Corporation of the City of Kawartha Lakes  
Council Report**

**Report Number CORP2018-010**

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**Date:** June 12, 2018  
**Time:** 2:00 p.m.  
**Place:** Council Chambers

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**Ward Community Identifier:** all

**Title:** 2019 Budget Process and Requests

**Description:**

**Author and Title:** Jennifer Stover, Director of Corporate Services

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**Recommendation(s):**

That Report CORP2018-010, **2019 Budget Process and Requests**, be received.

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:** \_\_\_\_\_

**Chief Administrative Officer:** \_\_\_\_\_

## **Background:**

Staff met with the Executive Committee on February 8<sup>th</sup> to debrief the 2018 budget process. On March 2, a memorandum was sent to all members of Council requesting input for improvements to the 2019 budget process.

In summary, the following key items were identified as areas of improvement:

- Lack of detail in both the operating and capital budget
- Difficult to make comparisons due to budget shifts
- Ensuring the new Council has sufficient orientation time before deliberating the 2019 budget
- Opportunity for capital projects benefitting from early starts to be approved
- Opportunity to Council to provide input into the budget prior to the preparation of the draft budget

This report addresses the above items.

## **Rationale:**

The 2019 budget preparation has begun and staff are developing a framework to address the lack of detail and the difficulty in making comparisons.

The budget schedule for 2019 is attached as Appendix A. As in previous years, Staff has scheduled a budget presentation and Department overviews to occur in September. This will provide a high level overview of the 2019 proposed budget. Boards and Agencies will present their budget in November, followed by the distribution of the draft budget at the end of November.

To ensure the new Council has sufficient time to orient themselves, the budget is not scheduled to be deliberated until the first quarter of 2019, with the exception of the capital projects benefitting from early start approval being requested in December.

New to the process for 2019, is the opportunity for Council to provide preliminary input into the budget prior to the preparation of the draft budget. A request was sent to Council on April 24<sup>th</sup>. Appendix B is a list of the projects and program considerations submitted by Council members, along with staff comments, for Council to consider including in the draft 2019 budget.

## **Other Alternatives Considered:**

Should Council wish to approve a project or program addition for inclusion in the draft 2019 budget, then the following additional resolution(s) should be passed: That program/program item (insert identification # and description) identified in Appendix B to Report CORP2018-010 be included in the draft 2019 Budget for consideration.

## **Financial/Operation Impacts:**

Staff will review the projects that are approved for inclusion in the draft 2019 budget, to ensure that adequate funds are allocated to the initiative in the budget. The financial impacts will be addressed through the 2019 budget.

## **Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:**

The 2019 Budget Process and Requests supports the strategic goal of responsible fiscal resource management.

## **Consultations:**

Council  
Executive Committee  
Senior Management

## **Attachments:**



2019 Proposed  
Budget schedule.pdf

Appendix A – 2019 Budget Schedule



2019 Council budget  
requests.pdf

Appendix B – 2019 Council Budget Requests

**Department Head E-Mail: [jstover@kawarthalakes.ca](mailto:jstover@kawarthalakes.ca)**

**Department Head: Jennifer Stover**

## 2019 Proposed Operating and Capital Budgets

Date	Action
June 12 (to be confirmed)	○ Presentation to Council on Financial matters (10 year capital, 5 year operating, financial position etc)
June 1	○ Deadline to communicate 2019 needs: ○ Capital ○ IT ○ Machinery, equipment and vehicles
June 15	○ Deadline to submit staffing requests
July 3 - 13	○ Approved staffing requests reviewed in HR
August 3	○ Payroll changes to be complete in JDE
August 3	○ Capital budget due to Finance
August 17	○ Operating budgets due to Finance
September 18 (and other dates as required)	○ Budget presentation and Department Overviews to Council
October 15	○ Deadline to receive Agency and Board budgets
November (dates to be confirmed)	○ Agency and Board presentations to Council
November 30	○ Budget and business plan provided to Council
December 11	○ Report to Council for Capital budget early starts
January 2019	○ Capital budget deliberations
February 2019	○ Operating budget deliberations

**City of Kawartha Lakes  
Council 2019 Budget Requests**

<b>Identifier</b>	<b>Requestor</b>	<b>Project Description</b>	<b>Staff Comments</b>
01	Councillor Elmslie	An Electronic Sign for the Fenelon Falls Arena.	Not a priority for the City nor in the Asset Management Plan. No other such signs exist and other locations would be priority from a staff standpoint. If pursued location of the sign would be a question. Council has previously denied staff request to install electronic signs at other City properties/facilities.
02	Councillor Elmslie	Sidewalks on the east side of Lindsay St. from Eliot to Veterans Way	Design is scheduled to start in 2018. Land acquisition will be required and the extent will be determined by design. Construction will not be ready for 2019.
03	Councillor Elmslie	A crosswalk on Lindsay St. at one of 3 identified locations, as per the Fenelon Falls Corridor Study.	Design is scheduled to start in 2018
04	Councillor Elmslie	Complete rebuild of Colborne St, including sidewalks and street furniture from Bond St. to Water St., a continuation of the engineering project of 2018	Design is scheduled to start in 2018. Land acquisition will be required and the extent will be determined by design. Construction will not be ready for 2019.
05	Councillor Elmslie	The rebuild of Whytchwood from the elementary school to Ellice St., as per a 2018 Engineering Study.	Design will be done this year. This section is identified in the first phase and can be constructed in 2019, subject to Council approval.
06	Councillor Elmslie	Repaving on Queen St. Fenelon Falls.	This project will be impacted by the gas expansion in 2018 and 2019, therefore any work should be coordinated after gas work is done. Currently outside 5 year plan, but within the 6-10 year need.

**City of Kawartha Lakes  
Council 2019 Budget Requests**

<b>Identifier</b>	<b>Requestor</b>	<b>Project Description</b>	<b>Staff Comments</b>
07	Councillor Elmslie	Repaving Prince's St. Fenelon Falls.	This project will be impacted by the gas expansion in 2018 and 2019, therefore any work should be coordinated after gas work is done. Currently outside 5 year plan, but within the 6-10 year need.
08	Councillor Strangway	Hard top the remainder of the Mark Road due to the high volumes of traffic going to the Fenelon landfill site.	The Fenelon Landfill site has approx. 7 years of life left. There is a current study to elevate future use of this site. Road resurfacing should align with recommendations of landfill study.
09	Councillor Junkin	Resurface Verulam Dr.-from Rd. 8 to south end	This section of road is outside the 5 year plan, but within the 6-10 year need
10	Councillor Strangway	Install a cross culvert at Omega and Otter in order to take the water directly to Balsam Lake rather than flooding out the residents to the south of that intersection.	Item is currently being reviewed by the Councillor, PW and KRCA. This change would impact drainage into a environmentally sensitive area. May trigger a larger drainage assessment. Unsure if the culvert would even be permitted. Recommend the work not be budgeted for until scope of work and approvals required can be determined.
11	Councillor Elmslie	Rebuild of Munchy Hut at Garnet Graham as per 2018 Capital Budget and updated Engineering Study.	Staff are working with architect to develop the detailed design, which was budgeted for in 2018. This is a high level cost estimate. Partial funds from 2018 project budget will be available to do minor refreshing of the facility. Balance to be requested in 2019 budget, as well as contribution of community funds. No Council resolution required to include in 2019 budget request.

**City of Kawartha Lakes  
Council 2019 Budget Requests**

<b>Identifier</b>	<b>Requestor</b>	<b>Project Description</b>	<b>Staff Comments</b>
12	Councillor Elmslie	Rebuild and renovation of roadways in the Fenelon Cemetery, as well as the continuation of renovations to stone stairs and retaining walls from the 2018 budget.	Cemetery Road work is part of a larger Cemetery project. Funding was received in 2018 and it is an annual project. As well there was some additional funding for work as this in City Cemeteries in 2018. So some work will take place and other work will be part of the 2019 and annual request. No Council resolution required to include in 2019 budget request.
13	Councillor Elmslie	Renovation to the entranceway at Maryboro Lodge, a continuation of a 2018 project.	Included in the 2020 staff draft Capital Budget document. Department received funding to do design and prepare contract documents in 2018. The plan is to proceed to construction in the year after design is approved and contract documents are completed. The Estimate provided for construction is preliminary and will be updated from the completed contract documents. No Council resolution required to include in 2019 budget request.
14	Councillor Elmslie and Strangway	Accessibility doors on the washrooms in the Community Centre at the Fenelon Arena Complex	Should be noted that there are accessible washrooms that service the facility located in the arena lobby so the facility meets code and provides fully accessible washrooms. Staff are however already including this project in the 2019 Division Capital Budget request. No Council resolution required to include in 2019 budget request.

**City of Kawartha Lakes  
Council 2019 Budget Requests**

<b>Identifier</b>	<b>Requestor</b>	<b>Project Description</b>	<b>Staff Comments</b>
15	Councillor Strangway	An accessibility audit on all major City buildings.	Staff have already included a budget to begin an annual program in the 2019 Capital Budget request. 2019 would be the first year of an annual program to assess all facilities. No Council resolution required to include in 2019 budget request.
16	Councillor O'Reilly	Upgrades to Dormer Park	Project already included in staff draft 2019 Capital Budget submission. Project part of Lindsay Parks Plan. May be pushed back to future year for budget purposes based on available funding. Project could be phased over multiple years. No Council resolution required to include in 2019 budget request.
17	Councillor O'Reilly	Renovations to Elgin Park	Project already included in staff draft 2019 Capital Budget submission. Project part of Lindsay Parks Plan. May be pushed back to future year for budget purposes based on available funding. Project could be phased over multiple years. No Council resolution required to include in 2019 budget request.
18	Councillor Strangway	Lower the daily traffic count on gravel roads to 200 and start a program to start hard topping these roads.	Approx 48km of gravel roads are within an AADT of 200 to 400. Cost of upgrading these roads to a hard top standard is estimated at \$3-4 million. A detailed investigation was conducted in 2013. Please refer to Council report PW2013-015.
19	Councillor Strangway	Increase the budget in order to improve maintenance on tar and chip roads. Many of these road are in very poor condition.	This would require a service level change to be established by Council.

**City of Kawartha Lakes  
Council 2019 Budget Requests**

<b>Identifier</b>	<b>Requestor</b>	<b>Project Description</b>	<b>Staff Comments</b>
20	Councillor Strangway	Consider assuming rural roads with LSA's that have had a history of ongoing maintenance.	Not recommended. Council has an approved and adopted Policy on assumption of roads that should be followed for all groups or associations that want to have their roads assumed. Need to have the roads constructed to a municipal standard is essential so the remainder of tax payers do not assume the burden of the improvements.
21	Councillor Strangway	Review fund requirements for KLHCI in light of the on going discussions with RMH and PHC. How will this affect the KLHCI budget and their ability to continue to operate?	The impacts of potential changes to the Ross Memorial Hospital's governance and integration with Peterborough will be reviewed in the development of 2019 operating funding to the KLHCI. The overall funding will also be reviewed in the context of the upcoming (Q3 or Q4 2018) report to Council on Grant Programs for Medical Services.
22	Councillor Stauble and O'Reilly	CAO/Clerk/MLEO - increase MLEO # of staff, training, public awareness, enforcement - to allow for improvement response, service, enforcement, outcomes, reduce unnecessary calls by raising public awareness, will review other recommendations from staff during budget discussions	Regular monitoring and tracking of activities and resources to meet service levels. CAO reviewing 5-year staffing need forecasts with all departments - forecast and annual budget considerations to be forwarded to Council.

**City of Kawartha Lakes  
Council 2019 Budget Requests**

<b>Identifier</b>	<b>Requestor</b>	<b>Project Description</b>	<b>Staff Comments</b>
23	Councillor Stauble	Public Works - increase for road maintenance, brushing, ditching, snow removal to address roads previously identified with staff, transit as per Master Plan, will review other recommendations from staff during budget discussions	Adjustments requested for 2019 operational budget will be presented. Specific roads are not identified. Road maintenance and winter maintenance are provided as per Council approved LOS policies and MMS. Enhanced LOS for specific roads would need to be at the direction of Council. Recommendations within the Transit Master Plan will form a part of 2019 budget requests where required.
24	Councillor Stauble	Planning and Development - continue to staff in Planning and Building at levels that allows for timely review and approval of applications, funding for Lake Management Plan implementation, will review other recommendations during budget discussions	Regular monitoring and tracking of activities and resources to meet service levels. CAO reviewing 5-year staffing need forecasts with all departments - forecast and annual budget considerations to be forwarded to Council.
25	Councillor Stauble	Engineering - increase for road construction - rural resurfacing, gravel, to address roads previously identified with staff, will review other recommendations from staff during budget discussions	Regular monitoring and tracking of activities and resources to meet service levels. CAO reviewing 5-year staffing need forecasts with all departments - forecast and annual budget considerations to be forwarded to Council.
26	Councillor Stauble	Community Services- increase for parks outside of Lindsay, arena refurbishments as per discussions at Council, will review other recommendations during budget discussions	This is more a philosophical statement on the support for such projects. Any such projects planned, or discussed and endorsed by Council are included. No Council resolution required to include in 2019 budget request.

**City of Kawartha Lakes  
Council 2019 Budget Requests**

<b>Identifier</b>	<b>Requestor</b>	<b>Project Description</b>	<b>Staff Comments</b>
27	Councillor Strangway	Create a program for employees to come forward with ideas to improve municipal services and maintenance levels.	The City has initiated a proactive "employee engagement program" inclusive of an annual survey and engagement meeting(s). This would be the appropriate venue for staff to bring forward ideas for improvement.

# The Corporation of the City of Kawartha Lakes

## By-law 2018-XXX

### A By-Law to Confirm the Proceedings of a Special Council Meeting of Council, Tuesday, June 12, 2018

#### Recitals

1. The *Municipal Act, 2001*, S.O. 2001 c. 25 as amended, provides that the powers of a municipal corporation are exercised by its Council.
2. The *Municipal Act*, also provides that the Council's powers must be exercised by by-law.
3. For these reasons, the proceedings of the Council of The Corporation of the City of Kawartha Lakes at this meeting should be confirmed and adopted by by-law.

**Accordingly, the Council of The Corporation of the City of Kawartha Lakes enacts this By-law 2018-XXX.**

#### Section 1.00: Confirmation

1.01 The actions of the Council at the following meeting:

#### **Tuesday, June 12, 2018, Open Session, Special Council Meeting**

and each motion, resolution and other action passed or taken by the Council at that meeting is, except where prior approval of the Ontario Municipal Board is required, adopted, ratified and confirmed as if all such proceedings had been expressly embodied in this By-law.

1.02 The Mayor and the proper officials of the City are authorized and directed to do all things necessary to give effect to the actions of the Council referred to in Section 1.01 of this By-law. In addition, the Clerk is authorized and directed to affix the corporate seal to any documents which require it.

#### Section 2.00: General

2.01 This By-law shall come into force on the date it is finally passed.

By-law read a first, second and third time, and finally passed, this 12<sup>th</sup> day of June, 2018.

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Andy Letham, Mayor

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Cathie Ritchie, City Clerk