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# Consolidated financial statements of City of Kawartha Lakes

December 31, 2019

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Independent Auditor's Report	1-2
Consolidated statement of financial position	3
Consolidated statement of operations	4
Consolidated statement of change in net debt	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7-22
Schedule 1 – Consolidated schedule of segmented disclosure	23-24
Schedule 2 – Consolidated schedule of operations of the Public Library Board	25
Trust Funds	
Independent Auditor's Report	26-27
Statement of financial position	28
Statement of financial activities and fund balances	29
Statement of cash flows	30
Notes to the financial statements	31-32

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## Independent Auditor's Report

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

### Opinion

We have audited the consolidated financial statements of the Corporation of the City of Kawartha Lakes (the "City"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2019, and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2020

**City of Kawartha Lakes****Consolidated statement of financial position**

As at December 31, 2019

	Notes	2019 \$	2018 \$
<b>Assets</b>			
Cash		16,733,120	9,320,701
Investments	3	49,752,409	63,666,886
Taxes receivable		5,579,837	4,893,273
Accounts receivable		40,329,716	40,307,026
Other current assets		16,148	16,768
		<b>112,411,230</b>	<b>118,204,654</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		22,849,833	26,920,537
Deferred revenue	4	42,912,670	34,694,675
Other liabilities		3,941,047	4,025,684
Accrued interest on long-term liabilities		361,693	367,199
Employee future benefits	5	20,978,957	31,467,294
Landfill closure and post closure accrual	6	10,176,972	10,127,570
Municipal debt	7	120,565,812	116,889,083
		<b>221,786,984</b>	<b>224,492,042</b>
Net debt		<b>(109,375,754)</b>	<b>(106,287,388)</b>
<b>Non-financial assets</b>			
Tangible capital assets	15	540,072,290	509,648,303
Inventory and prepaid expenses		4,203,492	3,349,246
		<b>544,275,782</b>	<b>512,997,549</b>
Contingencies and commitments	9		
Accumulated surplus	8	<b>434,900,028</b>	<b>406,710,161</b>

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, 2019

	Notes	Budget \$	2019 Actual \$	2018 Actual \$
		(Note 10)		
<b>Revenue</b>				
Taxes levied for own purposes		112,782,132	114,122,961	109,083,360
Payments in lieu from other governments		479,725	508,425	508,416
Taxation		113,261,857	114,631,386	109,591,776
User charges, licenses and fines		51,994,061	42,407,273	42,677,109
Grants				
Government of Canada		2,025,503	2,071,995	2,676,499
Province of Ontario		49,543,094	61,861,637	55,417,464
Other municipalities		1,824,245	2,017,837	1,747,010
Other				
Investment income		867,779	1,363,220	1,504,939
Gain on disposal of tangible capital assets		700,000	1,748,859	1,255,347
Penalties and interest on taxes		1,107,000	1,321,908	1,210,713
Restricted amounts earned	4	8,817,555	4,110,113	15,169,905
Donations and other		579,071	1,940,933	1,342,576
Contributed tangible capital assets		—	424,515	838,941
		230,720,165	233,899,676	233,432,279
<b>Expenses</b>	11			
General government		22,556,250	10,140,855	26,129,721
Protection to persons and property		32,180,086	33,328,007	31,901,727
Transportation services		30,345,134	43,436,137	41,042,414
Environmental services		26,369,864	27,722,436	27,179,064
Health services		13,157,676	13,292,698	13,117,927
Social services		46,990,044	45,198,760	42,121,104
Housing services		10,083,518	14,223,391	10,228,030
Recreational and cultural services		16,893,685	14,186,895	14,943,183
Planning and development		4,847,194	4,180,630	4,138,459
		203,423,451	205,709,809	210,801,629
Annual surplus		27,296,714	28,189,867	22,630,650
Accumulated surplus, beginning of year		406,710,161	406,710,161	384,079,511
<b>Accumulated surplus, end of year</b>		<b>434,006,875</b>	<b>434,900,028</b>	<b>406,710,161</b>

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, 2019

	Budget \$ (Note 10)	2019 Actual \$	2018 Actual \$
<b>Annual surplus</b>	<b>27,296,714</b>	<b>28,189,867</b>	22,630,650
Acquisition of tangible capital assets	<b>57,757,527</b>	<b>(57,417,426)</b>	(61,308,746)
Amortization of tangible capital assets	<b>11,174,913</b>	<b>26,248,114</b>	25,224,156
Gain on disposal of tangible capital assets	—	<b>(1,748,859)</b>	(1,255,347)
Proceeds on disposal of tangible capital assets	—	<b>2,494,184</b>	1,527,164
	<b>96,229,154</b>	<b>(2,234,120)</b>	(13,182,123)
Change in prepaid expenses	—	<b>(616,952)</b>	52,584
Change in inventory	—	<b>(237,294)</b>	2,487
	<b>96,229,154</b>	<b>(3,088,366)</b>	(13,127,052)
Net debt, beginning of year	<b>(106,287,388)</b>	<b>(106,287,388)</b>	(93,160,336)
<b>Net debt, end of year</b>	<b>(10,058,234)</b>	<b>(109,375,754)</b>	(106,287,388)

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, 2019

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Annual surplus	<b>28,189,867</b>	22,630,650
Items not involving cash		
Amortization	<b>26,248,114</b>	25,224,156
Gain on disposal of tangible capital assets	<b>(1,748,859)</b>	(1,255,347)
Contributed tangible capital assets recorded in revenue	<b>(424,515)</b>	(838,941)
Change in non-cash assets and liabilities		
Taxes receivable	<b>(686,564)</b>	(185,590)
Accounts receivable	<b>(22,690)</b>	(5,393,786)
Other current assets	<b>620</b>	4,555
Accounts payable and accrued liabilities	<b>(4,070,704)</b>	(1,231,003)
Deferred revenue	<b>8,217,995</b>	(3,298,028)
Other liabilities	<b>(84,637)</b>	421,998
Accrued interest on long-term liabilities	<b>(5,506)</b>	(2,083)
Employee future benefits	<b>(10,488,337)</b>	8,079,458
Landfill closure and post closure accrual	<b>49,402</b>	53,218
Inventory and prepaid expenses	<b>(854,246)</b>	55,071
	<b>44,319,940</b>	44,264,328
<b>Capital activities</b>		
Acquisition of tangible capital assets	<b>(56,992,911)</b>	(60,469,805)
Proceeds on disposal of tangible capital assets	<b>2,494,184</b>	1,527,164
	<b>(54,498,727)</b>	(58,942,641)
<b>Investing activity</b>		
Decrease in investments	<b>13,914,477</b>	5,054,011
<b>Financing activities</b>		
Municipal debt issued	<b>15,559,597</b>	12,707,677
Municipal debt repaid	<b>(11,882,868)</b>	(11,273,664)
	<b>3,676,729</b>	1,434,013
Change in cash	<b>7,412,419</b>	(8,190,289)
Cash, beginning of year	<b>9,320,701</b>	17,510,990
<b>Cash, end of year</b>	<b>16,733,120</b>	9,320,701

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



## **Nature of business**

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

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

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

Significant accounting policies adopted by the City are as follows:

### *(a) (i) Reporting entity*

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

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

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

### *(ii) Accounting for school board transactions*

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

### *(iii) Trust funds*

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

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

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

### *Investments*

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

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

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

*Non-financial assets*

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

*Tangible capital assets*

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

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

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

*Contribution of tangible capital assets*

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

*Interest capitalization*

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

*Intangible assets*

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

*(ii) Deferred revenue*

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

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

*(b) (iii) Employee future benefits*

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

*(iv) Government transfers*

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

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

*(v) Liability for contaminated sites*

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the City is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the City's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the consolidated financial statements. As at December 31, 2019 there is \$nil liability recorded in the consolidated financial statements (\$nil in 2018). The City will continue to review for potential contaminated sites on an annual basis.

*(vi) Use of estimates*

The preparation of 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>2019</b>	2018
	<b>\$</b>	\$
Requisitions of School Boards		
English public	<b>23,242,576</b>	23,374,925
French public	<b>46,607</b>	53,729
English separate	<b>2,319,151</b>	2,260,612
French separate	<b>46,368</b>	41,561
	<b>25,654,702</b>	25,730,827

## 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 6.00% in 2018). The costs presented approximate fair value.

## 4. Deferred revenue

	<b>2019</b>	2018
	<b>\$</b>	\$
Obligatory reserve funds		
Recreational land (Planning Act)	<b>348,088</b>	558,340
Development Charges Act	<b>190,513</b>	(2,421,713)
Federal and Provincial Gas Tax Reserves	<b>6,638,639</b>	2,278,727
Other	<b>1,968,978</b>	2,023,906
Reserve funds restricted for specified purposes to benefit residents in geographic areas of former municipalities (Restructuring Order and City of Kawartha Lakes Act)	<b>22,903,604</b>	22,773,593
	<b>32,049,822</b>	25,212,853
Restricted reserves		
Reserves restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order)	<b>8,447</b>	8,447
	<b>32,058,269</b>	25,221,300
Other deferred revenue		
Unearned grants	<b>3,606,982</b>	3,109,714
Other unearned revenue	<b>7,247,419</b>	6,363,661
	<b>42,912,670</b>	34,694,675

#### 4. Deferred revenue (continued)

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

	<b>Parkland levies and development charges</b>	<b>Gas tax reserves and other</b>	<b>Amounts restricted by amalgamation legislation</b>	<b>2019 Total</b>	<b>2018 Total</b>
	\$	\$	\$	\$	\$
Balance, beginning of year	(1,863,373)	4,302,633	22,782,040	25,221,300	29,679,565
Restricted funds received	391,029	9,999,126	9,584	10,399,739	10,781,968
Interest earned	(146,159)	175,999	517,503	547,343	(70,328)
Revenue recognized	2,157,104	(5,870,141)	(397,076)	(4,110,113)	(15,169,905)
Balance, end of year	538,601	8,607,617	22,912,051	32,058,269	25,221,300

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>2019</b>	<b>2018</b>
	\$	\$
Accrued payroll	2,964,512	2,957,328
Vacation and overtime payable	1,253,128	1,044,682
WSIB self-insured claims (Note 9)	9,950,217	21,253,784
Post-employment benefits	6,811,100	6,211,500
Employee future benefits payable	20,978,957	31,467,294

##### *Vacation pay and overtime liability*

The City budgets for payroll and vacation and overtime banks based on timing of payment. The above liabilities for payroll, 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 \$195,699 (\$207,628 in 2018).

## 5. Employee future benefits (continued)

### *Post-employment benefit liability (continued)*

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, 2018, with an extrapolation to December 31, 2019. The post-employment benefit liability at December 31 includes the following components:

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Accrued benefit obligation	<b>7,652,500</b>	7,346,700
Actuarial loss	<b>(841,400)</b>	(1,135,200)
Post-employment benefits liability	<b>6,811,100</b>	6,211,500

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

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

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

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Current service cost	<b>435,200</b>	413,400
Amortization of actuarial gains	<b>293,800</b>	294,100
Interest on post-employment benefit liability	<b>243,000</b>	228,100
Total expense related to post-employment benefits	<b>972,000</b>	935,600

### *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 2019 was \$5,102,610 (\$4,852,186 in 2018) 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 2019</b>
Eldon	<b>39</b>	<b>70,584</b>
Fenelon	<b>7</b>	<b>52,604</b>
Laxton/Digby/Longford	<b>3</b>	<b>5,550</b>
Somerville	<b>17</b>	<b>115,400</b>
Lindsay-Operations	<b>17</b>	<b>565,246</b>

Engineering consultants were engaged to prepare estimates of closure and post closure costs as at December 31, 2017, with an extrapolation prepared to December 31, 2019. 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>2019 \$</b>	<b>2018 \$</b>
Estimated total closure and post-closure costs	<b>43,093,164</b>	43,601,327
Discount rate	<b>3.20%</b>	3.20%
Estimated present value of costs at end of year	<b>14,424,672</b>	14,932,835
Less		
Portion related to remaining available capacity	<b>(4,247,700)</b>	(4,805,265)
Liability for capacity already used	<b>10,176,972</b>	10,127,570
Net expenses recognized in the year	<b>49,402</b>	53,218

## 7. Municipal debt

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

	2019 \$	2018 \$
Total debt incurred and outstanding at December 31, 2019 to be financed from		
General tax rates	54,081,361	45,639,603
Water and sewer	50,997,077	54,183,540
Northwest Trunk Developer Debt	10,670,285	11,337,385
Benefiting landowners for local improvements and tile loans	222,997	192,282
Kawartha Lakes Haliburton Housing	4,594,092	5,536,273
Net municipal debt	<b>120,565,812</b>	<b>116,889,083</b>

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

	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	Thereafter \$	Total \$
Principal							
Municipal	6,552,230	6,206,310	6,074,437	5,704,232	5,506,063	24,038,089	54,081,361
Water and sewer	3,928,500	3,958,811	4,044,462	3,758,384	3,829,977	31,476,943	50,997,077
Northwest Trunk Developer Debt	667,100	667,100	667,100	667,100	667,100	7,334,785	10,670,285
Tile Drain	32,480	31,046	32,908	29,951	21,558	75,054	222,997
Kawartha Lakes Haliburton Housing	951,022	925,963	846,060	701,451	315,003	854,593	4,594,092
	12,131,332	11,789,230	11,664,967	10,861,118	10,339,701	63,779,464	120,565,812
Interest							
Municipal	1,499,985	1,325,010	1,161,296	994,621	834,085	4,260,200	10,075,197
Water and sewer	1,804,420	1,647,417	1,491,216	1,339,979	1,195,600	5,750,950	13,229,582
Northwest Trunk Developer Debt	319,488	309,900	285,801	265,013	244,862	1,554,918	2,979,982
Tile Drain	13,627	11,630	9,768	7,793	6,314	11,413	60,545
Kawartha Lakes Haliburton Housing	233,779	187,844	153,654	108,535	40,803	140,095	864,710
	16,002,631	15,271,031	14,766,702	13,577,059	12,661,365	75,497,040	147,775,828



## 7. Municipal debt (continued)

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

	<b>Municipal</b>	<b>Water and sewer</b>	<b>Tile drain</b>	<b>Kawartha Lakes Haliburton Housing</b>	<b>Northwest Trunk Developer Debt</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Principal	<b>6,391,346</b>	<b>3,771,985</b>	<b>27,985</b>	<b>1,024,452</b>	<b>667,100</b>	<b>11,882,868</b>
Interest	<b>1,386,333</b>	<b>1,651,327</b>	<b>11,702</b>	<b>228,592</b>	<b>348,165</b>	<b>3,626,119</b>
	<b>7,777,679</b>	<b>5,423,312</b>	<b>39,687</b>	<b>1,253,044</b>	<b>1,015,265</b>	<b>15,508,987</b>

- (e) Kawartha Lakes Haliburton Housing debentures in the amount of \$2,014,454 (\$2,442,570 in 2018) 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 2019 in By-Law 2019-001. As at December 31, 2019, there was a balance outstanding of \$nil (\$nil in 2018).

## 8. Accumulated surplus

Accumulated surplus consists of the following:

	<b>2019</b>	<b>2018</b>
	\$	\$
Operating fund surplus	<b>3,258,468</b>	3,181,380
Capital fund deficit – projects to be debentured	<b>(21,798,895)</b>	(9,545,400)
Capital fund deficit – municipal drain project	<b>(699,458)</b>	(585,974)
Capital fund surplus – all other projects	<b>21,922,191</b>	10,358,257
Unfunded employee future benefits	<b>(20,978,957)</b>	(31,467,294)
Post closure landfill costs	<b>(10,176,972)</b>	(10,127,570)
Accrued interest on long term debt	<b>(361,693)</b>	(367,199)
Long term debt	<b>(109,895,527)</b>	(105,551,697)
Reserve and reserve funds	<b>33,558,581</b>	41,167,355
Tangible capital assets	<b>540,072,290</b>	509,648,303
	<b>434,900,028</b>	406,710,161

## **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 \$2,753,493 (\$2,695,692 in 2018). The WSIB has estimated liability for future benefit costs as at December 31, 2019 to be \$9,950,217 (\$21,253,784 in 2018) and this liability has been included in employee future benefits payable (Note 5). The City has \$nil set aside in a reserve for WSIB self insurance as at December 31, 2019 (\$nil in 2018).

### *Other contingencies*

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

### *Commitment – water and sewer system operating agreements*

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

### *Commitment – garbage and recycling collection contract*

In October 2019, 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 \$4,435,487 for 2020 plus additional charges for transportation and additional services, an annual fuel surcharge as well as an increase for new homes.

### *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, 2019, the City had awarded contracts in the amount of \$33,379,844 (\$36,180,020 in 2018) and has recorded \$24,483,372 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.

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

*Commitments – Leases*

Under the terms of various operating leases in existence at December 31, 2019, the City is committed to future minimum annual payments as follows:

	\$
2020	495,720
2021	431,979
2022	339,107
2023	271,626
2024	237,953
Thereafter	328,887
	<u>2,105,272</u>

**10. Budget amounts**

The operating and tax rate supported capital budgets were approved by Council on January 23, 2019 to establish the tax rates for the year. In addition, the water and sewer operating and capital budgets were also approved by Council on February 20, 2019.

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

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

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

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

## 11. Expenses by object

	<b>2019</b>	2018
	<b>\$</b>	\$
Salaries and wages	<b>66,006,895</b>	80,888,300
Materials, supplies and services	<b>21,945,618</b>	21,201,012
Contracted services	<b>34,927,814</b>	33,346,528
Rents and financial	<b>5,206,875</b>	4,836,501
Transfers to other entities	<b>46,762,572</b>	41,048,497
Tile drain loans and advanced to landowners	<b>80,800</b>	20,000
Interest on net municipal debt	<b>3,277,986</b>	3,243,579
Amortization expense	<b>26,248,114</b>	25,224,156
Other	<b>1,253,135</b>	993,056
	<b>205,709,809</b>	210,801,629

## 12. Trust funds

Trust funds administered by the City amounting to \$1,304,891 (\$1,261,009 in 2018) 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>2019</b>	2018
	<b>\$</b>	\$
Gross revenues	<b>1,936,674</b>	1,926,659
Operating costs	<b>(1,381,375)</b>	(1,323,093)
Amount transferred to Haliburton County	<b>(115,276)</b>	(120,076)
Net City revenue	<b>440,023</b>	483,490

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. 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.

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#### 14. Tangible capital assets (continued)

	Land and land improvements \$	Building and building improvements \$	Vehicles, machinery and equipment \$	Water and sewer \$	Road infrastructure \$	Work in progress \$	2019 Total \$
<b>Cost</b>							
Balance, beginning of year	36,025,572	148,895,948	78,566,162	225,822,983	373,000,001	93,364,116	955,674,782
Additions	(254,573)	(3,868,535)	5,309,867	(22,382,679)	(31,061,838)	57,417,428	5,159,670
Work in progress completed	434,304	12,491,829	(545,929)	23,520,466	43,852,484	—	79,753,154
Disposals/transfers	(63,294)	(736,220)	(1,205,499)	—	(6,277,892)	(27,495,398)	(35,778,303)
Balance, end of year	36,142,009	156,783,022	82,124,601	226,960,770	379,512,755	123,286,146	1,004,809,303
<b>Accumulated amortization</b>							
Balance, of year beginning	6,387,755	66,889,320	46,154,482	92,118,486	234,476,436	—	446,026,479
Disposals	(8,849)	(521,966)	(888,674)	—	(6,118,091)	—	(7,537,580)
Amortization expense	254,332	3,114,742	4,709,321	5,365,919	12,803,800	—	26,248,114
Balance, end of year	6,633,238	69,482,096	49,975,129	97,484,405	241,162,145	—	464,737,013
Net book value, end of year	29,508,771	87,300,926	32,149,472	129,476,365	138,350,610	123,286,146	540,072,290
	Land and land improvements \$	Building and building improvements \$	Vehicles, machinery and equipment \$	Water and sewer \$	Road infrastructure \$	Work in progress \$	2018 Total \$
<b>Cost</b>							
Balance, beginning of year	34,206,497	142,786,982	79,642,048	222,796,757	366,459,235	53,105,558	898,997,077
Additions	4,088,641	25,013,249	1,810,394	35,304,612	55,636,631	61,308,746	183,162,273
Work in progress completed	(2,261,472)	(18,752,539)	(632,233)	(32,278,386)	(46,878,709)	—	(100,803,339)
Disposals/transfers	(8,094)	(151,744)	(2,254,047)	—	(2,217,156)	(21,050,188)	(25,681,229)
Balance, end of year	36,025,572	148,895,948	78,566,162	225,822,983	373,000,001	93,364,116	955,674,782
<b>Accumulated amortization</b>							
Balance, of year beginning	6,125,765	64,140,025	43,740,870	86,973,945	224,180,941	—	425,161,546
Disposals	—	(140,492)	(2,063,385)	—	(2,155,346)	—	(4,359,223)
Amortization expense	261,990	2,889,787	4,476,997	5,144,541	12,450,841	—	25,224,156
Balance, end of year	6,387,755	66,889,320	46,154,482	92,118,486	234,476,436	—	446,026,479
Net book value, end of year	29,637,817	82,006,628	32,411,680	133,704,497	138,523,565	93,364,116	509,648,303

## **15. 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, Social, and Housing 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, 2019

	General government \$	Protection to persons and property \$	Transportation services \$	Environmental services \$	Health, social, and housing services \$	Recreation and culture \$	Planning and development \$	Consolidated \$
<b>Expenses</b>								
Salaries and wages	(256,264)	17,133,609	11,241,955	3,023,681	25,035,965	6,819,553	3,008,396	66,006,895
Minor capital	208,907	71,379	249,493	244,401	243,461	(135,436)	(92,304)	789,901
Interest costs	1,510,037	—	—	1,631,595	124,652	—	11,702	3,277,986
Other expenses	8,384,468	14,125,451	16,737,608	17,273,377	45,282,912	6,330,605	1,252,492	109,386,913
Amortization expense	293,707	1,997,568	15,207,081	5,549,382	2,027,859	1,172,173	344	26,248,114
	<b>10,140,855</b>	<b>33,328,007</b>	<b>43,436,137</b>	<b>27,722,436</b>	<b>72,714,849</b>	<b>14,186,895</b>	<b>4,180,630</b>	<b>205,709,809</b>
External tax revenues	(114,435,897)	—	—	(155,803)	—	—	(39,686)	(114,631,386)
External non-tax revenues	(18,841,130)	(5,085,998)	(1,271,081)	(24,660,053)	(58,260,193)	(4,335,551)	(955,312)	(113,409,318)
Restricted amounts earned	(2,310,205)	(118,826)	(541,598)	(567,005)	(107,404)	(460,075)	(5,000)	(4,110,113)
(Gain) loss on disposal of tangible capital assets	521,925	—	(43,600)	—	(2,130,194)	—	(96,990)	(1,748,859)
	<b>(135,065,307)</b>	<b>(5,204,824)</b>	<b>(1,856,279)</b>	<b>(25,382,861)</b>	<b>(60,497,791)</b>	<b>(4,795,626)</b>	<b>(1,096,988)</b>	<b>(233,899,676)</b>
<b>Annual (surplus) deficit</b>	<b>(124,924,452)</b>	<b>28,123,183</b>	<b>41,579,858</b>	<b>2,339,575</b>	<b>12,217,058</b>	<b>9,391,269</b>	<b>3,083,642</b>	<b>(28,189,867)</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, 2018

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

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

**City of Kawartha Lakes****Schedule 2 – Consolidated schedule of operations of the Public Library Board**

Year ended December 31, 2019

	<b>Budget</b>	<b>2019</b>	2018
	<b>\$</b>	<b>Actual</b>	Actual
		<b>\$</b>	\$
<b>Revenue</b>			
Contribution from municipal tax revenues	<b>1,906,480</b>	<b>1,906,480</b>	1,853,131
Grants – Province of Ontario	<b>183,833</b>	<b>192,436</b>	214,877
Grants – Federal	<b>—</b>	<b>2,150</b>	—
User fees	<b>200</b>	<b>1,821</b>	2,495
Fines and penalties	<b>18,000</b>	<b>13,798</b>	20,631
Transfer from Reserves	<b>63,000</b>	<b>63,000</b>	63,000
Donations and other	<b>21,400</b>	<b>35,882</b>	36,405
	<b>2,192,913</b>	<b>2,215,567</b>	2,190,539
<b>Expenses</b>			
Administration and Board			
Salaries and benefits	<b>535,543</b>	<b>508,079</b>	460,575
Office and general	<b>40,500</b>	<b>38,438</b>	36,154
Equipment maintenance and rental	<b>30,000</b>	<b>39,486</b>	42,547
Training and development	<b>26,400</b>	<b>25,401</b>	18,973
Vehicle and travel	<b>6,700</b>	<b>10,989</b>	6,028
Advertising and promotion	<b>12,500</b>	<b>13,060</b>	30,870
Transfer to reserves	<b>—</b>	<b>72,417</b>	190,771
Books, periodicals purchases and processing	<b>512,000</b>	<b>542,879</b>	462,996
Library branches			
Wages and benefits	<b>907,370</b>	<b>853,760</b>	817,828
Building maintenance and utilities	<b>66,100</b>	<b>66,785</b>	75,538
Equipment maintenance and rental	<b>1,500</b>	<b>1,478</b>	3,844
Office and telephone	<b>54,300</b>	<b>42,795</b>	44,415
	<b>2,192,913</b>	<b>2,215,567</b>	2,190,539
<b>Net revenue</b>	<b>—</b>	<b>—</b>	—

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

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# Financial statements of City of Kawartha Lakes Trust Funds

December 31, 2019

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Independent Auditor's Report	1-2
Consolidated statement of financial position	3
Consolidated statement of operations	4
Consolidated statement of change in net debt	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7-22
Schedule 1 – Consolidated schedule of segmented disclosure	23-24
Schedule 2 – Consolidated schedule of operations of the Public Library Board	25
Trust Funds	
Independent Auditor's Report	26-27
Statement of financial position	28
Statement of financial activities and fund balances	29
Statement of cash flows	30
Notes to the financial statements	31-32

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## Independent Auditor's Report

To the Members of Council of the Corporation of the City of Kawartha Lakes

### Opinion

We have audited the financial statements of the trust funds of the Corporation of the City of Kawartha Lakes (the "City") Trust Funds (the "Trust Funds"), which comprise the statement of financial position as at December 31, 2019, and the statements of financial activities and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the City as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the trust funds of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust funds of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants  
Licensed Public Accountants  
September 1, 2020

# City of Kawartha Lakes Trust Funds

## Statement of financial position

As at December 31, 2019

	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 \$	2019 Total trusts \$	2,018 Total trusts \$
<b>Assets</b>											
Cash		—	54,615	5,081	25,707	30,829	4,409	—	11,390	132,031	112,277
Accounts receivable		—	240	—	—	—	—	—	—	240	3,401
Investments		54,282	713,461	96,855	220,404	—	—	210,735	—	1,295,737	1,286,619
Accrued interest		—	30,690	1,283	3,316	—	—	—	—	35,289	22,474
		<b>54,282</b>	<b>799,006</b>	<b>103,219</b>	<b>249,427</b>	<b>30,829</b>	<b>4,409</b>	<b>210,735</b>	<b>11,390</b>	<b>1,463,297</b>	<b>1,424,771</b>
<b>Liabilities and fund balance</b>											
Accounts payable		—	—	—	3,875	—	—	—	—	3,875	4,436
Due to the City of Kawartha Lakes	3	1,144	(8,372)	2,578	16,067	(49)	1,010	142,153	—	154,531	159,326
		<b>1,144</b>	<b>(8,372)</b>	<b>2,578</b>	<b>19,942</b>	<b>(49)</b>	<b>1,010</b>	<b>142,153</b>	<b>—</b>	<b>158,406</b>	<b>163,762</b>
Fund balances		<b>53,138</b>	<b>807,378</b>	<b>100,641</b>	<b>229,485</b>	<b>30,878</b>	<b>3,399</b>	<b>68,582</b>	<b>11,390</b>	<b>1,304,891</b>	<b>1,261,009</b>
		<b>54,282</b>	<b>799,006</b>	<b>103,219</b>	<b>249,427</b>	<b>30,829</b>	<b>4,409</b>	<b>210,735</b>	<b>11,390</b>	<b>1,463,297</b>	<b>1,424,771</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, 2019

	Home Renewal Program \$	Cemetery Perpetual Care Trusts \$	Disaster Trust Fund \$	Forbert Estate Bequest \$	Aged Comfort Trust \$	Treasurer's Maintenance Trust \$	Building Donation Fund \$	Other trusts \$	2019 Total trusts \$	2018 Total trusts \$
<b>Balance, beginning of year</b>	<b>53,138</b>	<b>775,643</b>	<b>98,232</b>	<b>229,486</b>	<b>21,639</b>	<b>3,259</b>	<b>68,582</b>	<b>11,030</b>	<b>1,261,009</b>	1,253,279
Revenue										
Interest earned	—	23,965	2,199	4,167	3,170	140	—	638	34,279	21,171
Plot sales	—	24,981	—	—	—	—	—	—	24,981	9,247
Donations and other	—	—	3,218	—	—	—	—	—	3,218	3,422
Manor residents	—	—	—	—	40,039	—	—	—	40,039	34,144
	—	48,946	5,417	4,167	43,209	140	—	638	102,517	67,984
Expenses										
Manor residents	—	—	—	—	33,970	—	—	—	33,970	38,577
Disaster relief	—	—	3,008	—	—	—	—	—	3,008	6,803
Contributed to minor hockey	—	—	—	2,084	—	—	—	—	2,084	2,218
Contributed to figure skating	—	—	—	2,084	—	—	—	—	2,084	2,218
Paid to general operations	—	17,211	—	—	—	—	—	278	17,489	10,438
	—	17,211	3,008	4,168	33,970	—	—	278	58,635	60,254
Excess (deficiency) of revenue over expenses	—	31,735	2,409	(1)	9,239	140	—	360	43,882	7,730
<b>Balance, end of year</b>	<b>53,138</b>	<b>807,378</b>	<b>100,641</b>	<b>229,485</b>	<b>30,878</b>	<b>3,399</b>	<b>68,582</b>	<b>11,390</b>	<b>1,304,891</b>	1,261,009

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, 2019

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Excess of revenue over expenses	<b>43,882</b>	7,730
Change in non-cash assets and liabilities		
Accounts receivable	<b>(3,161)</b>	(3,401)
Accrued interest	<b>12,815</b>	1,783
Accounts payable	<b>(561)</b>	(293)
	<b>52,975</b>	5,819
<b>Investing activity</b>		
Increase (decrease) in investments	<b>9,118</b>	(27,916)
<b>Financing activity</b>		
(Decrease) increase in amount due to the City of Kawartha Lakes	<b>(4,795)</b>	4,560
Change in cash during the year	<b>19,754</b>	(17,537)
Cash, beginning of year	<b>112,277</b>	129,814
<b>Cash, end of year</b>	<b>132,031</b>	112,277

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 Municipal Affairs and 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, 2019 comprise of repayable loans of \$nil (\$nil in 2018). 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.

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