
Consolidated financial statements of
City of Kawartha Lakes

December 31, 2023

Draft

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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 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, 2023, 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, 2023, 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.

City of Kawartha Lakes
Consolidated statement of financial position
As at December 31, 2023

	Notes	2023 \$	2022 \$
Assets			
Cash		27,162,950	34,885,526
Investments	5	73,120,648	61,464,560
Taxes receivable	4	9,330,843	10,761,895
Accounts receivable	4	59,512,719	56,142,662
Other current assets		9,540	9,540
		169,136,700	163,264,183
Liabilities			
Accounts payable and accrued liabilities		32,712,193	28,725,002
Deferred revenue	6	61,641,343	58,479,773
Other liabilities		5,131,353	4,519,501
Accrued interest on long-term liabilities		271,606	283,312
Employee future benefits	7	29,988,295	26,463,419
Landfill closure and post closure accrual	16	—	20,103,310
Asset retirement obligations	16	30,701,594	—
Municipal debt	8	121,781,239	119,653,203
		282,227,623	258,227,520
Net debt		(113,090,923)	(94,963,337)
Non-financial assets			
Tangible capital assets	15 and 16	645,158,746	597,110,291
Inventory and prepaid expenses		4,878,204	4,341,052
		650,036,950	601,451,343
Contingencies and commitments	10		
Accumulated surplus	9	536,946,027	506,488,006

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, 2023

	Budget \$ (Note 11)	2023 Actual \$	2022 Actual \$
Revenue			
Taxes levied for own purposes	136,512,396	137,594,349	130,696,552
Payments in lieu from other governments	462,415	455,916	465,529
Taxation	136,974,811	138,050,265	131,162,081
User charges, licenses and fines	45,945,643	51,409,263	46,660,391
Grants			
Government of Canada	977,211	1,728,066	2,737,797
Province of Ontario	70,671,785	77,205,716	69,552,344
Other municipalities	2,339,287	2,405,782	1,706,240
Other			
Investment income	3,675,247	4,237,141	2,144,158
Gain on disposal of tangible capital assets	267,000	1,090,714	693,921
Penalties and interest on taxes	1,750,000	1,640,880	2,095,297
Restricted amounts earned	13,114,248	12,820,083	15,884,916
Donations and other contributed tangible capital assets	2,035,211	2,994,921	2,706,583
	—	7,020,906	1,683,777
	277,750,443	300,603,737	277,027,505
Expenses			
General government	27,219,360	31,431,123	32,236,173
Protection to persons and property	33,882,070	39,715,713	35,503,755
Transportation services	44,648,037	52,471,086	49,035,436
Environmental services	26,903,905	36,206,646	38,927,091
Health services	16,814,726	17,003,209	16,222,346
Social services	54,577,324	55,699,051	52,190,821
Housing services	12,523,873	14,834,226	13,927,689
Recreational and cultural services	16,360,562	17,191,815	16,522,105
Planning and development	6,397,423	5,592,847	7,138,917
	239,327,280	270,145,716	261,704,333
Annual surplus	38,423,163	30,458,021	15,323,172
Accumulated surplus, beginning of year	506,488,006	506,488,006	491,164,834
Accumulated surplus, end of year	544,911,169	536,946,027	506,488,006

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, 2023

	Budget	2023	2022
	\$	Actual	Actual
	\$	\$	\$
	(Note 11)		
Annual surplus	38,423,163	30,458,021	15,323,172
Acquisition of tangible capital assets	(59,473,833)	(81,554,181)	(47,959,214)
Amortization of tangible capital assets	16,501,869	31,489,048	30,107,081
Gain on disposal of tangible capital assets	—	(1,090,714)	(693,921)
Proceeds on disposal of tangible capital assets	—	3,107,392	1,038,720
	(4,548,801)	(17,590,434)	(2,184,162)
Change in inventory and prepaid expenses	—	(537,152)	(464,541)
	(4,548,801)	(18,127,586)	(2,648,703)
Net debt, beginning of year	(94,963,337)	(94,963,337)	(92,314,634)
Net debt, end of year	(99,512,138)	(113,090,923)	(94,963,337)

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, 2023

	2023	2022
	\$	\$
Operating activities		
Annual surplus	30,458,021	15,323,172
Items not involving cash		
Amortization of tangible capital assets	31,489,048	30,107,081
Gain on disposal of tangible capital assets	(1,090,714)	(693,921)
Contributed tangible capital assets	(7,020,906)	(1,683,777)
ARO accretion	592,107	—
Change in non-cash assets and liabilities		
Taxes receivable	1,431,052	1,325,597
Accounts receivable	(3,370,057)	(4,662,508)
Other current assets	—	3,395
Accounts payable and accrued liabilities	3,987,191	7,194,543
Deferred revenue	3,161,570	9,702,200
Other liabilities	611,852	(23,724)
Accrued interest on long-term liabilities	(11,706)	(40,656)
Employee future benefits	3,524,876	2,162,602
Landfill closure and post closure accrual	(20,103,310)	6,751,030
Asset retirement obligation	30,109,487	—
Inventory and prepaid expenses	(537,152)	(464,541)
	73,231,359	65,000,493
Capital activities		
Acquisition of tangible capital assets	(74,533,275)	(46,275,437)
Proceeds on disposal of tangible capital assets	3,107,392	1,038,720
	(71,425,883)	(45,236,717)
Investing activity		
Increase in investments	(11,656,088)	(23,406,648)
Financing activities		
Municipal debt issued	15,296,141	—
Municipal debt repaid	(13,168,105)	(14,175,115)
	2,128,036	(14,175,115)
Change in cash	(7,722,576)	(17,817,987)
Cash, beginning of year	34,885,526	52,703,513
Cash, end of year	27,162,950	34,885,526

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

The City of Kawartha Lakes is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation. The City provides municipal services such as fire, roads maintenance and construction, transit, planning, parks and recreation, library and other general government operations.

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

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.

1. Summary of significant accounting policies (continued)

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

Investment and other revenue

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

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.

1. Summary of significant accounting policies (continued)

(b) (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.

(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) Asset retirement obligation

Asset retirement obligations (AROs) represent the legal obligations associated with the retirement of a tangible capital assets that result from its acquisition, construction, development, or normal use. The tangible capital assets (TCA) include but are not limited to assets in productive use, assets no longer in productive use, and leased tangible capital assets.

The liability associated with an asset retirement obligation is measured with reference to the best estimate of the amount required to ultimately remediate the liability at the financial statement date to the extent that all recognition criteria are met. Asset retirement obligations are only recognized when there is a legal obligation for the City to incur costs in relation to a specific TCA, when the past transactions or event causing the liability has already occurred, when economic benefits will need to be given up in order to remediate the liability and when a reasonable estimate of such amount can be made. The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligation, based on the most reliable information that is available as at the applicable reporting date. Where cash flows are expected over future periods, the liability is recognized using a present value technique.

1. Summary of significant accounting policies (continued)

(b) (v) Asset retirement obligation (continued)

When a liability for an asset retirement obligation is initially recognized, a corresponding adjustment to the related tangible capital asset is also recognized for underlying assets that have been recorded and reported within the TCA values of time subsequent reporting periods, the carrying value of the liability is adjusted to reflect accretion expenses incurred in the current period. This expense ensures that the time value of money is considered when recognizing outstanding liabilities at each reporting date. The capitalized asset retirement cost within tangible capital assets is also simultaneously depreciated on the same bases as the underlying asset to which it relates. In circumstances when the underlying asset is fully depreciated, the ARO will be amortized over the estimated future life until the cash disbursements is made in the future to settle the obligation.

At remediation, the City derecognizes the liability that was established. In some circumstances, gains or losses may be incurred upon settlement related to the ongoing measurement of the liability and corresponding estimates that were made and are recognized in the statement of operations.

Previously, the City was required to account for the closure and post-closure costs of the solid waste disposal facilities as a future liability in its financial statements. The new Asset Retirement Obligations replaces and includes this liability.

(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, tangible capital assets and asset retirement obligations. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Change in accounting policies

PS 3280 – Asset Retirement Obligations

Effective January 1, 2023, the City adopted the new Public Sector Accounting Standard PS 3280 Asset Retirement Obligations. This standard requires public sector entities to recognize legally obligated costs associated with the retirement of tangible capital assets on acquisition, construction or development and expense those costs systematically over the life of the asset. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use.

2. Change in accounting policies (continued)

The adoption of policy has been applied on a prospective basis with no restatement of prior period comparative amounts. These amounts were measured using information, assumptions that are current at the beginning of the fiscal year. The adoption of accounting policy has impacted the City's consolidated financial statements on January 1, 2023 with the impact on the opening balance of the new ARO standard as follows:

	2023
	\$
ARO asset	10,006,177
ARO liability	10,006,177

PS 3450 – Financial Instruments

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2023

2. Change in accounting policies (continued)

PS 1201 – Financial Statement Presentation

PS1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 – Foreign Currency Translation

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

PS 3041 - Portfolio Investments

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

As the remeasurement gain (loss) resulting from the adoption of the above accounting standards is nominal to the financial statements of the City, a Statement of Remeasurement Gains and Losses has not been prepared.

3. 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:

	2023	2022
	\$	\$
Requisitions of School Boards		
English public	23,423,474	22,962,189
French public	25,030	46,144
English separate	2,017,304	2,071,757
French separate	59,083	45,996
	25,524,891	25,126,086

4. Accounts and Taxes receivable

Accounts and Taxes receivable are reported net of allowance for doubtful accounts of \$75,401 (\$100,314 in 2022) and of \$546,969 (\$192,987 in 2022) respectively.

5. Investments

Investments of \$73,120,648 (\$61,464,560 in 2022) reported on the Consolidated Statement of Financial Position at cost, had a market value of \$73,473,131 (\$61,311,873 in 2022) at the end of the year. Investments consist mainly of guaranteed investment certificates, federal, provincial, and municipal bonds and money market securities that mature in the range of 1-7 years. Interest rates on these investments range from 1.05%-6.54%. These investments are carried at amortized cost given their fixed maturity, interest rates and maturity value and have no fair value with the exception of mutual fund of \$750,701 (\$806,050 in 2022) held within the investment portfolios.

6. Deferred revenue

	2023 \$	2022 \$
Obligatory reserve funds		
Recreational land (Planning Act)	1,493,619	1,736,408
Development Charges Act	1,519,476	2,106,218
Federal and Provincial Gas Tax Reserves	5,659,018	5,932,066
Other	1,557,759	1,752,213
Reserve funds restricted for specified purposes to benefit residents in geographic areas of former municipalities (Restructuring Order and City of Kawartha Lakes Act)	<u>22,947,573</u>	<u>22,740,670</u>
	33,177,445	34,267,575
Restricted reserves		
Reserves restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order)	<u>8,540</u>	<u>8,540</u>
	33,185,985	34,276,115
Other deferred revenue		
Unearned grants	12,895,795	8,039,998
Other unearned revenue	<u>15,559,563</u>	<u>16,163,660</u>
	61,641,343	58,479,773

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

	Parkland levies and development charges \$	Gas tax reserves and other \$	Amounts restricted by amalgamation legislation \$	2023 Total \$	2022 Total \$
Balance, beginning of year	3,842,626	7,684,279	22,749,210	34,276,115	34,357,603
Restricted funds received	5,241,986	5,894,390	650,036	11,786,412	15,711,026
Interest earned	(56,459)	—	—	(56,459)	92,402
Revenue recognized	<u>(6,015,058)</u>	<u>(6,361,892)</u>	<u>(443,133)</u>	<u>(12,820,083)</u>	<u>(15,884,916)</u>
Balance, end of year	3,013,095	7,216,777	22,956,113	33,185,985	34,276,115

6. 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.

7. Employee future benefits

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

	2023	2022
	\$	\$
Accrued payroll	2,101,503	1,642,236
Vacation and overtime payable	1,410,892	1,103,083
WSIB self-insured claims (Note 9)	15,209,500	14,145,500
Post-employment benefits	11,266,400	9,572,600
Employee future benefits payable	29,988,295	26,463,419

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 63.5 for full-time employees. The plan is unfunded and requires no contribution from employees. Total benefit payments to retirees during the year were \$369,047 (\$322,720 in 2022).

An actuarial valuation for accounting purposes is performed triennially using the projected benefit method prorated on service. An external actuarial valuation was completed as of December 31, 2023. The post-employment benefit liability at December 31 includes the following components:

	2023	2022
	\$	\$
Accrued benefit obligation	8,912,200	9,728,500
Actuarial loss	2,354,200	(155,900)
Post-employment benefits liability	11,266,400	9,572,600

7. Employee future benefits (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		2.00%
Discount rate	<ul style="list-style-type: none"> • beginning of year • end of year 	2.20% 4.30%
Medical cost increases	<ul style="list-style-type: none"> • first year • second year • decreasing over 10 years to 	4.50% 4.50% 4.50% plus CPI (assumed to be 2.5%)
Expected annual rate of dental cost increase		4.50% 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:

	2023	2022
	\$	\$
Current service cost	781,800	567,800
Amortization of actuarial gains	344,600	307,700
Interest on post-employment benefit liability	251,100	214,300
Total expense related to post-employment benefits	<u>1,377,500</u>	<u>1,089,800</u>

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 2023 was \$6,224,848 (\$5,559,857 in 2022) for current service which is included as an expense in the consolidated statement of operations.

8. Municipal debt

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

	2023	2022
	\$	\$
Total debt incurred and outstanding at December 31 to be financed from		
General tax rates	54,426,832	57,405,246
Water and sewer	57,932,208	51,607,583
Northwest Trunk Developer Debt	8,001,890	8,668,988
Benefiting landowners for local improvements and tile loans	250,716	200,930
Kawartha Lakes Haliburton Housing	1,169,593	1,770,456
Net municipal debt	<u>121,781,239</u>	<u>119,653,203</u>

- (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 in 2015. These funds are to be recovered as they are received for development.
- (c) Interest rates vary from 1.62% to 4.98%. Total future payments over the next 5 years and thereafter are summarized as follows:

	2024	2025	2026	2027	2028	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Principal							
Municipal	7,425,144	7,382,658	6,521,116	4,826,272	3,018,845	25,252,797	54,426,832
Water and sewer	5,097,047	4,721,070	4,743,094	4,511,694	4,269,210	34,590,093	57,932,208
Northwest Trunk Developer Debt	667,100	667,100	667,100	667,100	667,100	4,666,390	8,001,890
Tile Drain	35,450	34,256	34,220	36,274	27,200	83,316	250,716
Kawartha Lakes Haliburton	442,088	347,544	276,489	103,472	—	—	1,169,593
	<u>13,666,829</u>	<u>13,152,628</u>	<u>12,242,019</u>	<u>10,144,812</u>	<u>7,982,355</u>	<u>64,592,596</u>	<u>121,781,239</u>
Interest							
Municipal	1,537,629	1,329,171	1,130,577	954,703	851,910	5,937,930	11,741,920
Water and sewer	2,027,491	1,833,564	1,658,113	1,483,041	1,320,345	6,940,170	15,262,724
Northwest Trunk Developer Debt	244,862	223,476	202,648	181,861	161,530	863,552	1,877,929
Tile Drain	15,560	12,798	10,861	8,807	6,631	12,594	67,251
Kawartha Lakes Haliburton	38,014	24,506	12,292	1,362	—	—	76,174
	<u>17,530,385</u>	<u>16,576,143</u>	<u>15,256,510</u>	<u>12,774,586</u>	<u>10,322,771</u>	<u>78,346,842</u>	<u>150,807,237</u>

8. Municipal debt (continued)

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

	Municipal	Water and sewer	Tile drain	Kawartha Lakes Haliburton Housing	Northwest Trunk Developer Debt	Total
	\$	\$	\$	\$	\$	\$
Principal	7,326,182	4,539,248	34,714	600,863	667,098	13,168,105
Interest	1,509,770	1,460,299	12,255	53,588	282,154	3,318,066
	8,835,952	5,999,547	46,969	654,451	949,252	16,486,171

- (e) Kawartha Lakes Haliburton Housing debentures in the amount of \$361,980 (\$676,227 in 2022) 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 2023 in By-Law 2022-187. As at December 31, 2023, there was a balance outstanding of nil (nil in 2022).

9. Accumulated surplus

Accumulated surplus consists of the following:

	2023	2022
	\$	\$
Operating fund surplus	3,204,934	4,564,419
Capital fund (deficit) surplus – projects to be debentured	(10,781,773)	(12,602,113)
Capital fund deficit – municipal drain project	(2,145,248)	(1,551,603)
Capital fund surplus – all other projects	27,984,890	26,250,444
Unfunded employee future benefits	(29,988,296)	(26,463,419)
Post closure landfill costs	—	(20,103,310)
Asset retirement obligation	(30,701,594)	—
Accrued interest on long term debt	(271,606)	(283,312)
Long term debt	(113,779,350)	(110,984,215)
Reserve and reserve funds	48,265,324	50,550,824
Tangible capital assets	645,158,746	597,110,291
	536,946,027	506,488,006

10. 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.

10. Contingencies and commitments (continued)

Workplace Safety Insurance Board Self Insured – Schedule 2 (continued)

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 \$1,493,580 (\$1,437,219 in 2022). The WSIB has estimated liability for future benefit costs as at December 31, 2023 to be \$15,209,500 (\$14,145,500 in 2022) 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, 2022 (nil in 2022).

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 eighteen 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, 2021 to February 28, 2026 with the option to renew for an additional five year term.

Commitment – garbage and recycling collection contract

In October 2020, 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 \$4,692,058 for 2024 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, 2023, the City had awarded contracts in the amount of \$26,682,516 (\$30,551,987 in 2022) and has expanded \$18,639,135 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. Contingencies and commitments (continued)

Commitments – Leases

Under the terms of various operating leases in existence at December 31, 2023, the City is committed to future minimum annual payments as follows:

	\$
2024	363,015
2025	331,579
2026	325,914
2027	329,957
2028	331,819
Thereafter	749,179
	<u>2,431,463</u>

11. Budget amounts

The tax rate supported capital budget was approved by Council on February 2, 2023. The operating budget to establish the tax rates for the year was approved on February 2, 2023. In addition, the water and wastewater operating and capital budget were also approved by Council on February 2, 2023.

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.

12. Expenses by object

	2023	2022
	\$	\$
Salaries and wages	97,843,744	90,797,147
Materials, supplies and services	33,461,901	38,324,834
Contracted services	45,826,236	42,168,207
Rents and financial	5,971,574	5,303,436
Transfers to other entities	50,565,016	50,363,730
Tile drain loans and advanced to landowners	84,500	—
Interest on net municipal debt	3,035,910	3,373,336
Amortization expense	31,489,048	30,107,081
ARO depreciation	754,582	—
Other	1,113,205	1,266,562
	270,145,716	261,704,333

13. Trust funds

Trust funds administered by the City amounting to \$1,352,583 (\$1,268,894 in 2022) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

14. 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:

	2023	2022
	\$	\$
Gross revenues	1,243,729	1,253,107
Operating costs	(1,362,696)	(1,300,187)
Amount transferred to Haliburton County	(12,398)	(10,924)
Net City revenue	(131,365)	(58,004)

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.

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.

15. Tangible capital assets (continued)

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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City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2023

15. Tangible capital assets (continued)

	Land and land improvements \$	Building and building improvements \$	Vehicles, machinery and equipment \$	Water and sewer \$	Road infrastructure \$	Work in progress \$	2023 Total \$
Cost							
Balance, beginning of year	41,827,601	192,398,055	99,980,341	246,544,830	418,588,837	132,243,148	1,131,582,812
Additions - Regular	10,915,355	7,997,640	22,703,422	(13,695,544)	(4,653,751)	71,710,479	94,977,601
Work in progress completed	(3,181,702)	3,176,307	(10,780,503)	28,554,269	32,271,379	—	50,039,750
Disposals/transfers	(108,407)	(1,245,151)	(2,741,760)	(22,754)	(7,871,796)	(63,463,169)	(75,453,037)
Balance, end of year	49,452,847	202,326,851	109,161,500	261,380,801	438,334,669	140,490,458	1,201,147,126
Accumulated amortization							
Balance, of year beginning	7,298,465	80,428,462	63,233,141	113,637,467	269,874,986	—	534,472,521
Disposals	(30,965)	(815,914)	(2,440,374)	(13,359)	(6,672,577)	—	(9,973,189)
Amortization expense	220,291	3,901,936	7,401,209	5,528,709	14,436,903	—	31,489,048
Balance, end of year	7,487,791	83,514,484	68,193,976	119,152,817	277,639,312	—	555,988,380
Net book value, end of year	41,965,056	118,812,367	40,967,524	142,227,984	160,695,357	140,490,458	645,158,746
2022							
	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	38,007,769	182,201,511	88,522,428	241,495,821	398,137,133	139,435,287	1,087,799,949
Additions	4,530,262	24,059,905	15,076,497	38,686,593	77,989,195	47,959,214	208,301,666
Work in progress completed	(674,280)	(13,618,106)	(2,147,997)	(33,620,431)	(55,130,287)	—	(105,191,101)
Disposals/transfers	(36,150)	(245,255)	(1,470,587)	(17,153)	(2,407,204)	(55,151,353)	(59,327,702)
Balance, end of year	41,827,601	192,398,055	99,980,341	246,544,830	418,588,837	132,243,148	1,131,582,812
Accumulated amortization							
Balance, of year beginning	7,100,888	75,783,827	57,667,870	108,119,882	258,524,525	—	508,196,992
Disposals	(28,783)	(195,405)	(1,282,074)	(12,364)	(2,312,926)	—	(3,831,552)
Amortization expense	226,360	3,840,040	6,847,345	5,529,949	13,663,387	—	30,107,081
Balance, end of year	7,298,465	80,428,462	63,233,141	113,637,467	269,874,986	—	534,472,521
Net book value, end of year	34,529,136	111,969,593	36,747,200	132,907,363	148,713,851	132,243,148	597,110,291

16. Asset Retirement Obligations

	2023
	\$
Balance, beginning of the year	30,109,487
Accretion expense	592,107
Changes in estimated cash flows	—
Estimated total liability	<u>30,701,594</u>

The City's asset retirement obligations consist of the following:

Buildings, Building Improvements and Water and Sewer with Asbestos and Other Hazardous Materials

The City owns buildings which contains asbestos and therefore, the City is legally required to perform abatement activities upon renovation or demolition of these assets. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. Undiscounted future cash flows expected are an abatement cost between 2024 and 2073 of \$3,124,927. The estimated total liability of \$3,195,543 (nil in 2022) is based on the sum of discounted future cash flows for abatement activities using an annual inflation of 2.0%. The City has not designated funds for settling the the abatement activities.

Landfill

Landfill closure and post-closure care requirements have been defined in accordance with The Environmental Management and Protection Act and include final covering and landscaping of the landfill, pumping of ground water, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over an 83 year period (until 2105) using the best information available to management. Future events may result in significant changes to the estimated total expense, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable. Undiscounted future cash flows expected are an abatement cost between 2024 and 2107 of \$26,913,944. The estimated total liability of \$27,506,051 (nil in 2022) is based on the sum of discounted future cash flows for abatement activities using an annual inflation of 2.0%. The City has not designated funds for settling the the abatement activities.

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 14 closed sites and 5 active solid waste sites.

17. 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

17. Segmented information (continued)

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.

Draft

City of Kawartha Lakes

Schedule 1 – Consolidated schedule of segmented disclosure

Year ended December 31, 2023

	General government \$	Protection to persons and property \$	Transportation services \$	Environmental services \$	Health and social services \$	Recreation and culture \$	Planning and development \$	Consolidated \$
Expenses								
Salaries and wages	17,560,437	20,002,820	14,179,389	3,289,407	31,397,381	7,877,096	3,537,214	97,843,744
Minor capital	338,827	211,574	3,413,896	4,089,045	1,370,071	352,462	—	9,775,875
Interest costs	1,509,769	—	—	1,460,299	53,587	—	12,255	3,035,910
Other expenses	11,841,759	13,721,432	18,858,826	20,971,755	52,673,630	7,135,777	2,043,378	127,246,557
Amortization expense	109,715	5,779,887	16,018,975	5,712,174	2,041,817	1,826,480	—	31,489,048
ARO accretion	70,616	—	—	683,966	—	—	—	754,582
	31,431,123	39,715,713	52,471,086	36,206,646	87,536,486	17,191,815	5,592,847	270,145,716
External tax revenues	(137,752,972)	—	—	(250,323)	—	—	(46,970)	(138,050,265)
External non-tax revenues	(34,576,715)	(6,071,891)	(2,852,902)	(30,252,876)	(66,757,680)	(4,833,547)	(3,297,064)	(148,642,675)
Restricted amounts earned	(9,134,575)	(28,000)	(726,409)	(1,526,333)	(776,605)	(628,161)	—	(12,820,083)
Loss (gain) on disposal of tangible capital assets	433,545	(57,806)	(110,483)	—	(1,355,970)	—	—	(1,090,714)
	(181,030,717)	(6,157,697)	(3,689,794)	(32,029,532)	(68,890,255)	(5,461,708)	(3,344,034)	(300,603,737)
Annual (surplus) deficit	(149,599,594)	33,558,016	48,781,292	4,177,114	18,646,231	11,730,107	2,248,813	(30,458,021)

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

City of Kawartha Lakes

Schedule 1 – Consolidated schedule of segmented disclosure

Year ended December 31, 2022

	General government \$	Protection to persons and property \$	Transportation services \$	Environmental services \$	Health and social services \$	Recreat on and culture \$	Planning and development \$	Consolidated \$
Expenses								
Salaries and wages	16,635,545	18,303,941	12,478,983	3,172,080	29,821,681	7,030,365	3,354,552	90,797,147
Minor capital	2,095,042	166,035	2,487,700	1,572,083	1,020,478	826,897	52,276	8,220,511
Interest costs	1,706,820	—	—	1,581,211	70,419	—	14,886	3,373,336
Other expenses	10,078,544	13,459,673	18,732,535	26,888,303	49,296,994	7,033,342	3,716,867	129,206,258
Amortization expense	1,720,222	3,574,106	15,336,218	5,713,414	2,131,284	1,631,501	336	30,107,081
	<u>32,236,173</u>	<u>35,503,755</u>	<u>49,035,436</u>	<u>38,927,091</u>	<u>82,340,856</u>	<u>16,522,105</u>	<u>7,138,917</u>	<u>261,704,333</u>
External tax revenues	(130,932,576)	—	—	(172,757)	—	—	(56,748)	(131,162,081)
External non-tax revenues	(23,180,603)	(5,780,719)	(1,490,047)	(27,944,191)	(63,514,187)	(3,738,497)	(3,638,343)	(129,286,587)
Restricted amounts earned	(12,883,059)	(171,584)	(520,406)	(1,567,243)	(129,879)	(612,745)	—	(15,884,916)
Loss (gain) on disposal of tangible capital assets	(37,651)	(15,676)	(107,984)	—	(14,635)	—	(517,975)	(693,921)
	<u>(167,033,889)</u>	<u>(5,967,979)</u>	<u>(2,118,437)</u>	<u>(29,684,191)</u>	<u>(63,658,701)</u>	<u>(4,351,242)</u>	<u>(4,213,066)</u>	<u>(277,027,505)</u>
Annual (surplus) deficit	<u>(134,797,716)</u>	<u>29,535,776</u>	<u>46,916,999</u>	<u>9,242,900</u>	<u>18,682,155</u>	<u>12,170,863</u>	<u>2,925,851</u>	<u>(15,323,172)</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, 2023

	Budget	2023 Actual	2022 Actual
	\$	\$	\$
Revenue			
Contribution from municipal tax revenues	2,176,449	2,180,264	2,036,810
Grants – Province of Ontario	178,733	194,822	194,708
User fees	15,400	22,777	23,904
Fines and penalties	9,200	3,581	2,961
Transfer from reserves	75,772	3,644	202,959
Donations and other	6,000	11,200	8,370
	2,461,554	2,416,288	2,469,712
Expenses			
Staffing	1,742,654	1,751,456	1,629,896
Operations	78,400	55,728	73,586
Telecommunications	53,300	48,031	44,224
Collections and library supplies	414,600	395,721	522,640
Rentals and leases	54,800	52,275	51,309
Electronic resources	102,000	100,302	104,028
Other expenses	—	—	—
Computer hardware and software	15,800	12,775	15,406
Transfer to reserve	—	—	28,623
	2,461,554	2,416,288	2,469,712
Net revenue	—	—	—

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

2023	2022	2021	2020
1,000,000	800,000	700,000	600,000
2,000,000	1,500,000	1,200,000	1,000,000
3,000,000	2,500,000	2,000,000	1,800,000
4,000,000	3,500,000	3,000,000	2,800,000
5,000,000	4,500,000	4,000,000	3,800,000
6,000,000	5,500,000	5,000,000	4,800,000
7,000,000	6,500,000	6,000,000	5,800,000
8,000,000	7,500,000	7,000,000	6,800,000
9,000,000	8,500,000	8,000,000	7,800,000
10,000,000	9,500,000	9,000,000	8,800,000

Financial statements of City of Kawartha Lakes Trust Funds

December 31, 2023

Draft

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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, 2023, 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, 2023, 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
[DATE]

City of Kawartha Lakes Trust Funds

Statement of financial position

As at December 31, 2023

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	2023 Total trusts	2022 Total trusts
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets										
Cash	—	109,889	843	25,847	22,367	4,995	—	12,936	176,877	129,431
Investments	54,282	842,131	—	220,404	—	—	210,733	—	1,327,550	1,269,121
Accrued interest	—	50,041	—	3,171	—	—	—	—	53,212	44,680
	54,282	1,002,061	843	249,422	22,367	4,995	210,733	12,936	1,557,639	1,443,232
Liabilities and fund balance										
Accounts payable	—	—	843	3,870	—	—	—	—	4,713	4,765
Due to the City of Kawartha Lakes	1,144	39,987	—	16,067	(49)	1,010	142,153	31	200,343	169,573
	1,144	39,987	843	19,937	(49)	1,010	142,153	31	205,056	174,338
Fund balances	53,138	962,074	—	229,485	22,416	3,985	68,580	12,905	1,352,583	1,268,894
	54,282	1,002,061	843	249,422	22,367	4,995	210,733	12,936	1,557,639	1,443,232

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, 2023

	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	2023 Total trusts	2022 Total trusts
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	53,138	879,205	—	229,485	22,371	3,769	68,580	12,346	1,268,894	1,345,117
Revenue										
Interest earned	—	37,288	—	3,868	—	216	—	955	42,327	22,357
Plot sales	—	19,667	—	—	—	—	—	—	19,667	21,236
Donations and other	—	56,486	—	—	—	—	—	—	56,486	—
Manor residents	—	—	—	—	18,270	—	—	—	18,270	17,948
	—	113,441	—	3,868	18,270	216	—	955	136,750	61,541
Expenses										
Manor residents	—	—	—	—	18,225	—	—	—	18,225	14,751
Disaster relief	—	—	—	—	—	—	—	—	—	101,555
Contributed to minor hockey	—	—	—	1,934	—	—	—	—	1,934	1,961
Contributed to figure skating	—	—	—	1,934	—	—	—	—	1,934	1,961
Paid to general operations	—	30,572	—	—	—	—	—	396	30,968	17,536
	—	30,572	—	3,868	18,225	—	—	396	53,061	137,764
(Deficiency) excess of revenue over expenses	—	82,869	—	—	45	216	—	559	83,689	(76,223)
Balance, end of year	53,138	962,074	—	229,485	22,416	3,985	68,580	12,905	1,352,583	1,268,894

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, 2023

	2023	2022
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	83,689	(76,223)
Change in non-cash assets and liabilities		
Accounts receivable	—	240
Accrued interest	(8,532)	1,395
Accounts payable	(52)	701
	75,105	(73,887)
Investing activity		
Decrease (increase) in investments	(58,429)	66,498
Financing activity		
Increase (decrease) in amount due to the City of Kawartha Lakes	30,770	15,988
Change in cash during the year	47,446	8,599
Cash, beginning of year	129,431	120,832
Cash, end of year	176,877	129,431

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

City of Kawartha Lakes Trust Funds

Notes to the financial statements

December 31, 2023

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, 2023 comprise of repayable loans of nil (nil in 2022). 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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