

Consolidated Financial Statements of

CITY OF KAWARTHA LAKES

December 31, 2005

Auditors' Report

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

We have audited the consolidated statement of financial position of the City of Kawartha Lakes as at December 31, 2005 and the consolidated statements of financial activities and of changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Kawartha Lakes as at December 31, 2005 and the results of its operations and changes in its financial position for the for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
April 7, 2006

CITY OF KAWARTHA LAKES

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CITY OF KAWARTHA LAKES
Consolidated Statement of Financial Position
December 31, 2005

	<u>2005</u>	<u>2004</u>
ASSETS		
FINANCIAL ASSETS		
Cash (Note 4)	\$ 50,860,976	\$ 37,123,901
Taxes receivable	6,335,429	7,268,574
Accounts receivable (Note 5)	20,759,998	17,942,094
Other current assets	22,921	27,382
Long-term investments (Note 6)	522,702	525,442
	\$ 78,502,026	\$ 62,887,393
LIABILITIES AND MUNICIPAL POSITION		
LIABILITIES		
Temporary loans - capital	\$ -	\$ 1,464,878
Accounts payable and accrued expenses	12,982,053	12,033,996
Deferred revenue (Note 7)	37,361,350	34,678,340
Other liabilities	1,424,381	1,253,994
Accrued interest on long term liabilities	436,475	423,494
Employee future benefits payable (Note 8)	3,902,323	3,610,760
Landfill closure and post closure accrual (Note 9)	4,687,613	4,478,663
Municipal debt (Note 10)	55,040,518	51,677,807
	115,834,713	109,621,932
NET FINANCIAL LIABILITIES	(37,332,687)	(46,734,539)
NON-FINANCIAL ASSETS		
Inventory and prepaids	1,816,101	1,052,482
	\$ (35,516,586)	\$ (45,682,057)
CONTINGENCIES AND COMMITMENTS (Note 13)		
MUNICIPAL POSITION		
Operating fund (Page 4 - Note 11)	\$ 2,582,158	\$ (242,565)
Capital fund (Page 5 - Note 11)	3,387,012	(2,550,049)
Reserves and reserve funds (Page 6)	22,741,709	17,512,721
FUND BALANCES	28,710,879	14,720,107
AMOUNTS TO BE RECOVERED FROM		
FUTURE REVENUES (Note 12)	(64,227,465)	(60,402,164)
	\$ (35,516,586)	\$ (45,682,057)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CITY OF KAWARTHA LAKES
Consolidated Statement of Financial Activities
Year ended December 31, 2005

	Budget 2005 (unaudited)	Actual 2005	Actual 2004
REVENUE			
Taxes levied for own purposes	\$ 63,657,602	\$ 64,474,411	\$ 60,898,774
Payments in lieu from other governments	362,486	362,607	424,530
Net taxation	64,020,088	64,837,018	61,323,304
User charges, licences and fines (Note 16)	26,562,224	28,931,871	27,454,441
Grants			
Government of Canada	924,475	939,732	939,069
Province of Ontario	30,540,013	33,061,788	29,814,909
Other Municipalities	2,844,490	2,793,148	2,563,030
Other			
Investment income	617,368	471,492	652,154
Sale of land and capital assets	166,050	435,751	448,577
Penalties and interest on taxes	1,300,000	1,249,802	1,297,585
Restricted amounts earned (Note 7)	924,673	1,198,993	2,360,577
Donations and other	873,931	1,354,649	1,053,375
	128,773,312	135,274,244	127,907,021
EXPENDITURE (Note 15)			
General government	13,148,260	12,462,343	13,116,297
Protection to persons and properly	17,869,098	16,835,943	15,938,383
Transportation services	19,595,179	19,490,560	18,327,378
Environmental services	27,561,524	24,680,082	25,633,000
Health services	7,018,307	6,835,418	6,577,681
Social services	30,576,230	28,237,470	27,247,890
Housing services	6,894,960	6,695,503	6,308,040
Recreational and cultural services	8,565,893	8,215,787	8,266,590
Planning and development	2,217,342	2,419,286	2,092,073
	133,446,793	125,872,392	123,507,332
NET (EXPENDITURE) REVENUE	(4,673,481)	9,401,852	4,399,689
FINANCING			
New debt issued and assumed	12,513,662	7,594,890	6,776,180
Debt principal repayments	(3,532,780)	(4,283,083)	(4,766,234)
Employee future benefits	-	291,563	54,023
Accrued interest on debt	-	12,981	(25,185)
Landfill closure and post-closure accrual (Note 9)	-	208,950	(125,528)
INCREASE IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES	8,980,882	3,825,301	1,913,256
INCREASE (DECREASE) IN INVENTORY AND PREPAIDS	-	763,619	(215,200)
CHANGE IN FUND BALANCES	\$ 4,307,401	\$ 13,990,772	\$ 6,097,745

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CITY OF KAWARTHA LAKES
Consolidated Statement of Changes in Financial Position
Year ended December 31, 2005

	<u>2005</u>	<u>2004</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Cash flows from operating activities		
Net revenue	\$ 9,401,852	\$ 4,399,689
Uses:		
Increase in accounts receivable	(2,817,904)	(3,603,018)
Decrease in deferred revenue	-	(1,784,271)
	<u>(2,817,904)</u>	<u>(5,387,289)</u>
Sources:		
Decrease in taxes receivable	933,145	536,846
Decrease in other current assets	4,461	14,226
Increase in accounts payable and accrued liabilities	948,057	753,982
Increase in other liabilities	170,387	656,689
Increase in deferred revenue	2,683,010	-
	<u>4,739,060</u>	<u>1,961,743</u>
Net increase in cash from operations	<u>11,323,008</u>	<u>974,143</u>
INVESTING		
Decrease in long-term investments	2,740	77,566
Decrease in debt held internally	50,904	47,083
	<u>53,644</u>	<u>124,649</u>
FINANCING		
Municipal debt issued (Note 10)	7,594,890	6,776,180
Municipal debt repaid	(4,283,083)	(4,766,234)
Decrease in accrued interest	12,981	(25,185)
Increase in employee future benefits liability	291,563	54,023
Increase in Landfill closure and post closure accrual	208,950	(125,528)
Decrease in temporary loans - capital	(1,464,878)	(262,712)
	<u>2,360,423</u>	<u>1,650,544</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,737,075	2,749,336
OPENING CASH AND CASH EQUIVALENTS	37,123,901	34,374,565
CLOSING CASH AND CASH EQUIVALENTS	\$ 50,860,976	\$ 37,123,901

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CITY OF KAWARTHA LAKES

Consolidated Schedule of Operating Fund Operations

Year ended December 31, 2005

	Budget 2005 (unaudited)	Actual 2005	Actual 2004
REVENUES			
Net taxation	\$ 64,020,088	\$ 64,837,018	\$ 61,323,304
User charges, licences and fines (Note 16)	26,562,224	28,931,871	27,454,441
Grants			
Government of Canada	864,835	880,092	868,065
Province of Ontario	28,984,616	26,182,597	23,782,377
Other Municipalities	2,829,490	2,791,503	2,484,810
Other			
Investment income	617,368	445,660	561,649
Sale of land and capital assets	166,050	435,751	230,946
Penalties and interest on taxes	1,300,000	1,249,802	1,297,585
Restricted amounts earned (Note 7)	(3,710)	104,858	923,998
Donations and other	331,184	368,723	351,854
	125,672,145	126,227,875	119,279,029
Expenditures			
General government	12,715,785	11,953,726	12,536,199
Protection to persons and property	16,746,861	16,281,597	14,908,126
Transportation services	12,819,488	14,519,987	12,315,533
Environmental services	13,795,050	14,180,151	12,409,010
Health services	7,008,307	6,829,756	6,360,571
Social services	30,166,230	27,933,784	27,086,971
Housing services	5,841,709	5,834,942	5,652,304
Recreation and cultural services	6,918,643	6,750,759	6,794,114
Planning and development	1,997,342	1,670,858	1,720,844
	108,009,415	105,955,560	99,783,672
NET REVENUES	17,662,730	20,272,315	19,495,357
FINANCING AND TRANSFERS			
Debt principal repayment	(3,532,780)	(4,283,083)	(4,766,234)
Employee future benefits	-	291,563	54,023
Accrued interest on long term liabilities	-	12,981	(25,185)
Landfill closure and post-closure accrual (Note 9)	-	208,950	(125,528)
Reserves and Reserve Funds (Page 6)	(5,007,724)	(5,011,184)	(5,469,602)
Capital Fund (Page 5)	(9,181,865)	(9,430,438)	(8,438,608)
	(17,722,369)	(18,211,211)	(18,771,134)
DECREASE (INCREASE) IN INVENTORY AND PREPAIDS	(59,639)	2,061,104	724,223
CHANGE IN OPERATING FUND BALANCE	(59,639)	2,824,723	509,023
OPENING OPERATING FUND BALANCE		(242,565)	(751,588)
CLOSING OPERATING FUND BALANCE (Note 11)	\$ (59,639)	\$ 2,582,158	\$ (242,565)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CITY OF KAWARTHA LAKES
Consolidated Schedule of Capital Fund Operations
Year ended December 31, 2005

	Budget 2005 (unaudited)	Actual 2005	Actual 2004
REVENUES			
Grants			
Government of Canada	\$ 59,640	\$ 59,640	\$ 71,004
Province of Ontario	1,555,397	6,879,191	6,032,532
Other Municipalities	15,000	1,645	78,220
Other			
Sale of land and capital assets	-	-	217,631
Restricted amounts earned (Note 7)	928,383	1,094,135	1,436,579
Donations and other	542,747	985,926	701,521
	3,101,167	9,020,537	8,537,487
EXPENDITURES			
General government	432,475	508,617	580,098
Protection to persons and property	1,122,237	554,346	1,030,257
Transportation services	6,775,691	4,970,573	6,011,845
Environmental services	13,766,474	10,499,931	13,223,990
Health services	10,000	5,662	217,110
Social services	410,000	303,686	160,919
Housing services (Note 19)	1,053,251	860,561	655,736
Recreation and cultural services	1,647,250	1,465,028	1,472,476
Planning and development	220,000	583,328	354,229
Tile drains paid to ratepayers	-	165,100	17,000
	25,437,378	19,916,832	23,723,660
NET EXPENDITURES	(22,336,211)	(10,896,295)	(15,186,173)
FINANCING AND TRANSFERS FROM OTHER FUNDS			
New debt issued and assumed	12,513,662	7,594,890	6,776,180
Operating Fund (Page 4)	9,181,865	9,430,438	8,438,608
Reserves and Reserve Funds (Page 6)	694,128	(191,972)	542,543
	22,389,655	16,833,356	15,757,331
CHANGE IN CAPITAL FUND BALANCE	53,444	5,937,061	571,158
OPENING CAPITAL FUND BALANCE	-	(2,550,049)	(3,121,207)
CLOSING CAPITAL FUND BALANCE (Note 11)	\$ 53,444	\$ 3,387,012	\$ (2,550,049)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CITY OF KAWARTHA LAKES
Consolidated Schedule of Reserves and Reserve Funds
Year ended December 31, 2005

	Budget 2005 (unaudited)	Actual 2005	Actual 2004
REVENUES			
Interest	\$ -	\$ 25,832	\$ 90,505
NET TRANSFERS FROM (TO) OTHER FUNDS			
Operating fund (Page 4)	5,007,724	5,011,184	5,469,602
Capital fund (Page 5)	(694,128)	191,972	(542,543)
	4,313,596	5,203,156	4,927,059
CHANGE IN RESERVES AND RESERVE FUNDS	4,313,596	5,228,988	5,017,564
OPENING RESERVES AND RESERVE FUNDS	17,512,721	17,512,721	12,495,157
CLOSING RESERVES AND RESERVE FUNDS	\$ 21,826,317	\$ 22,741,709	\$ 17,512,721
CONSISTS OF:			
Reserves set aside at the discretion of Council			
for working funds and rate stabilization		\$ 6,616,819	\$ 5,770,941
for general contingency		841,364	-
for 2006 election		140,000	75,000
for OPP stabilization		364,942	327,166
for ambulance capital		159,010	517,660
for transportation capital		1,361,645	909,015
for parks and recreation		438,343	446,854
for development services		988,319	763,313
for water infrastructure and rate stabilization		4,211,766	2,784,862
for social housing		739,325	740,105
for sewer infrastructure and rate stabilization		1,686,494	976,494
for social service programs		780,789	731,920
for other		2,126,526	710,325
Total reserves		20,455,342	14,753,655
Reserve funds set aside at the discretion of Council			
for debt retirement		1,745,776	2,279,581
for housing corporations		540,591	479,485
Total Reserve Funds		2,286,367	2,759,066
TOTAL RESERVES AND RESERVE FUNDS		\$ 22,741,709	\$ 17,512,721

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CITY OF KAWARTHA LAKES

Notes to the Consolidated Financial Statements

December 31, 2005

NATURE OF BUSINESS

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 of Kawartha Lakes are the representations of management prepared in accordance with local government accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the City and the changes thereto. The Consolidated Statement of Financial Position includes the assets and liabilities of the City. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) (i) *Reporting entity*

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the operating fund, capital fund, reserve funds, and reserves 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 Housing Authority (Note 19)
Lindsay Non-Profit Housing Authority (Note 19)

All interfund and inter-municipal assets, liabilities, sources of financing and expenditures have been eliminated for the entities listed as consolidated in this statement.

(ii) *Accounting School Board transactions*

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

(iii) *Trust Funds*

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

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) (i) Basis of accounting

Expenditures and their related sources of financing 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; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(ii) Tangible capital assets

The historical cost and accumulated depreciation of capital assets are not reported for municipal purposes. Capital assets are reported as expenditures in the Consolidated Statement of Financial Activities in the year of acquisition.

(iii) Investments

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

(iv) Deferred revenue

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

(v) 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 prorated 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.

(vi) Use of estimates

The preparation of the periodic financial statements in conformity with Canadian generally accepted accounting principles, 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 expenditures during the period. Actual results could differ from these estimates.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of accounting (continued)

(vi) Reserves and Reserve Funds

Certain amounts, as approved by the municipality's Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are recorded as an adjustment to the respective fund when approved.

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:

	<u>2005</u>	<u>2004</u>
Requisitions of School Boards		
English public	\$ 21,541,891	\$ 21,303,052
French public	10,201	32,897
English separate	2,585,089	2,504,024
French separate	54,689	57,145
	<u>\$ 24,191,870</u>	<u>\$ 23,897,118</u>

3. RESTRICTED ASSETS

	<u>2005</u>	<u>2004</u>
Cash (Note 4)	\$ 1,872,080	\$ 8,732,808
Short-term investments (Note 4)	33,299,194	24,993,928
Interest receivable (Note 5)	140,071	142,396
Due to own municipality	(749,404)	(115,540)
Municipal debt held by own reserve funds (Note 10)	24,703	27,696
	<u>\$ 34,586,644</u>	<u>\$ 33,781,288</u>
Consists of:		
Obligatory funds in deferred revenue (Note 7)	\$ 32,300,277	\$ 31,022,221
Reserve funds (Page 6)	2,286,367	2,759,067
	<u>\$ 34,586,644</u>	<u>\$ 33,781,288</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

4. CASH

Cash consists of cash and cash equivalents which include investments in short-term money market instruments.

	<u>2005</u>	<u>2004</u>
Unrestricted		
Cash	\$ 2,671,104	\$ 124,737
Short-term investments		
-T-Bills	13,000	1,105,135
- Government investment certificates	13,005,598	2,167,293
Restricted		
Cash	1,872,080	8,732,808
Short-term investments		
-T-bills	13,902,957	3,372,987
- marketable securities	19,396,237	21,620,941
	<u>\$ 50,860,976</u>	<u>\$ 37,123,901</u>

Marketable securities, both restricted and unrestricted, are comprised of corporate and government debt securities and investment certificates from chartered banks with effective interest rates from 1.85% to 4.25% (2004 – 0.75% to 5.65%). The costs listed are considered to approximate their fair values.

5. ACCOUNTS RECEIVABLE

	<u>2005</u>	<u>2004</u>
Unrestricted		
Canada	\$ 5,192,192	\$ 3,875,726
Ontario	7,008,333	5,275,558
Other municipalities and school board	1,656,233	1,296,778
Water and sewer charges		
Billed	1,646,164	1,629,072
Unbilled	1,468,387	1,447,182
Other user charges and recoveries	4,067,988	4,538,899
Allowance for doubtful accounts	(419,370)	(263,517)
	<u>20,619,927</u>	<u>17,799,698</u>
Restricted - accrued interest (Note 3)	140,071	142,396
	<u>\$ 20,759,998</u>	<u>\$ 17,942,094</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

6. LONG-TERM INVESTMENTS

	<u>2005</u>	<u>2004</u>
Unrestricted		
Loans receivable - non-interest bearing, repayable \$2,000 principal annually, due 2005	\$ -	\$ 2,000
Local improvements receivable - 8% and 15% interest, repayable \$15,675 blended payments of principal and interest annually, due 2009 to 2015	51,796	63,789
Due from developers and others for servicing - 0%, repayable \$10,000 per year until 2006, \$199,529 in 2007 and remainder will be enforceable by future land development agreements	434,337	437,653
Parking agreements - 0% repayable \$10,000 per year, due 2007-2009	22,000	22,000
Drainage Loans - 4.3% interest, repayable \$1,767 and \$625 blended payments of principal and interest annually, due 2014	14,569	-
	<u>\$ 522,702</u>	<u>\$ 525,442</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

7. DEFERRED REVENUE

	<u>2005</u>	<u>2004</u>
Obligatory reserve funds		
Recreational land (Planning Act)	\$ 1,250,919	\$ 1,169,817
Development Charges Act	5,708,455	4,346,357
Parking revenues (Municipal Act)	462,281	398,100
Other subdivider contributions and bequests	180,312	185,949
Reserve funds restricted for specific purposes to benefit residents in geographic areas of former municipalities (restructuring Order and City of Kawartha Lakes Act)	24,698,310	24,921,998
	<u>32,300,277</u>	<u>31,022,221</u>
Restricted reserves		
Reserves restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order)	968,175	1,810,158
	<u>33,268,452</u>	<u>32,832,379</u>
Total restricted by legislation		
Other deferred revenue		
Unearned grants	524,878	982,529
Other unearned revenue	3,568,020	863,432
	<u>\$ 37,361,350</u>	<u>\$ 34,678,340</u>

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

	<u>Parkland Levies and Development Charges</u>	<u>Parking Revenues</u>	<u>Subdividers and Bequests</u>	<u>Amounts Restricted by Amalgamation Legislation</u>	<u>Total</u>
Opening	\$ 5,516,174	\$ 398,100	\$ 185,949	\$ 26,732,156	\$ 32,832,379
Restricted funds received	1,438,199	60,939	(3,712)	187,373	1,682,799
Hydro sale costs	-	-	-	(412,732)	(412,732)
Interest earned	51,086	3,242	1,074	309,597	364,999
Revenue recognized	(46,085)	-	(2,999)	(1,149,909)	(1,198,993)
	<u>\$ 6,959,374</u>	<u>\$ 462,281</u>	<u>\$ 180,312</u>	<u>\$ 25,666,485</u>	<u>\$ 33,268,452</u>

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 Financial Activities when qualifying expenditures are incurred.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

8. EMPLOYEE FUTURE BENEFITS PAYABLE

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

	<u>2005</u>	<u>2004</u>
Accrued payroll	\$ 917,764	\$ 833,913
Vacation and overtime payable	629,293	460,874
WSIB self-insured claims (Note 12a)	559,035	614,783
Post-employment benefits	1,796,231	1,701,190
Total estimated liability	\$ 3,902,323	\$ 3,610,760

(a) Vacation Pay and Overtime Liability

The City budgets for payrolls and vacation and overtime banks based on timing of payment. The above liabilities for payrolls, vacation and overtime represent amounts earned by employees but not paid prior to year-end. The accrued balances will require funding in future periods, and are included in amounts to be recovered from future revenues in the Municipal Position section of the Consolidated Statement of Financial Position.

(b) Post-Employment Benefit Liability

The municipality sponsors a defined benefit plan for retirement benefits other than pensions for substantially all of its employees. The plan provides extended health and life insurance coverage to age 65 for full-time employees. The plan is unfunded and requires no contribution from employees. Total benefit payments to retirees during the year were \$187,965 (2004 - \$164,932).

Actuarial valuation for accounting purposes will be performed triennially using the projected benefit method prorated on services. The most recent actuarial valuation was completed as of December 31, 2004. The post-employment benefit liability at December 31 includes the following components:

	<u>2005</u>	<u>2004</u>
Actuarially determined accrued benefit obligation	\$ 1,796,231	\$ 1,688,882
Severance liabilities	-	12,308
Post-employment benefit liability	\$ 1,796,231	\$ 1,701,190

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

8. EMPLOYEE FUTURE BENEFITS PAYABLE (continued)

(b) Post-Employment Benefit Liability (continued)

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

Expected inflation rate		2.5%
Discount rate	- beginning of year	5.75%
	- end of year	5.25%
Medical cost increases	- first year	0%
	- second year	10%
	- decreasing over 10 years to	3.5% plus CPI
Expected rate of dental cost increase		3.5% plus CPI

The post-employment benefit expense is reported as a component of current expenditures on the Consolidated Statement of Financial Activities. Composition of the amount is as follows:

	<u>2005</u>	<u>2004</u>
Current year benefit cost	\$ 129,913	\$ 88,413
Interest on post-employment benefit liability	98,915	106,114
Total expense related to post-employment benefits	\$ 228,828	\$ 194,527

(c) Pension Agreement

The municipality makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 679 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 2005 was \$1,826,272 (2004 - \$1,674,677) for current service which is included as an expenditure in the Consolidated Statement of Financial Activities.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

9. SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Beginning with the year ended December 31, 2004, municipalities were required to account for the solid waste landfill closure and post-closure liabilities as the landfill sites are used. The municipality currently has 11 closed sites and 7 active solid waste sites. Details of the active sites are as follows:

	Estimated Years to Closure	Remaining capacity tonnes	
		2005	2004
Eldon	53	134,364	138,520
Fenelon	16	84,487	87,100
Laxton/Digby/Longford	23	21,175	21,830
Mariposa South	0	660	680
Somerville	49	245,478	253,070
Lindsay-Operations	30	894,466	922,130
Mariposa North	23	58,433	60,240

Consulting planners and present value calculation consultants were engaged to prepare estimates of closure and post closure costs as at December 31, 2003 for each site which were based on information obtained from reports dated between 1995 and 2004. 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.

	2005	2004
Estimated total closure and post-closure costs	\$ 20,303,375	\$ 20,303,375
Discount rate	5%	5%
Estimated present value of costs at end of year	7,725,252	7,510,282
Less: Portion related to remaining available capacity	(2,485,776)	(2,567,319)
Expenditures paid	(551,863)	(464,300)
Liability for capacity already used	\$ 4,687,613	\$ 4,478,663
Net expenditure recognized in the year	\$ 296,513	\$ 338,771

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

10. MUNICIPAL DEBT

The balance of net municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2005</u>	<u>2004</u>
Total debt incurred and outstanding at December 31, 2005 to be financed from		
- General tax rates (see sinking fund below)	\$ 21,503,269	\$ 20,760,613
- Area tax rates	75,252	145,989
- Water and sewer user rates	18,490,946	14,858,561
- Benefiting landowners for local improvements and tile loans	645,152	600,145
- Debt retirement reserve fund (Note 10a)	1,356,426	1,802,364
- Housing corporations	15,894,229	16,443,893
	<u>57,965,274</u>	<u>54,611,565</u>
Less sinking funds accumulated to retire \$3,000,000 of debt in 2009	(2,398,824)	(2,237,648)
Less debt retirement recovery to retire a portion of annual debt costs related to 2002 hospital grant	(365,393)	(484,670)
Amount to be recovered from future revenues as at December 31, 2005	55,201,054	51,889,247
Less amount owed to operating fund	(135,833)	(183,744)
Less amount owed to reserve funds	(24,703)	(27,696)
Net municipal debt	\$ 55,040,518	\$ 51,677,807

- (a) The Order of the Restructuring Commissioner requires payments on debt incurred by former municipalities for certain purposes to be financed by a special levy on ratepayers in the geographic areas of those former municipalities. The allocation of each former municipality's debt balances by payment responsibility was confirmed by City Council's approval of Budget and Performance Management report BPM2001-13. The report also specified the imposition of a single special levy 2001 representing the present value of all future debt payments required from ratepayers in specific geographic areas. The funds raised have been set aside in a Debt Retirement Reserve Fund to be used to service the debt in accordance with the Order of the Restructuring Commissioner.
- (b) 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 Municipal Affairs and Housing.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

10. MUNICIPAL DEBT (continued)

- (c) Interest rates vary from 2.5% to 11.75%. Total future payments and expected earnings (use) of sinking funds over the next 5 years and thereafter are summarized as follows:

	2006	2007	2008	2009	2010	2011+	Total
Principal							
- municipal	\$ 4,323,912	\$ 5,359,935	\$ 4,951,923	\$ 7,050,340	\$ 4,690,957	\$ 15,693,975	\$ 42,071,042
- housing	580,426	612,936	646,355	682,155	720,578	12,651,779	15,894,229
Sinking Funds	44,064	59,429	76,696	(2,902,846)	(32,830)	(8,730)	(2,764,217)
	4,948,402	6,032,300	5,674,974	4,829,649	5,378,705	28,337,024	55,201,054
Interest							
- municipal	1,718,359	1,820,763	1,559,238	1,344,495	846,206	1,619,353	8,908,414
- housing	895,380	862,872	829,452	793,652	755,229	5,510,458	9,647,043
Total	\$ 7,562,141	\$ 8,715,935	\$ 8,063,664	\$ 6,967,796	\$ 6,980,140	\$ 35,466,835	\$ 73,756,511

- (d) Total gross payments for the year to service municipal debt are reported on the Consolidated Statement of Financial Activities are as follows:

	2005			2004
	Municipal	Housing	Total	Total
Principal payments	\$ 3,733,373	\$ 549,710	\$ 4,283,083	\$ 4,766,234
Interest	2,002,082	922,781	2,924,863	2,939,173
	\$ 5,735,455	\$ 1,472,491	\$ 7,207,946	\$ 7,705,407

- (e) Debt totalling \$7,429,790 was issued from the Ontario Strategic Infrastructure Financing Authority (OSIFA) in December 2005 to fund water and sewer capital projects, as well as the Lindsay/Ops landfill development. At December 31, 2005 OSIFA still considers this debt a construction loan. As the projects become complete, the construction loan is reclassified to a long term debenture. The OSIFA rate of interest on this loan is approximately 4.5% for a 10 year term.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

11. FUND BALANCES

The Fund Balances on the Consolidated Statement of Financial Position are comprised of the following:

	<u>2005</u>	<u>2004</u>
Operating Fund Balance		
For general reduction of taxes	\$ 1,972,784	\$ (251,331)
For reduction of special area rates	343,170	(196,330)
Housing corporation operating fund balances	266,204	205,096
	<u>\$ 2,582,158</u>	<u>\$ (242,565)</u>
Capital Fund Balance		
Unexpended capital financing for		
- general government	\$ 711,963	\$ 881,250
- protection	232,762	259,148
- transportation	2,873,624	1,664,030
- environmental	1,960,280	1,015,198
- social services and social housing	1,187,371	919,747
- parks, recreation and library	1,486,135	1,079,723
- other	171,233	195,217
Unfinanced capital expenditures		
- environmental to be financed by debt	(3,953,950)	(7,411,253)
- municipal drains to be financed by landowners	(940,489)	(909,546)
- transportation to be financed by general taxation	(142,428)	(63,461)
- other to be financed by general taxation	(199,489)	(180,102)
	<u>\$ 3,387,012</u>	<u>\$ (2,550,049)</u>

12. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

Amounts to be recovered from future revenues represent the outstanding principal portion of unmatured long-term liabilities for municipal expenditures, and other expenditures not yet levied on the ratepayers, and is reported on the Consolidated Statement of Financial Position.

	<u>2005</u>	<u>2004</u>
Employee future benefits payable (Note 8)	\$ 3,902,323	\$ 3,610,760
Municipal debt (Note 10)	55,201,054	51,889,247
Accrued interest payable on long-term liabilities	436,475	423,494
Landfill closure and post-closure accrual (Note 9)	4,687,613	4,478,663
	<u>\$ 64,227,465</u>	<u>\$ 60,402,164</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

13. CONTINGENT LIABILITIES AND COMMITMENTS

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

Following restructuring, the Workplace Safety Insurance Board (WSIB) required the City of Kawartha Lakes 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 \$35,750 (2004 - \$35,608). The WSIB has estimated liability for future benefit costs as at December 31, 2005 to be \$559,035 (2004 - \$614,783) and this liability has been included in employee future benefits payable (Note 8). The municipality has \$100,000 set aside in a reserve for WSIB self insurance as at December 31, 2005.

(b) 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 which may arise. It is management's opinion there will be no material uninsured liability arising from these claims. However, in the event the City is found liable for any of these uninsured claims, a charge will be made against future revenues.

(c) Commitment - Water and Sewer System Operating Agreements

The municipality is committed to seven agreements with the Ontario Clean Water Agency to operate various water and sewer systems. In addition to fixed monthly charges adjusted for inflation, the municipality must pay for capital upgrades and unusual maintenance necessary to meet legislative requirements. Contract expiry dates ranging from 2006 to 2010. The base annual payments committed over the next five years are as follows:

2006	\$ 2,371,129
2007	2,442,262
2008	743,646
2009	765,955
2010	54,921

(d) Commitment - Garbage and Recycling Collection Contract

On September 4, 2001, the municipality contracted out garbage and recycling collection services. The contract will be in effect until September 2006 and requires the municipality to pay a base fee of \$2,838,957 per year plus an annual fuel surcharge as well as an increase for new homes. The estimated amount to be charged is \$3,065,545 for 2006.

(e) Credit Facility Agreement

The municipality 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 .25% per year. Council authorized the temporary borrowing limit for 2005 in By-Law 2005-10. As at December 31, 2005, no balance was outstanding.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

13. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(f) 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, 2005 the City had awarded contracts in the amount of \$15,675,924 (2004 - \$11,276,500) but only \$9,517,856 of those awarded amounts had been spent. Therefore, the remaining contractual commitments of \$6,158,068 must be incurred as capital expenditures 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 of \$4,641,718 and use of funds from various discretionary and obligatory reserve funds.

14. BUDGET AMOUNTS

The operating budget and tax rate supported capital budget were approved by Council on April 12, 2005 to establish the tax rates for the year. In addition, the water and sewer operating and capital budgets were approved by Council on November 9, 2004. These budgets were not prepared on the same basis as these financial statements, and have been restated to conform to the requirements under PSAB accounting. Budgets established for capital funds are on a project-oriented basis, the cost of which may be carried out over one or more years.

The budgets for Kawartha Lakes-Haliburton Housing Corporation was approved by Council on April 12, 2005. The budget for the Lindsay Non-Profit Housing was approved by the board individually, and only the net transfers to those entities were approved by Council. Also, Council did not prepare 2005 annual budgets for reserves and reserve funds. Therefore, actual results are not comparable to budgeted figures presented in these areas.

15. EXPENDITURES BREAKDOWN

	<u>2005</u>	<u>2004</u>
Salaries and Wages	\$ 41,310,707	\$ 40,523,899
Materials, supplies and services	22,682,906	18,775,659
Contracted services	14,736,087	13,828,005
Rents and financial	1,194,474	1,208,035
Transfers to other entities	23,303,996	22,678,765
Tile drain loans advanced to landowners	165,100	17,000
Interest on net municipal debt	2,924,863	2,939,173
Capital expenditures	19,690,793	23,706,660
Other	(136,534)	(169,864)
	<u>\$ 125,872,392</u>	<u>\$ 123,507,332</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

16. USER CHARGES, LICENCES AND FINES

	<u>2005</u>	<u>2004</u>
General government	\$ 1,516,792	\$ 716,047
Protection to persons and property user fees	159,123	248,205
Provincial Offences Act (Note 18)	1,508,881	1,321,987
Building department	998,804	990,477
Roads, transit, parking and airport	949,355	835,044
Water and sewer consumption	11,855,764	11,405,207
Waste management	2,284,464	2,081,131
Victoria Manor	2,755,825	2,785,238
Parks and recreation	2,938,655	3,194,734
Housing	2,659,566	2,630,335
Social services	458,244	458,753
Other	846,398	787,283
	<u>\$ 28,931,871</u>	<u>\$ 27,454,441</u>

17. TRUST FUNDS

Trust funds administered by the City amounting to \$1,148,425 (2004 - \$1,150,415) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

18. 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 expenditures related to these operations have been reported as follows:

	<u>2005</u>	<u>2004</u>
Gross revenues	\$ 1,508,881	\$ 1,321,987
Operating costs	(929,811)	(922,945)
Amount transferred to Haliburton County	(98,889)	(103,831)
Net City revenue	<u>\$ 480,181</u>	<u>\$ 295,211</u>

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.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

19. SUPPLEMENTARY INFORMATION

Social Housing Downloading

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

- Lindsay Non-Profit Housing Corporation
- Kawartha Lakes Haliburton Housing Authority

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

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

	<u>2005</u>	<u>2004</u>
Effect on Municipal Position		
Unrestricted financial assets	\$ 1,461,751	\$ 1,021,927
Restricted financial assets	246,423	559,496
Current liabilities	(97,473)	(213,198)
Debt and accrued interest on debt	(15,935,683)	(16,486,936)
Municipal position, end of year	(14,324,982)	(15,118,711)
Amounts to be recovered from future revenues	15,935,637	16,486,890
Fund balances, end of year	\$ 1,610,655	\$ 1,368,179
Effect on operations for the year		
Revenues	\$ 3,734,637	\$ 3,901,924
Operating expenditures	(1,955,971)	(2,170,077)
Capital expenditures in the normal course of operations	(826,714)	(665,455)
Net revenues	951,952	1,066,392
Decrease in amounts to be recovered from future revenues	(551,252)	(660,927)
Net increase in fund balances	\$ 400,700	\$ 405,465

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2005

20. BILL 140 - CONTINUED PROTECTION FOR PROPERTY TAXPAYERS ACT

Bill 140 require the municipality to limit property tax increases resulting from property tax reform on commercial, industrial and multi-residential properties to 5% over the previous year's annualized taxes plus budgetary increases.

In August 2001, the City of Kawartha Lakes passed a motion opting to fund the shortfall as a result of limiting tax increases to 5% by retaining a portion of the decrease experienced by properties that would have experienced tax decreases. A total of \$600,064 of decreases in Commercial, Industrial and Multi-Residential classes were retained in 2005 to fund the revenue shortfalls caused by capping.

CITY OF KAWARTHA LAKES
Notes to the Financial Statements
December 31, 2005

21. TAX RATE ANALYSIS

The following table lists the tax rates that most commonly apply to each former municipal area. There may be some deviations with respect to application of fire service area rates which were applied to properties based on specific criteria instead of by former municipality location.

Former Municipal Area	Residential General Rate	Residential Area Rate	Hospital Levy	Residential Total City Rate	Residential Education Rate	Commercial Education Rate	Industrial Education Rate
Lindsay	0.81139	0.03999	0.01269	1.22399	0.29600	1.78993	2.48320
Ops	0.81139	0.24789	0.01269	1.07197	0.29600	1.78993	2.48320
Mariposa	0.81139	0.11841	0.01269	0.09425	0.29600	1.78993	2.48320
Woodville	0.81139	0.13840	0.01269	0.09625	0.29600	1.78993	2.48320
Eldon	0.81139	0.12081	0.01269	0.09449	0.29600	1.78993	2.48320
Fenelon	0.81139	0.12181	0.01269	0.09450	0.29600	1.78993	2.48320
Carden/Dalton	0.81139	0.07168	0.01269	0.08958	0.29600	1.78993	2.48320
Laxton, Digby & Longford	0.81139	0.12161	0.01269	0.094569	0.29600	1.78993	2.48320
Bexley	0.81139	0.12299	0.01269	0.094707	0.29600	1.78993	2.48320
Somerville	0.81139	0.12121	0.01269	0.094529	0.29600	1.78993	2.48320
Bobcaygeon/Verulam	0.81139	0.17575	0.01269	0.99984	0.29600	1.78993	2.48320
Fenelon Falls	0.81139	0.13840	0.01269	0.96249	0.29600	1.78993	2.48320
Sturgeon Point	0.81139	0.13840	0.01269	0.96249	0.29600	1.78993	2.48320
Emily	0.81139	0.15587	0.01269	0.97996	0.29600	1.78993	2.48320
Omamee	0.81139	0.17612	0.01269	1.00020	0.29600	1.78993	2.48320
Manvers	0.81139	0.09078	0.01269	0.91487	0.29600	1.78993	2.48320
Verulam	0.81139	0.12286	0.01269	0.94695	0.29600	1.78993	2.48320

CITY OF KAWARTHA LAKES
Notes to the Financial Statements
December 31, 2005

21. TAX RATE ANALYSIS (continued)

In order to determine the tax rates for the following property classes, the total taxation from the residential property class should be multiplied by the applicable tax ratio. Where the education tax rate is legislated, it is identified above. Qualifying commercial and industrial units/land that are vacant are eligible to apply for 30% to 35% reductions in tax, respectively.

<u>Tax Class</u>	<u>Ratio to apply to Residential Rate</u>
Farmland	0.25000
Managed Forest	0.25000
Commercial	1.27820
Industrial	1.78260
Multi-Residential	2.40870

Financial Statements of

**CITY OF KAWARTHA LAKES
TRUST FUNDS**

December 31, 2005

Auditors' Report

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

We have audited the statement of financial position of the trust funds of the City of Kawartha Lakes as at December 31, 2005 and the statement of financial activities for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the City of Kawartha Lakes as at December 31, 2005 and the operations of the trust funds for the year then in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
April 7, 2006

CITY OF KAWARTHA LAKES

Trust Funds

Statement of Financial Activities

Year ended December 31, 2005

	Ontario										Total Trusts 2004
	Home Renewal Program	Cemetery Perpetual Care Trusts	Disaster Relief Fund	Forbert Estate Bequest	Aged Comfort Trust	Treasurer's Maintenance Trust	Building Donation Fund	Other Trusts	Total Trusts 2005		
Balance, beginning of year	\$ 77,579	\$ 430,645	\$ 118,962	\$ 228,999	\$ 76,949	\$ 25,847	\$ 184,145	\$ 7,289	\$ 1,150,415	\$ 1,170,787	
Revenues											
Interest earned	2,388	16,402	7,931	7,476	1,226	601	4,802	391	41,217	43,610	
Plot sales	-	14,016	-	-	-	-	-	-	14,016	15,178	
Donations and other	-	1,478	115	-	-	-	-	-	1,593	7,861	
Manor residents	-	-	-	-	117,581	-	-	-	117,581	117,447	
	2,388	31,896	8,046	7,476	118,807	601	4,802	391	174,407	184,096	
Expenditures											
Capital	-	-	-	-	-	-	-	-	-	50,000	
Repayment to province	14,230	-	-	-	-	-	-	-	14,230	9,937	
Manor residents	-	-	-	-	116,313	-	-	-	116,313	116,012	
Disaster relief	-	-	3,506	-	-	-	-	-	3,506	4,043	
Contributed to minor hockey	-	-	-	4,298	-	-	-	-	4,298	5,084	
Contributed to figure skating	-	-	-	4,298	-	-	-	-	4,298	5,084	
Paid to general operations	-	15,420	-	-	-	-	-	372	15,792	12,048	
Other expenses	3,988	-	-	-	-	-	13,972	-	17,960	2,260	
	18,218	15,420	3,506	8,596	116,313	-	13,972	372	176,397	204,468	
	\$ 61,749	\$ 447,121	\$ 123,502	\$ 227,879	\$ 79,443	\$ 26,448	\$ 174,975	\$ 7,308	\$ 1,148,425	\$ 1,150,415	

CITY OF KAWARTHA LAKES
Trust Funds

Statement of Financial Position
Year ended December 31, 2005

	Ontario										Total Trusts 2004
	Home Renewal Program	Cemetery Perpetual Care Trusts	Disaster Relief Fund	Forbert Estate Bequest	Aged Comfort Trust	Treasurer's Maintenance Trust	Building Donation Fund	Other Trusts	Total Trusts 2005	Total Trusts 2004	
Assets											
Cash	\$ 8,994	\$ 56,763	\$ (1,280)	\$ 6,383	\$ 79,411	\$ 6,273	\$ 59,543	\$ 7,305	\$ 223,392	\$ 521,382	
Investments	33,022	374,950	126,333	220,404	-	19,645	175,118	-	949,472	631,826	
Accrued interest	714	8,224	919	5,792	32	530	4,287	3	20,501	22,003	
Loans receivable	29,113	-	-	-	-	-	-	-	29,113	47,332	
Due from City of Kawartha Lakes	4,136	7,184	(2,470)	(4,700)	-	-	(13,973)	-	(9,823)	(59,295)	
	75,979	447,121	123,502	227,879	79,443	26,448	224,975	7,308	1,212,655	1,163,248	
Liabilities and Fund Balance											
Accounts payable	\$ 14,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ 64,230	12,833	
Fund Balances											
Capital	61,749	447,121	123,502	227,879	79,443	26,448	174,975	7,308	1,148,425	1,150,415	
	\$ 75,979	\$ 447,121	\$ 123,502	\$ 227,879	\$ 79,443	\$ 26,448	\$ 224,975	\$ 7,308	\$ 1,212,655	\$ 1,163,248	

CITY OF KAWARTHA LAKES
TRUST FUNDS
Notes to the Financial Statements
December 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the trust funds of The City of Kawartha Lakes are the representations of management prepared in accordance with Canadian generally accepted accounting standards 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

Expenditures 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 generally accepted accounting principles, 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 expenditures during the period. Actual results could differ from these estimates.

2. ONTARIO HOME RENEWAL PROGRAM

- (a) The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

Ontario Home Renewal Program loans receivable at December 31, 2005 comprise repayable loans of \$29,113 (2004 - \$47,332). 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.

- (b) 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 Municipality will continue to administer the collection of any outstanding loans and remit the proceeds, net of 5% administration fee.

CITY OF KAWARTHA LAKES
TRUST FUNDS
Notes to the Financial Statements
December 31, 2005

3. DUE TO/FROM CITY OF KAWARTHA LAKES

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

4. CEMETARY PERPETUAL CARE TRUSTS

Cemetery perpetual care trusts represent a portion of the burial fees and proceeds of sale of cemetery plots 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.

6. STATEMENT OF CASH FLOWS

A statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.

Schedule of Operating Fund and Capital Fund Operations of

**CITY OF KAWARTHA LAKES
PUBLIC LIBRARY BOARD**

December 31, 2005

CITY OF KAWARTHA LAKES
Public Library Board
Schedule of Operating Fund Operations
Year ended December 31, 2005

	Budget 2005	Actual 2005	Actual 2004
REVENUES			
Contribution from municipal tax revenues	\$ 1,067,806	\$ 1,067,806	\$ 997,690
Grants - Province of Ontario	178,733	187,733	182,686
Grants - Federal Government	-	920	-
User Fees	25,440	24,644	28,551
Fines and penalties	18,390	19,260	16,279
Restricted funds earned	26,000	27,155	26,462
Donations	1,000	1,922	3,779
	1,317,369	1,329,440	1,255,447
EXPENDITURES			
Administration and board			
Software	7,400	7,670	6,750
Salaries and benefits	276,884	257,231	267,376
Office and general	72,015	83,147	68,949
Equipment maintenance and rental	8,000	8,315	6,349
Utilities and maintenance	500	9,890	91
Training and development	3,000	3,936	2,651
Vehicle and travel	15,350	11,562	11,711
Advertising and promotion	6,600	6,681	5,132
Books, periodicals purchases and processing	181,500	176,425	115,081
Library Branches			
Wages and benefits	542,895	560,191	505,669
Building maintenance and utilities	164,000	147,869	142,446
Office and general	19,675	17,255	17,270
Telephone	19,550	23,023	20,275
	1,317,369	1,313,195	1,169,750
NET REVENUES	-	16,245	85,697
FINANCING AND TRANSFERS			
Employee future benefits	-	-	(12,228)
Capital fund	-	(15,000)	-
CHANGE IN OPERATING FUND BALANCE	-	1,245	73,469
OPENING OPERATING FUND BALANCE	-	54,452	(19,017)
AMOUNT AVAILABLE FOR FUTURE YEARS	\$ -	\$ 55,697	\$ 54,452

CITY OF KAWARTHA LAKES
Public Library Board
Schedule of Capital Fund Operations
Year ended December 31, 2005

	Budget 2005	Actual 2005	Actual 2004
REVENUES			
Grants - Province of Ontario	\$ 50,000	\$ 107,714	\$ 68,000
Restricted funds earned	10,000	929	7,351
	60,000	108,643	75,351
EXPENDITURES			
Equipment and furniture	-	4,512	2,890
Computer and information systems	65,000	115,757	67,856
Building renovations	10,000	399	-
	75,000	120,668	70,746
NET (EXPENDITURES) REVENUE	(15,000)	(12,025)	4,605
TRANSFERS FROM (TO) OTHER FUNDS			
Operating Fund	15,000	15,000	-
Reserves and Reserve Funds	-	(144)	-
	15,000	14,856	-
CHANGE IN CAPITAL FUND BALANCE	-	2,831	4,605
OPENING CAPITAL FUND BALANCE	-	32,397	27,792
CAPITAL FUND BALANCE AVAILABLE FOR FUTURE YEARS	\$ -	\$ 35,228	\$ 32,397