

Consolidated Financial Statements of

CITY OF KAWARTHA LAKES

December 31, 2006

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, 2006 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, 2006 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
Licensed Public Accountants

Toronto, Ontario
April 5, 2007

CITY OF KAWARTHA LAKES

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CITY OF KAWARTHA LAKES
Consolidated Statement of Financial Position
December 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 59,604,135	\$ 50,860,976
Taxes receivable	6,056,480	6,335,429
Accounts receivable (Note 5)	14,590,600	20,759,998
Other current assets	19,936	22,921
Long-term investments (Note 6)	500,445	522,702
	80,771,596	78,502,026
LIABILITIES AND MUNICIPAL POSITION		
LIABILITIES		
Accounts payable and accrued liabilities	12,777,805	12,982,053
Deferred revenue (Note 7)	38,978,206	37,361,350
Other liabilities	1,560,089	1,424,381
Accrued interest on long term liabilities	400,857	436,475
Employee future benefits payable (Note 8)	4,009,299	3,902,323
Landfill closure and post closure accrual (Note 9)	4,981,339	4,687,613
Net municipal debt (Note 10)	57,134,358	55,040,518
	119,841,953	115,834,713
NET FINANCIAL LIABILITIES	(39,070,357)	(37,332,687)
NON-FINANCIAL ASSETS		
Inventory and prepaids	1,757,691	1,816,101
	\$ (37,312,666)	\$ (35,516,586)
CONTINGENCIES AND COMMITMENTS (Note 13)		
MUNICIPAL POSITION		
Operating fund (Page 4 - Note 11)	\$ 926,458	\$ 2,582,158
Capital fund (Page 5 - Note 11)	(1,324,804)	3,387,012
Reserves and reserve funds (Page 6)	29,721,598	22,741,709
FUND BALANCES	29,323,252	28,710,879
AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (Note 12)	(66,635,918)	(64,227,465)
	\$ (37,312,666)	\$ (35,516,586)

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, 2006

	Budget 2006 (unaudited) (Note 14)	Actual 2006	Actual 2005
REVENUE			
Taxes levied for own purposes	\$ 66,255,946	\$ 66,987,308	\$ 64,474,411
Payments in lieu from other governments	366,075	349,374	362,607
Net taxation	66,622,021	67,336,682	64,837,018
User charges, licences and fines (Note 16)	27,888,755	28,152,811	28,931,871
Grants			
Government of Canada	3,179,801	1,849,990	4,192,582
Province of Ontario	33,620,192	36,960,832	29,808,938
Other Municipalities	2,957,248	2,785,337	2,793,148
Other			
Investment income	660,050	1,382,420	471,492
Sale of land and capital assets	1,079,255	649,542	435,751
Penalties and interest on taxes	1,050,000	1,170,189	1,249,802
Restricted amounts earned (Note 7)	2,723,959	1,578,485	1,198,993
Donations and other	969,381	930,322	1,354,649
	140,750,662	142,796,610	135,274,244
EXPENDITURE (Note 15)			
General government	14,001,551	14,122,653	12,462,343
Protection to persons and property	19,183,611	18,635,540	16,835,943
Transportation services	22,816,495	25,999,098	19,490,560
Environmental services	30,512,526	29,712,636	24,680,082
Health services	7,286,818	7,127,608	6,835,418
Social services	32,071,143	30,594,643	28,237,470
Housing services (Note 19)	7,007,602	6,961,525	6,695,503
Recreational and cultural services	9,251,003	9,124,119	8,215,787
Planning and development	2,754,347	2,256,458	2,419,286
	144,885,096	144,534,280	125,872,392
NET (EXPENDITURE) REVENUE	(4,134,434)	(1,737,670)	9,401,852
FINANCING			
New debt issued and assumed	11,145,853	6,456,400	7,594,890
Debt principal repayments	(4,375,015)	(4,413,031)	(4,283,083)
Employee future benefits	-	106,976	291,563
Accrued interest on debt	-	(35,618)	12,981
Landfill closure and post-closure accrual (Note 9)	-	293,726	208,950
INCREASE IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES	6,770,838	2,408,453	3,825,301
(DECREASE) INCREASE IN INVENTORY AND PREPAIDS	-	(58,410)	763,619
CHANGE IN FUND BALANCES	\$ 2,636,404	\$ 612,373	\$ 13,990,772

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, 2006

	<u>2006</u>	<u>2005</u>
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Cash flows from operating activities		
Net (expenditure) revenue	\$ (1,737,670)	\$ 9,401,852
Uses:		
Increase in accounts receivable	-	(2,817,904)
Decrease in accounts payable and accrued liabilities	(204,248)	-
	(204,248)	(2,817,904)
Sources:		
Decrease in accounts receivable	6,169,398	-
Decrease in taxes receivable	278,949	933,145
Decrease in other current assets	2,985	4,461
Increase in accounts payable and accrued liabilities	-	948,057
Increase in other liabilities	135,708	170,387
Increase in deferred revenue	1,616,856	2,683,010
	8,203,896	4,739,060
Net increase in cash from operations	6,261,978	11,323,008
INVESTING		
Decrease in long-term investments	22,257	2,740
Decrease in debt held internally	50,471	50,904
	72,728	53,644
FINANCING		
Municipal debt issued (Note 10)	6,456,400	7,594,890
Municipal debt repaid	(4,413,031)	(4,283,083)
Decrease in accrued interest	(35,618)	12,981
Increase in employee future benefits liability	106,976	291,563
Increase in Landfill closure and post closure accrual	293,726	208,950
Decrease in temporary loans - capital	-	(1,464,878)
	2,408,453	2,360,423
NET CHANGE IN CASH POSITION	8,743,159	13,737,075
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	50,860,976	37,123,901
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 59,604,135	\$ 50,860,976

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, 2006

	Budget 2006 (unaudited) (Note 14)	Actual 2006	Actual 2005
REVENUES			
Net taxation	\$ 66,622,021	\$ 67,336,682	\$ 64,837,018
User charges, licenses and fines (Note 16)	27,888,755	28,152,811	28,931,871
Grants			
Government of Canada	2,202,272	2,185,079	880,092
Province of Ontario	31,290,271	35,046,822	26,182,597
Other Municipalities	2,887,982	2,769,137	2,791,503
Other			
Investment income	660,050	1,305,547	445,660
Sale of land and capital assets	1,079,255	630,922	435,751
Penalties and interest on taxes	1,050,000	1,170,189	1,249,802
Restricted amounts earned (Note 7)	29,050	118,151	104,858
Donations and other	313,712	485,171	368,723
	134,023,368	139,200,511	126,227,875
Expenditures			
General government	13,434,615	12,779,506	11,953,726
Protection to persons and property	17,768,611	17,069,494	16,281,597
Transportation services	13,360,634	15,846,007	14,519,987
Environmental services	13,520,761	15,027,355	14,180,151
Health services	7,240,303	7,072,453	6,829,756
Social services	31,533,643	30,270,986	27,933,784
Housing services	5,986,102	5,971,722	5,834,942
Recreation and cultural services	7,308,919	7,376,503	6,750,759
Planning and development	2,052,247	1,741,453	1,670,858
	112,205,835	113,155,479	105,955,560
NET REVENUES	21,817,533	26,045,032	20,272,315
FINANCING AND TRANSFERS			
Debt principal repayment	(4,375,014)	(4,413,030)	(4,283,083)
Employee future benefits	-	106,976	291,563
Accrued interest on long term liabilities	-	(35,618)	12,981
Landfill closure and post-closure accrual (Note 9)	-	293,726	208,950
Reserves and Reserve Funds (Page 6)	(7,579,980)	(13,755,646)	(5,011,184)
Capital Fund (Page 5)	(9,856,739)	(9,838,730)	(9,430,438)
	(21,811,733)	(27,642,322)	(18,211,211)
	5,800	(1,597,290)	2,061,104
DECREASE (INCREASE) IN INVENTORY AND PREPAIDS	-	(58,410)	763,619
CHANGE IN OPERATING FUND BALANCE	5,800	(1,655,700)	2,824,723
OPERATING FUND BALANCE, BEGINNING OF YEAR	-	2,582,158	(242,565)
OPERATING FUND BALANCE, END OF YEAR (Note 11)	\$ 5,800	\$ 926,458	\$ 2,582,158

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, 2006

	Budget 2006 (unaudited) (Note 14)	Actual 2006	Actual 2005
REVENUES			
Grants			
Government of Canada	\$ 977,529	\$ (335,089)	\$ 3,312,490
Province of Ontario	2,329,921	1,914,010	3,626,341
Other Municipalities	69,266	16,200	1,645
Other			
Sale of land and capital assets	-	18,620	-
Restricted amounts earned (Note 7)	2,694,909	1,460,334	1,094,135
Donations and other	655,669	445,151	985,926
	6,727,294	3,519,226	9,020,537
EXPENDITURES			
General government	566,936	1,343,148	508,617
Protection to persons and property	1,415,000	1,566,046	554,346
Transportation services	9,455,861	10,153,091	4,970,573
Environmental services	16,991,765	14,685,281	10,499,931
Health services	46,515	55,155	5,662
Social services	537,500	323,657	303,686
Housing services (Note 19)	1,021,500	989,803	860,561
Recreation and cultural services	1,942,084	1,747,616	1,465,028
Planning and development	702,100	477,605	583,328
Tile drains paid to ratepayers	-	37,400	165,100
	32,679,261	31,378,802	19,916,832
NET EXPENDITURES	(25,951,967)	(27,859,576)	(10,896,295)
FINANCING AND TRANSFERS FROM OTHER FUNDS			
New debt issued and assumed	11,145,853	6,456,400	7,594,890
Operating Fund (Page 4)	9,856,739	9,838,730	9,430,438
Reserves and Reserve Funds (Page 6)	5,069,670	6,852,630	(191,972)
	26,072,262	23,147,760	16,833,356
CHANGE IN CAPITAL FUND BALANCE	120,295	(4,711,816)	5,937,061
CAPITAL FUND BALANCE, BEGINNING OF YEAR	-	3,387,012	(2,550,049)
CAPITAL FUND BALANCE, END OF YEAR (Note 11)	\$ 120,295	\$ (1,324,804)	\$ 3,387,012

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, 2006

	Budget 2006 (unaudited) (Note 14)	Actual 2006	Actual 2005
REVENUES			
Interest	\$ -	\$ 76,873	\$ 25,832
NET TRANSFERS FROM (TO) OTHER FUNDS			
Operating fund (Page 4)	7,579,980	13,755,646	5,011,184
Capital fund (Page 5)	(5,069,670)	(6,852,630)	191,972
	2,510,310	6,903,016	5,203,156
CHANGE IN RESERVES AND RESERVE FUNDS	2,510,310	6,979,889	5,228,988
RESERVES AND RESERVE FUNDS, BEGINNING OF YEAR	-	22,741,709	17,512,721
RESERVES AND RESERVE FUNDS, END OF YEAR	\$ 2,510,310	\$ 29,721,598	\$ 22,741,709
CONSISTS OF:			
Reserves set aside at the discretion of Council			
for working funds and rate stabilization		\$ 6,713,713	\$ 6,616,819
for general contingency		1,249,233	841,364
for 2010 election		13,255	140,000
for OPP stabilization		357,060	364,942
for ambulance capital		220,250	159,010
for transportation capital		1,748,890	1,361,645
for parks and recreation		523,343	438,343
for development services		1,062,373	988,319
for water infrastructure and rate stabilization		3,096,923	4,211,766
for social housing		788,884	739,325
for sewer infrastructure and rate stabilization		2,621,651	1,686,494
for social service programs		1,152,873	780,789
for other		8,301,863	2,126,526
Total reserves		27,850,311	20,455,342
Reserve funds set aside at the discretion of Council			
for debt retirement		1,251,739	1,745,776
for housing corporations		619,548	540,591
Total Reserve Funds		1,871,287	2,286,367
TOTAL RESERVES AND RESERVE FUNDS		\$ 29,721,598	\$ 22,741,709

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, 2006

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 Haliburton Housing Corporation (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, 2006

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, 2006

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of accounting (continued)*

(vii) *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>2006</u>	<u>2005</u>
Requisitions of School Boards		
English public	\$ 22,780,307	\$ 21,541,891
French public	2,683,573	10,201
English separate	33,774	2,585,089
French separate	55,411	54,689
	<u>\$ 25,553,065</u>	<u>\$ 24,191,870</u>

3. RESTRICTED ASSETS

	<u>2006</u>	<u>2005</u>
Cash (Note 4)	\$ 2,634,736	\$ 1,872,080
Short-term investments	33,141,090	33,299,194
Interest receivable (Note 5)	98,531	140,071
Due from (to) own municipality	864,507	(749,404)
Municipal debt held by own reserve funds (Note 10)	21,680	24,703
	<u>\$ 36,760,544</u>	<u>\$ 34,586,644</u>
Consists of:		
Obligatory funds in deferred revenue (Note 7)	\$ 34,889,257	\$ 32,300,277
Reserve funds (Page 6)	1,871,287	2,286,367
	<u>\$ 36,760,544</u>	<u>\$ 34,586,644</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

4. CASH AND CASH EQUIVALENTS

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

	<u>2006</u>	<u>2005</u>
Unrestricted		
Cash	\$ 13,832,015	\$ 2,671,104
Short-term investments		
- T-Bills	-	13,000
- Government investment certificates	9,996,294	13,005,598
Restricted		
Cash	2,634,736	1,872,080
Short-term investments		
- T-bills	23,907,566	13,902,957
- marketable securities	9,233,524	19,396,237
	<u>\$ 59,604,135</u>	<u>\$ 50,860,976</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 1.65% to 5.6% (2005 - 1.85% to 4.25%). The costs listed are considered to approximate their fair values.

5. ACCOUNTS RECEIVABLE

	<u>2006</u>	<u>2005</u>
Unrestricted		
Canada	\$ 2,951,159	\$ 5,192,192
Ontario	3,951,216	7,008,333
Other municipalities and school board	1,165,409	1,656,233
Water and sewer charges		
Billed	1,842,512	1,646,164
Unbilled	1,550,350	1,468,387
Other user charges and recoveries	3,463,220	4,067,988
Allowance for doubtful accounts	(431,797)	(419,370)
	<u>14,492,069</u>	<u>20,619,927</u>
Restricted - accrued interest (Note 3)	98,531	140,071
	<u>\$ 14,590,600</u>	<u>\$ 20,759,998</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

6. LONG-TERM INVESTMENTS

	<u>2006</u>	<u>2005</u>
Unrestricted		
Local improvements receivable - 8% and 15% interest, repayable \$15,675 blended payments of principal and interest annually, due 2009 to 2015	\$ 42,801	\$ 51,796
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	432,638	434,337
Parking agreements - 0% repayable \$10,000 per year, due 2007-2009	12,000	22,000
Drainage Loans - 4.3% interest, repayable \$1,767 and \$625 blended payments of principal and interest annually, due 2014	13,006	14,569
	<u>\$ 500,445</u>	<u>\$ 522,702</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

7. DEFERRED REVENUE

	<u>2006</u>	<u>2005</u>
Obligatory reserve funds		
Recreational land (Planning Act)	\$ 1,436,276	\$ 1,250,919
Development Charges Act	7,013,544	5,708,455
Parking revenues (Municipal Act)	298,558	462,281
Other	1,327,650	180,312
Reserve funds restricted for specific purposes to benefit residents in geographic areas of former municipalities (restructuring Order and City of Kawartha Lakes Act)	24,813,229	24,698,310
	<u>34,889,257</u>	<u>32,300,277</u>
Restricted reserves		
Reserves restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order)	941,914	968,175
	<u>35,831,171</u>	<u>33,268,452</u>
Other deferred revenue		
Unearned grants	2,793,987	524,878
Other unearned revenue	353,048	3,568,020
	<u>\$ 38,978,206</u>	<u>\$ 37,361,350</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>Other</u>	<u>Amounts Restricted by Amalgamation Legislation</u>	<u>Total</u>	<u>2005 Total</u>
Balance, beginning of year	\$ 6,959,374	\$ 462,281	\$ 180,312	\$ 25,666,485	\$ 33,268,452	\$ 32,832,379
Restricted funds received	1,701,069	26,698	1,118,528	320,327	3,166,622	1,682,799
Hydro sale costs	-	-	-	(58,519)	(58,519)	(412,732)
Interest earned	272,687	9,684	41,000	709,730	1,033,101	364,999
Revenue recognized	(483,310)	(200,105)	(12,190)	(882,880)	(1,578,485)	(1,198,993)
Balance, end of year	<u>\$ 8,449,820</u>	<u>\$ 298,558</u>	<u>\$ 1,327,650</u>	<u>\$ 25,755,143</u>	<u>\$ 35,831,171</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, 2006

8. EMPLOYEE FUTURE BENEFITS PAYABLE

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

	<u>2006</u>	<u>2005</u>
Accrued payroll	\$ 986,100	\$ 917,764
Vacation and overtime payable	620,959	629,293
WSIB self-insured claims (Note 13a)	455,305	559,035
Post-employment benefits	1,946,935	1,796,231
Total estimated liability	\$ 4,009,299	\$ 3,902,323

(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 \$151,665 (2005 - \$187,965).

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>2006</u>	<u>2005</u>
Actuarially determined accrued benefit obligation	\$ 1,946,935	\$ 1,796,231
Post-employment benefit liability	\$ 1,946,935	\$ 1,796,231

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

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	5.25%
	- end of year	5.25%
Medical cost increases	- first year	0%
	- second year	10%
	- decreasing over 10 years to	1.0% plus CPI
Expected annual rate of dental cost increase		1.0% 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>2006</u>	<u>2005</u>
Current year benefit cost	\$ 71,378	\$ 74,840
Interest on post-employment benefit liability	108,414	98,915
Total expense related to post-employment benefits	\$ 179,792	\$ 173,755

(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 2006 was \$2,076,651 (2005 - \$1,826,272) 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, 2006

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 12 closed sites and 5 active solid waste sites. Details of the active sites are as follows:

	Estimated Years to Closure	Remaining capacity tonnes	
		2006	2005
Eldon	42	134,300	134,364
Fenelon	21	104,000	84,487
Laxton/Digby/Longford	20	22,850	21,175
Mariposa South	0	-	660
Somerville	34	153,800	245,478
Lindsay-Operations	28	867,150	894,466
Mariposa North	0	-	58,433

Consulting planners and present value calculation consultants were engaged to prepare estimates of closure and post closure costs as at December 31, 2006 for each site which were based on information obtained from reports dated between 1995 and 2006. The most recent evaluation prior to this report had been completed as at December 31, 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.

	2006	2005
Estimated total closure and post-closure costs	\$ 20,254,100	\$ 20,303,375
Discount rate	5%	5%
Estimated present value of costs at end of year	7,776,594	7,725,252
Less: Portion related to remaining available capacity	(2,795,255)	(2,485,776)
Expenditures paid	-	(551,863)
Liability for capacity already used	\$ 4,981,339	\$ 4,687,613
Net expenditure recognized in the year	\$ 293,726	\$ 296,513

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

10. MUNICIPAL DEBT

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

	<u>2006</u>	<u>2005</u>
Total debt incurred and outstanding at December 31, 2006 to be financed from		
- General tax rates (see sinking fund below)	\$ 24,403,317	\$ 21,503,269
- Area tax rates	-	75,252
- Water and sewer user rates	18,858,173	18,490,946
- Benefiting landowners for local improvements and tile loans	581,206	645,152
- Debt retirement reserve fund (Note 10a)	888,174	1,356,426
- Housing corporations	15,313,760	15,894,229
	60,044,630	57,965,274
Less sinking funds accumulated to retire \$3,000,000 of debt in 2009	(2,540,750)	(2,398,824)
Less debt retirement recovery to retire a portion of annual debt costs related to 2002 hospital grant	(259,457)	(365,393)
Amount to be recovered from future revenues as at December 31, 2006	57,244,423	55,201,054
Less amount owed to operating fund	(88,385)	(135,833)
Less amount owed to reserve funds	(21,680)	(24,703)
Net municipal debt	\$ 57,134,358	\$ 55,040,518

- (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 in 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, 2006

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:

	2007	2008	2009	2010	2011	2012	Total
Principal							
- municipal	\$ 2,759,297	\$ 2,887,306	\$ 5,592,478	\$ 2,673,360	\$ 2,788,125	\$ 9,172,131	\$ 25,872,697
- water and sewer	2,947,532	2,431,280	1,843,716	2,424,578	1,626,614	7,584,453	18,858,173
- housing	612,936	646,355	682,155	720,578	761,203	11,890,533	15,313,760
Sinking Funds	59,429	76,696	(2,894,779)	(32,830)	(9,810)	1,087	(2,800,207)
	6,379,194	6,041,637	5,223,570	5,785,686	5,166,132	28,648,204	57,244,423
Interest							
- municipal	2,104,705	1,826,378	1,594,053	1,077,369	836,229	2,209,582	9,648,316
- housing	862,872	829,452	793,652	755,229	714,603	4,795,855	8,751,663
Total	\$ 9,346,771	\$ 8,697,467	\$ 7,611,275	\$ 7,618,284	\$ 6,716,964	\$ 35,653,641	\$ 75,644,402

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

	2006				2005
	Municipal	Water and Sewer	Housing	Total	Total
Principal payments	\$ 2,171,790	\$ 1,660,773	\$ 580,469	\$ 4,413,032	\$4,283,083
Interest	1,206,944	849,183	884,343	2,940,470	2,924,863
	\$ 3,378,734	\$ 2,509,956	\$ 1,464,812	\$ 7,353,502	\$7,207,946

- (e) Debt totalling \$6,419,000 was issued from the Royal Bank in December 2006 to fund water and sewer capital projects, as well as the Lindsay/Ops landfill development. The Royal Bank rate of interest is 4.55% per annum.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

11. FUND BALANCES

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

	<u>2006</u>	<u>2005</u>
Operating Fund Balance		
For reduction of taxes	\$ 659,868	\$ 2,315,954
Housing corporation operating fund balances	266,590	266,204
	<u>\$ 926,458</u>	<u>\$ 2,582,158</u>
Capital Fund Balance		
Unexpended capital financing for		
- general government	\$ 602,398	\$ 711,963
- protection	595,754	232,762
- transportation	3,914,930	2,873,624
- environmental	3,958,036	1,960,280
- social services and social housing	941,205	1,187,371
- parks, recreation and library	1,673,776	1,486,135
- other	138,566	171,233
Unfinanced capital expenditures		
- environmental to be financed by debt	(12,016,602)	(3,953,950)
- municipal drains to be financed by landowners	(929,538)	(940,489)
- transportation to be financed by general taxation	(67,592)	(142,428)
- other to be financed by general taxation	(135,737)	(199,489)
	<u>\$ (1,324,804)</u>	<u>\$ 3,387,012</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>2006</u>	<u>2005</u>
Employee future benefits payable(Note 8)	\$ 4,009,299	\$ 3,902,323
Municipal Debt (Note 10)	57,244,423	55,201,054
Accrued interest payable on long-term liabilities	400,857	436,475
Landfill post-closure accrual(Note 9)	4,981,339	4,687,613
	<u>\$ 66,635,918</u>	<u>\$ 64,227,465</u>

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

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 \$40,430 (2005 - \$35,750). The WSIB has estimated liability for future benefit costs as at December 31, 2006 to be \$455,305(2005 - \$559,035) and this liability has been included in employee future benefits payable (Note 8). The municipality has \$150,000 set aside in a reserve for WSIB self insurance as at December 31, 2006.

(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. 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, in the year the respective claim is settled.

(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 range from 2007 to 2011. The base annual payments committed over the next five years are as follows:

2007	\$ 2,695,472
2008	2,776,336
2009	2,859,626
2010	2,945,414
2011	3,033,776

(d) Commitment - Garbage and Recycling Collection Contract

On September 4, 2001, the municipality contracted out garbage and recycling collection services. The contract was extended to September 2009 based on a negotiated contract increase and requires the municipality to pay a base fee of \$3,071,174 per year plus an annual fuel surcharge as well as an increase for new homes. The estimated amount to be charged in 2007 is \$3,460,000.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

13. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(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 .60% per year. Council authorized the temporary borrowing limit for 2006 in By-Law 2006-10. As at December 31, 2006 there was a balance outstanding of \$123,380.

(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, 2006 the City had awarded contracts in the amount of \$21,876,627 (2005 - \$15,675,924) and has expensed \$14,657,267 of those awarded amounts. Therefore, the remaining contractual commitments of \$7,219,360 will 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 \$5,137,200 and use of funds from various discretionary and obligatory reserve funds.

14. BUDGET AMOUNTS

The operating budget was approved by Council on February 28, 2006 and the tax rate supported capital budget was approved by Council on October 25, 2005 to establish the tax rates for the year. In addition, the water and sewer operating and capital budgets were approved by Council on March 14, 2006. 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 the board individually, and only the net transfers to this entity were approved by Council. Also, Council did not prepare 2006 annual budgets for reserves and reserve funds, except for transfers to/from related funds. Therefore, actual results are not comparable to budgeted figures presented in these areas.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

15. EXPENDITURES BREAKDOWN

	<u>2006</u>	<u>2005</u>
Salaries and Wages	\$ 44,338,028	\$ 41,310,707
Materials, supplies and services	23,709,633	22,682,906
Contracted services	17,248,984	14,736,087
Rents and financial	1,162,380	1,194,474
Transfers to other entities	23,983,334	23,303,996
Tile drain loans advanced to landowners	37,400	165,100
Interest on net municipal debt	2,940,470	2,924,863
Capital expenditures	31,341,402	19,690,793
Other (recovery)	(227,351)	(136,534)
	<u>\$ 144,534,280</u>	<u>\$ 125,872,392</u>

16. USER CHARGES, LICENCES AND FINES

	<u>2006</u>	<u>2005</u>
General government	\$ 690,293	\$ 1,516,792
Protection to persons and property user fees	239,185	159,123
Provincial Offences Act (Note 18)	1,354,153	1,508,881
Building department	827,970	998,804
Roads, transit, parking and airport	896,751	949,355
Water and sewer consumption	12,254,279	11,855,764
Waste management	2,303,927	2,284,464
Victoria Manor	2,894,080	2,755,825
Parks and recreation	2,951,966	2,938,655
Housing	2,660,882	2,659,566
Social services	333,952	458,244
Other	745,372	846,398
	<u>\$ 28,152,810</u>	<u>\$ 28,931,871</u>

17. TRUST FUNDS

Trust funds administered by the City amounting to \$1,175,178 (2005 - \$1,148,425) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

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>2006</u>	<u>2005</u>
Gross revenues	\$ 1,354,153	\$ 1,508,881
Operating costs	(928,209)	(929,811)
Amount transferred to Haliburton County	(85,738)	(98,889)
Net City revenue	\$ 340,206	\$ 480,181

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.

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 (LNPHC)
- Kawartha Lakes Haliburton Housing Authority (KLHHA)

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.

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

CITY OF KAWARTHA LAKES
Notes to the Consolidated Financial Statements
December 31, 2006

19. SUPPLEMENTARY INFORMATION (continued)

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>2006</u>	<u>2005</u>
Effect on Municipal Position		
Unrestricted financial assets	\$ 1,907,617	\$ 1,461,751
Restricted financial assets	573,280	246,423
Current liabilities	(134,423)	(97,473)
Debt and accrued interest on debt	(15,351,870)	(15,935,683)
Municipal position, end of year	(13,005,396)	(14,324,982)
Amounts to be recovered from future revenues	15,351,824	15,935,637
Fund balances, end of year	\$ 2,346,428	\$ 1,610,655
Effect on operations for the year		
Revenues	\$ 3,767,217	\$ 3,734,637
Operating expenditures	(2,075,702)	(1,955,971)
Capital expenditures in the normal course of operations	(989,803)	(826,714)
Net revenues	701,712	951,952
Decrease in amounts to be recovered from future revenues	(583,812)	(551,252)
Net increase in fund balances	\$ 117,900	\$ 400,700

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 \$540,220 of decreases in Commercial, Industrial and Multi-Residential classes were retained in 2006 to fund the revenue shortfalls caused by capping.

CITY OF KAWARTHA LAKES
Notes to the Financial Statements
December 31, 2006

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	0.70696	0.34752	0.01123	1.06571	0.26400	1.55807	2.29235
Ops	0.70696	0.18939	0.01123	0.90757	0.26400	1.55807	2.29235
Mariposa	0.70696	0.10456	0.01123	0.82275	0.26400	1.55807	2.29235
Woodville	0.70696	0.11811	0.01123	0.83630	0.26400	1.55807	2.29235
Eldon	0.70696	0.10658	0.01123	0.82477	0.26400	1.55807	2.29235
Fenelon	0.70696	0.10751	0.01123	0.82570	0.26400	1.55807	2.29235
Carden/Dalton	0.70696	0.06334	0.01123	0.78153	0.26400	1.55807	2.29235
Laxton, Digby and Longford	0.70696	0.10738	0.01123	0.82556	0.26400	1.55807	2.29235
Bexley	0.70696	0.10849	0.01123	0.82667	0.26400	1.55807	2.29235
Somerville	0.70696	0.10708	0.01123	0.82527	0.26400	1.55807	2.29235
Bobcaygeon/Verulam	0.70696	0.13914	0.01123	0.85733	0.26400	1.55807	2.29235
Fenelon Falls	0.70696	0.11811	0.01123	0.83630	0.26400	1.55807	2.29235
Sturgeon Point	0.70696	0.11811	0.01123	0.83630	0.26400	1.55807	2.29235
Emily	0.70696	0.12580	0.01123	0.84399	0.26400	1.55807	2.29235
Omemee	0.70696	0.13948	0.01123	0.85767	0.26400	1.55807	2.29235
Manvers	0.70696	0.08025	0.01123	0.79844	0.26400	1.55807	2.29235
Verulam	0.70696	0.10869	0.01123	0.82688	0.26400	1.55807	2.29235

CITY OF KAWARTHA LAKES
Notes to the Financial Statements
December 31, 2006

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	1.99310

Financial Statements of

**CITY OF KAWARTHA LAKES
TRUST FUNDS**

December 31, 2006

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, 2006 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, 2006 and the results of the operations of the trust funds for the year then in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 5, 2007

CITY OF KAWARTHA LAKES

Trust Funds

Statement of Financial Activities

Year ended December 31, 2006

	Home Renewal Program	Ontario Cemetery Perpetual Care Trusts	Disaster Relief Fund	Forbert Estate Bequest	Aged Comfort Trust	Treasurer's Maintenance Trust	Building Donation Fund	Other Trusts	Total Trusts 2006	Total Trusts 2005
Balance, beginning of year	\$ 61,749	\$ 447,121	\$ 123,502	\$ 227,879	\$ 79,443	\$ 26,448	\$ 174,975	\$ 7,308	\$ 1,148,425	\$ 1,150,415
Revenues										
Interest earned	1,770	16,917	3,389	7,636	2,514	773	6,315	338	39,652	41,217
Plot sales	-	15,075	-	-	-	-	-	-	15,075	14,016
Donations and other	-	-	12	-	-	-	-	-	12	1,593
Manor residents	-	-	-	-	95,776	-	-	-	95,776	117,581
	1,770	31,992	3,401	7,636	98,290	773	6,315	338	150,515	174,407
Expenditures										
Capital	-	-	-	-	-	3,260	(8,677)	-	(5,417)	-
Repayment to province	2,670	-	-	-	-	-	-	-	2,670	14,230
Manor residents	-	-	-	-	93,713	-	-	-	93,713	116,313
Disaster relief	-	-	8,557	-	-	-	-	-	8,557	3,506
Contributed to minor hockey	-	-	-	3,514	-	-	-	-	3,514	4,298
Contributed to figure skating	-	-	-	3,514	-	-	-	-	3,514	4,298
Paid to general operations	-	13,832	-	-	-	-	-	-	13,832	15,792
Other expenses	141	-	1,150	-	-	-	2,088	-	3,379	17,960
	2,811	13,832	9,707	7,028	93,713	3,260	(6,589)	-	123,762	176,397
	\$ 60,708	\$ 465,281	\$ 117,196	\$ 228,487	\$ 84,020	\$ 23,961	\$ 187,879	\$ 7,646	\$ 1,175,178	\$ 1,148,425

CITY OF KAWARTHA LAKES

Trust Funds

Statement of Financial Position

Year ended December 31, 2006

	Home Renewal Program	Ontario Cemetery Perpetual Care Trusts	Disaster Relief Fund	Forbert Estate Bequest	Aged Comfort Trust	Treasurer's Maintenance Trust	Building Donation Fund	Other Trusts	Total Trusts 2006	Total Trusts 2005
Assets										
Cash	\$ 1,947	\$ 84,835	\$ 290	\$ 9,082	\$ 5,026	\$ 6,543	\$ 44,918	\$ 7,619	\$ 160,260	\$ 223,392
Investments	34,369	378,193	122,285	220,404	90,996	20,446	182,259	-	1,048,952	949,472
Accrued interest	359	5,148	(403)	6,029	18	232	2,025	27	13,435	20,501
Loans receivable	26,304	-	-	-	-	-	-	-	26,304	29,113
Due from City of Kawartha Lakes	-	-	-	-	-	-	-	-	-	(9,823)
	62,979	468,176	122,172	235,515	96,040	27,221	229,202	7,646	1,248,951	1,212,655
Liabilities and Fund Balance										
Accounts payable	\$ 2,271	\$ 2,895	\$ 4,976	\$ 7,028	\$ 12,020	\$ 3,260	\$ 41,323	\$ -	\$ 73,773	64,230
Fund Balances										
Capital	60,708	465,281	117,196	228,487	84,020	23,961	187,879	7,646	1,175,178	1,148,425
	\$ 62,979	\$ 468,176	\$ 122,172	\$ 235,515	\$ 96,040	\$ 27,221	\$ 229,202	\$ 7,646	\$ 1,248,951	\$ 1,212,655

CITY OF KAWARTHA LAKES
TRUST FUNDS
Notes to the Financial Statements
December 31, 2006

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, 2006 comprise repayable loans of \$26,303(2005 - \$29,113). 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, 2006

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, 2006

CITY OF KAWARTHA LAKES
Public Library Board
Schedule of Operating Fund Operations
Year ended December 31, 2006

	Budget 2006	Actual 2006	Actual 2005
REVENUES			
Contribution from municipal tax revenues	\$ 1,132,007	\$ 1,132,007	\$ 1,067,806
Grants - Province of Ontario	187,733	187,733	187,733
Grants - Federal Government	-	-	920
User Fees	31,017	26,019	24,644
Fines and penalties	18,240	19,257	19,260
Restricted funds earned	26,000	26,555	27,155
Donations	1,000	1,409	1,922
	1,395,997	1,392,980	1,329,440
EXPENDITURES			
Administration and board			
Software	7,400	7,140	7,670
Salaries and benefits	299,401	295,187	257,231
Office and general	82,565	77,135	83,147
Equipment maintenance and rental	8,000	7,142	8,315
Utilities and maintenance	9,500	9,571	9,890
Training and development	3,000	4,894	3,936
Vehicle and travel	5,250	10,619	11,562
Advertising and promotion	7,000	7,489	6,681
Books, periodicals purchases and processing	181,500	180,765	176,425
Library Branches			
Wages and benefits	575,506	564,749	560,191
Building maintenance and utilities	177,600	149,288	147,869
Office and general	19,375	13,148	17,255
Telephone	19,900	25,657	23,023
	1,395,997	1,352,784	1,313,195
NET REVENUES	-	40,196	16,245
TRANSFERS			
Capital fund	-	(47,782)	(15,000)
CHANGE IN OPERATING FUND BALANCE	-	(7,586)	1,245
OPERATING FUND BALANCE, BEGINNING OF YEAR	-	55,697	54,452
OPERATING FUND BALANCE, END OF YEAR	\$ -	\$ 48,111	\$ 55,697

CITY OF KAWARTHA LAKES
Public Library Board
Schedule of Capital Fund Operations
Year ended December 31, 2006

	<u>Budget 2006</u>	<u>Actual 2006</u>	<u>Actual 2005</u>
REVENUES			
Grants - Province of Ontario	\$ -	\$ -	\$ 107,714
Restricted funds earned	19,434	54,335	929
	19,434	54,335	108,643
EXPENDITURES			
Equipment and furniture	-	25,376	4,512
Computer and information systems	-	4,452	115,757
Building renovations	59,434	88,510	399
	59,434	118,338	120,668
NET EXPENDITURES	(40,000)	(64,003)	(12,025)
TRANSFERS FROM (TO) OTHER FUNDS			
Operating Fund	40,000	47,782	15,000
Reserves and Reserve Funds	-	(1,171)	(144)
	40,000	46,611	14,856
CHANGE IN CAPITAL FUND BALANCE	-	(17,392)	2,831
CAPITAL FUND BALANCE, BEGINNING OF YEAR	-	35,228	32,397
CAPITAL FUND BALANCE, END OF YEAR	\$ -	\$ 17,836	\$ 35,228