

Consolidated financial statements of

City of Kawartha Lakes

December 31, 2009

City of Kawartha Lakes

December 31, 2009

Table of contents

City of Kawartha Lakes

Auditors' Report 1

Consolidated statement of financial position 2

Consolidated statement of operations 3

Consolidated statement of change in net debt 4

Consolidated statement of cash flows 5

Notes to the consolidated financial statements 6-25

Consolidated schedule of segmented disclosure - Schedule 1 26-27

Schedule of operations of the Public Library Board - Schedule 2 28

Trust Funds

Auditors' Report 29

Statement of financial activities 30

Statement of financial position 31

Notes to the financial statements 32-33

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, 2009 and the consolidated statements of operations, change in net debt and cash flows 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
November 5, 2010

City of Kawartha Lakes

Consolidated statement of financial position as at December 31, 2009

	2009	2008 (Restated - Note 2)
	\$	\$
Financial assets		
Cash and cash equivalents (Note 5)	61,983,582	70,966,898
Taxes receivable	7,706,671	8,109,892
Accounts receivable (Note 6)	16,456,079	14,372,975
Other current assets	32,169	32,926
Long-term receivables (Note 7)	562,998	568,917
	86,741,499	94,051,608
Liabilities		
Accounts payable and accrued liabilities	15,273,178	14,127,409
Deferred revenue (Note 8)	53,183,133	55,950,684
Other liabilities	2,333,992	2,285,583
Accrued interest on long-term liabilities	439,075	354,478
Employee future benefits liability (Note 9)	6,605,974	5,410,783
Landfill closure and post closure accrual (Note 10)	5,088,117	4,998,394
General tax related debt (Note 11)	19,385,011	18,869,538
Water and sewer user rated debt (Note 11)	27,825,869	22,451,391
Kawartha Lakes Haliburton housing debt (Note 11)	13,359,118	14,048,684
Other debt (Note 11)	417,515	556,962
	143,910,982	139,053,906
Net debt	(57,169,483)	(45,002,298)
Non-financial assets		
Tangible capital assets (Note 21)	351,155,182	337,456,245
Inventory and prepaids	1,886,036	1,845,593
Total non-financial assets	353,041,218	339,301,838
Contingencies and commitments (Note 13)		
Accumulated surplus (Note 12)	295,871,735	294,299,540

City of Kawartha Lakes

Consolidated statement of operations year ended December 31, 2009

	2009	2008
		(Restated - Note 2)
	Budget (unaudited) (Note 14)	Actual
	\$	Actual \$
Revenues		
Taxes levied for own purposes	74,588,528	75,470,655
Payments in lieu from other governments	399,176	419,682
Net taxation	74,987,704	75,890,337
User charges, licenses and fines (Note 16)	29,687,653	29,655,551
Grants		
Government of Canada	7,747,818	2,130,390
Province of Ontario	43,903,070	45,116,971
Other Municipalities	2,883,261	3,098,844
Other		
Investment income	1,283,900	986,078
Loss on disposal of tangible capital assets	148,650	(1,023,567)
Penalties and interest on taxes	1,280,000	1,319,941
Restricted amounts earned (Note 8)	7,163,917	6,664,386
Donations and other	1,188,618	1,344,470
Total revenues	170,274,591	165,183,401
Expenses (Note 15)		
General government	15,881,861	19,050,730
Protection to persons and property	24,000,006	22,628,475
Transportation services	35,599,579	28,275,969
Environmental services	20,898,406	25,322,270
Health services	7,592,224	8,670,607
Social services	34,903,167	38,125,282
Housing services	9,173,934	8,302,708
Recreational and cultural services	25,228,782	10,486,833
Planning and development	3,160,983	2,748,332
Total expenditures	176,438,942	163,611,206
Annual surplus	(6,164,351)	1,572,195
Accumulated surplus at beginning of year	294,299,540	294,299,540
Accumulated surplus at end of year	288,135,189	295,871,735

City of Kawartha Lakes

Consolidated statement of change in net debt year ended December 31, 2009

		2009	2008
	Budget Unaudited (Note 14)	Actual	Actual
	\$	\$	\$
Annual surplus	(6,164,351)	1,572,195	(4,285,225)
Acquisition of tangible capital assets	(31,000,000)	(33,474,260)	(18,842,854)
Amortization of tangible capital assets	18,000,000	18,427,500	18,705,689
Loss on sale of tangible capital assets	-	1,211,223	1,201,001
Proceeds on sale of tangible capital assets	-	136,600	124,250
	(19,164,351)	(12,126,742)	(3,097,139)
Net change in inventory and prepaids	-	(40,443)	121,540
	(19,164,351)	(12,167,185)	(2,975,599)
Net debt at beginning of year	(45,002,298)	(45,002,298)	(42,026,699)
Net debt at end of year	(64,166,649)	(57,169,483)	(45,002,298)

City of Kawartha Lakes

Consolidated statement of cash flows year ended December 31, 2009

	2009	2008 (Restated - Note 2)
	\$	\$
Operating activities		
Annual surplus	1,572,195	(4,285,225)
Items not involving cash		
Amortization	18,427,500	18,705,689
Loss on disposal of capital assets	1,211,223	1,201,001
Change in non-cash assets and liabilities		
Decrease (increase) in taxes receivable	403,221	(1,268,884)
Increase in accounts receivable	(2,083,104)	(1,724,502)
Decrease (increase) in other current assets	757	(11,548)
Increase (decrease) in accounts payable and accrued liabilities	1,145,769	(1,070,129)
Increase in other liabilities	48,409	902,390
(Decrease) increase in deferred revenue	(2,767,551)	11,336,132
Increase (decrease) in accrued interest on long-term liabilities	84,597	(9,634)
Increase in employee future benefits liability	1,195,191	893,920
Increase in landfill closure and post closure accrual	89,723	47,505
(Increase) decrease in inventory and prepaids	(40,443)	121,540
Net change in cash from operating activities	19,287,487	24,838,255
Capital activities		
Acquisition of tangible capital assets	(33,474,260)	(18,842,854)
Proceeds from sale of tangible capital assets	136,600	124,250
Net change in cash from capital activities	(33,337,660)	(18,718,604)
Investing activities		
Decrease in long term receivables	5,919	35,988
Decrease in debt held internally	16,749	15,996
Net change in cash from investing activities	22,668	51,984
Financing activities		
Municipal debt issued	10,440,813	64,200
Municipal debt paid	(5,396,624)	(5,973,991)
Net change in cash from financing activities	5,044,189	(5,909,791)
Change in cash during the year	(8,983,316)	261,844
Cash and cash equivalents, beginning of year	70,966,898	70,705,054
Cash and cash equivalents, end of year	61,983,582	70,966,898

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

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 accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Significant accounting policies adopted by the City are as follows:

(a) (i) Reporting entity

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

Public Library Board
Police Services Board including municipal and OPP services
Lindsay Downtown Business Improvement Association
Waterworks and Sewer Systems
Cemetery Boards
Parks, Recreation and Heritage Boards and Committees
Community Centres
Kawartha Lakes Haliburton Housing Corporation (Note 19)

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

(ii) Accounting for School Board transactions

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

(iii) Trust funds

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

(b) (i) Basis of accounting

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

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

1. Summary of significant accounting policies (continued)

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

Non-financial assets

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

Tangible capital assets

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

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

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

Contribution of tangible capital assets

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

Interest capitalization

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

Intangible assets

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

(ii) Investments

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

(iii) Deferred revenue

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

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

1. Summary of significant accounting policies (continued)

(b) (iv) Employee future benefits

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

(v) 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.

(vi) Government transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

(vii) 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 expenses during the period. Significant estimates relate to taxes receivable, accounts receivable, and accrued liabilities and expenses. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Change in accounting policies

The City has implemented Sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets of the Public Sector Accounting Handbook. Section 1200 establishes general reporting principles and standards for the disclosure of information in the City's financial statements. Section 3150 requires the City to record and amortize tangible capital assets in their financial statements. Tangible capital assets were formerly expensed as acquired.

Method used for determining the opening cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The City applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a difference method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, a deflator study was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

2. Change in accounting policies (continued)

Method used for determining the opening cost of each major category of tangible capital assets (continued)

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

	\$
Accumulated surplus	
Current	(418,142)
Capital	(3,300,942)
Reserve and Reserve Funds	27,291,263
Long-term debt	(55,965,228)
Amounts to be recovered	(10,763,655)
Accumulated surplus, as previously reported	(43,156,704)
Net book value of tangible capital assets	337,456,244
Accumulated surplus, as restated	294,299,540
Annual surplus	
Net revenue, as previously reported	(2,975,598)
Assets capitalized but previously expensed	18,842,854
Amortization expense not previously recorded	(18,705,690)
Proceeds previously recorded as revenue	(124,250)
Loss on disposal of tangible capital assets	(1,201,001)
Change in non-financial assets	(121,540)
Annual surplus, as restated	(4,285,225)

3. Taxation raised on behalf of others

Further to Note 1(a) (ii), requisitions were made by the School Boards requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized as follows:

	2009	2008
	\$	\$
Requisitions of School Boards		
English public	24,064,985	23,282,213
French public	31,779	33,677
English separate	2,649,433	2,761,376
French separate	46,171	53,189
	26,792,368	26,130,455

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

4. Restricted assets

	2009	2008
	\$	\$
Cash (Note 5)	2,543,926	3,217,337
Short-term investments	31,383,057	31,207,656
Interest receivable (Note 6)	215,005	128,117
Due from own municipality	8,512,138	7,354,400
Municipal debt held by own reserve funds (Note 11)	-	4,850
	42,654,126	41,912,360
Consists of:		
Obligatory funds in deferred revenue (Note 8)	41,614,870	40,889,091
Reserve funds	1,039,256	1,023,269
	42,654,126	41,912,360

5. Cash and cash equivalents

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

	2009	2008
	\$	\$
Unrestricted		
Cash	6,637,749	29,183,500
Short-term investments		
Marketable securities	21,418,850	7,358,405
Restricted		
Cash	2,543,926	3,217,337
Short-term investments		
T-bills	2,692,153	23,655,356
Marketable securities	28,690,904	7,552,300
	61,983,582	70,966,898

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 1.25% to 6% (2008 - 1.25% to 5.375%). The costs listed are approximate fair values.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

6. Accounts receivable

	2009	2008
	\$	\$
Unrestricted		
Canada	2,393,001	775,523
Ontario	5,048,002	4,078,721
Other municipalities and school board	1,178,732	2,812,457
Water and sewer charges		
Billed	1,570,872	1,679,883
Unbilled	1,536,056	1,331,228
Other user charges and recoveries	5,148,022	4,173,103
Allowance for doubtful accounts	(633,611)	(606,057)
	16,241,074	14,244,858
Restricted - accrued interest (Note 4)	215,005	128,117
	16,456,079	14,372,975

7. Long-term receivables

	2009	2008
	\$	\$
Local improvements receivable - 8% and 15% interest, repayable \$15,675 blended payments of principal and interest annually, due 2009 to 2015	16,316	21,699
Due from developers and others for servicing - will be enforceable by future land development agreements	427,357	432,807
Drainage Loans - 4.3% interest, repayable \$1,767 and \$625 blended payments of principal and interest annually, due 2014	5,646	6,915
Fairground Future Connections Recovery will be based on future connections at the following: Frontage Charges (\$1,920/lot) = \$13,440 Connection Charges (\$1,100/lot) = \$7,700	21,140	-
Water System loans - 5.5%, repayable \$16,812 and \$5,145 blended payments of principal and interest annually, due 2015 and 2016	92,539	107,496
	562,998	568,917

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

8. Deferred revenue

	2009	2008
	\$	\$
Obligatory reserve funds		
Recreational land (Planning Act)	1,822,899	1,726,620
Development Charges Act	9,488,372	9,029,629
Federal and Provincial Gas Tax Reserves	4,804,212	3,929,636
Parking revenues (Municipal Act)	45,893	91,147
Other	2,519,014	2,421,048
Reserve funds restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order and City of Kawartha Lakes Act)	22,934,480	23,691,011
	41,614,870	40,889,091
Restricted reserves		
Reserves restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order)	675,622	820,769
	42,290,492	41,709,860
Other deferred revenue		
Unearned grants	10,310,528	13,738,779
Other unearned revenue	582,113	502,045
	53,183,133	55,950,684

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

					2009	2008
	Parkland levies and development charges	Parking revenues	Gas tax Reserves and other	Amounts restricted by amalgamation legislation	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	10,756,249	91,147	6,350,685	24,511,779	41,709,860	37,663,266
Restricted funds received	1,635,934	-	5,144,090	10,000	6,790,024	7,452,114
Interest earned	249,160	1,010	166,097	38,727	454,994	1,102,677
Revenue recognized	(1,330,072)	(46,264)	(4,337,646)	(950,404)	(6,664,386)	(4,508,197)
Balance, end of year	11,311,271	45,893	7,323,226	23,610,102	42,290,492	41,709,860

The City of Kawartha Lakes Act, 2001 required proceeds of sale of the six former municipal hydro systems to be set aside and used only for the benefit of residents in geographic areas served by each of the hydro systems. The net proceeds are included in restricted deferred revenue and will only be recognized as revenue in the consolidated statement of operations when qualifying expenditures are incurred.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

9. Employee future benefits liability

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

	2009	2008
	\$	\$
Accrued payroll	671,428	1,522,213
Vacation and overtime payable	593,959	641,035
WSIB self-insured claims (Note 13a)	2,891,754	945,169
Post-employment benefits	2,448,833	2,302,366
Total estimated liability	6,605,974	5,410,783

(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 segregated in the accumulated surplus balance as disclosed in Note 12.

(b) Post-employment benefit liability

The municipality sponsors a defined benefit plan for post employment benefits other than pensions for substantially all of its employees. The plan provides extended health and life insurance coverage to age 65 for full-time employees. The plan is unfunded and requires no contribution from employees. Total benefit payments to retirees during the year were \$99,975 (2008 - \$114,945).

An actuarial valuation for accounting purposes is performed triennially using the projected benefit method prorated on service. The most recent actuarial valuation was completed as of December 31, 2009. The post-employment benefit liability at December 31 includes the following components:

	2009	2008
	\$	\$
Accrued benefit obligation	2,565,983	2,061,549
Actuarial gain (loss)	(117,150)	240,817
Post-employment benefits liability	2,448,833	2,302,366

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

9. Employee future benefits liability (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	7.0%
Medical cost increases	- first year	0%
	- second year	10%
	- decreasing over 10 years to	1.0% plus CPI (assumed to be 2.5%)
Expected annual rate of dental cost increase		1.0% plus CPI (assumed to be 2.5%)

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

	2009	2008
	\$	\$
Current service cost	87,021	104,185
Amortization of actuarial losses	(2,607)	57,324
Interest on post-employment benefit liability	145,241	119,419
Total expense related to post-employment benefits	229,655	280,928

(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 2009 was \$2,337,838 (2008 - \$2,201,773) for current service which is included as an expense in the consolidated statement of operations.

10. 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 2009
Eldon	39	124,700
Fenelon	18	89,050
Laxton/Digby/Longford	17	19,315
Somerville	31	142,990
Lindsay-Operations	25	774,180

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

10. Solid waste landfill closure and post-closure liability (continued)

Engineering 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.

	2009	2008
	\$	\$
Estimated total closure and post-closure costs	20,266,100	20,266,100
Discount rate	5%	5%
Estimated present value of costs at end of year	8,657,070	8,370,472
Less: Portion related to remaining available capacity	(2,590,009)	(2,679,441)
Expenditures paid	(978,944)	(692,637)
Liability for capacity already used	5,088,117	4,998,394
Net expenditure recognized in the year	376,030	350,040

11. Municipal debt

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

	2009	2008
	\$	\$
Total debt incurred and outstanding at December 31, 2009 to be financed from		
- General tax rates (see sinking fund below)	19,426,564	21,713,838
- Water and sewer user rates	27,825,869	22,451,391
- Benefiting landowners for local improvements and tile loans	417,515	524,103
- Debt retirement reserve fund	21,904	71,512
- Housing corporations	13,359,118	14,048,684
	61,050,970	58,809,528
Less sinking funds accumulated	-	(2,748,718)
Less debt retirement recovery to retire a portion of annual debt costs related to 2002 hospital grant	(41,553)	(95,582)
Amount to be recovered from future revenues as at December 31, 2009	61,009,417	55,965,228
Less amount owed to operating fund	(21,904)	(33,803)
Less amount owed to reserve funds	-	(4,850)
Net municipal debt	60,987,513	55,926,575

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

11. Municipal debt (continued)

- (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.
- (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:

	2010	2011	2012	2013	2014	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Principal							
Municipal	2,950,380	3,111,496	2,995,111	2,475,392	1,426,574	6,865,477	19,824,430
Water and sewer	2,770,483	1,992,351	2,051,675	1,999,149	1,425,305	17,586,906	27,825,869
Housing	720,578	761,203	804,157	853,341	898,540	9,321,299	13,359,118
	6,441,441	5,865,050	5,850,943	5,327,882	3,750,419	33,773,682	61,009,417
Interest							
Municipal	863,551	711,140	563,408	433,169	313,497	881,728	3,766,493
Water and sewer	1,263,917	1,130,377	1,036,263	945,428	853,492	5,443,544	10,673,021
Housing	755,229	714,603	671,651	626,233	578,205	2,919,766	6,265,687
Total	9,324,138	8,421,170	8,122,265	7,332,712	5,495,613	43,018,720	81,714,618

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

	2009			2008
	Municipal	Water and sewer	Housing	Total
	\$	\$	\$	\$
Principal payments	3,051,557	1,655,502	689,564	5,396,623
Interest	1,327,570	910,955	749,061	2,987,586
	4,379,127	2,566,457	1,438,625	8,384,209
				5,973,991
				3,164,447
				9,138,438

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

11. Municipal debt (continued)

- (e) Housing debentures in the amount of \$5,811,673 are paid for by the Provincial government on behalf of the housing corporation. The Province recovers this outlay by reducing subsidy payment cash flows.
- (f) The 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 2009 in By-Law 2009-001. As at December 31, 2009 there was a balance outstanding of \$Nil. (2008 - \$Nil).

12. Accumulated surplus

Accumulated surplus consists of the following:

	2009	2008
	\$	\$
Operating fund deficit	(2,628,991)	(418,143)
Capital fund deficit	(2,047,173)	(3,300,942)
Unfunded employee future benefits	(6,605,974)	(5,410,783)
Post closure landfill costs	(5,088,117)	(4,998,394)
Accrued interest on long term debt	(439,075)	(354,478)
Long term debt	(61,009,417)	(55,965,228)
Reserves and reserve funds	22,535,300	27,291,263
Tangible capital assets	351,155,182	337,456,245
	295,871,735	294,299,540

13. Contingencies 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 \$392,266 (2008 - \$231,251). The WSIB has estimated liability for future benefit costs as at December 31, 2009 to be \$2,891,754 (2008 - \$945,169) and this liability has been included in employee future benefits payable (Note 9). The municipality has \$250,000 set aside in a reserve for WSIB self insurance as at December 31, 2009.

- (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. An expense will be recorded in the fiscal period in which a settlement becomes likely and measurable.

- (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 2010 to 2011.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

13. Contingencies and commitments (continued)

(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 2011 based on a negotiated contract increase and requires the municipality to pay a base fee of \$4,127,555 for 2011. The services for garbage and recycling collection will be tendered in 2011 and is expected that estimated cost will be a minimum of \$3.2 million annually for basic service with additional costs for fuel surcharge as well as an increase for new homes.

(e) 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, 2009 the City had awarded contracts in the amount of \$16,102,350 (2008 - \$16,273,005) and has recorded \$12,895,035 of those awarded amounts. Therefore, the remaining contractual commitments of \$3,207,315 will be recorded in future years as the projects are completed.

Funding for the completion costs is expected to include the use of capital surplus carried forward, grants, debt proceeds and use of funds from various discretionary and obligatory reserve funds.

14. Budget amounts

The operating and tax rate supported capital budgets were approved by Council on March 23, 2009 to establish the tax rates for the year. In addition, the water and sewer operating and capital budgets were approved by Council on May 11, 2009.

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

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

Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in Consolidated Statement of Operations under the appropriate functional expense category, while those recognized as tangible capital assets are include in the Consolidated Statement of Change in Net Debt.

15. Expenses by object

	2009	2008
	\$	\$
Salaries and wages	55,591,173	48,980,424
Materials, supplies and services	27,858,174	33,669,131
Contracted services	27,950,895	25,198,336
Rents and financial	1,325,406	1,462,790
Transfers to other entities	30,182,170	26,439,140
Tile drain loans advanced to landowners	26,500	64,200
Interest on net municipal debt	2,622,955	3,164,447
Amortization Expense	18,427,500	18,705,689
Other (recovery)	(373,567)	(63,540)
	163,611,206	157,620,617

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

16. User charges, licences and fines

	2009	2008
	\$	\$
General government	688,347	641,678
Protection to persons and property user fees	286,711	203,829
Provincial Offences Act (Note 18)	1,769,215	1,624,951
Building department	1,147,729	1,027,594
Roads, transit, parking and airport	673,713	816,421
Water and sewer consumption	12,057,606	11,293,980
Waste management	2,456,653	2,137,719
Victoria Manor	3,118,347	3,032,763
Parks and recreation	3,218,034	2,561,759
Housing	2,854,656	2,745,883
Social services	483,027	578,055
Other	901,513	790,890
	29,655,551	27,455,522

17. Trust funds

Trust funds administered by the City amounting to \$1,139,655 (2008 - \$1,143,844) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

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 expenses related to these operations have been reported as follows:

	2009	2008
	\$	\$
Gross revenues	1,769,215	1,624,951
Operating costs	(1,095,204)	(956,886)
Amount transferred to Haliburton County	(135,678)	(109,024)
Net City revenue	538,333	559,041

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, 2009

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.

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

	2009	2008
	\$	\$
Effect on municipal position		
Unrestricted financial assets	2,716,693	3,095,709
Restricted financial assets	1,520,059	698,594
Current liabilities	(1,184,857)	(1,329,610)
Debt and accrued interest on debt	(13,390,587)	(14,081,707)
Municipal position, end of year	(10,338,692)	(11,617,014)
Amounts to be recovered from future revenues	13,390,587	14,081,707
Fund balances, end of year	3,051,895	2,464,693
Effect on operations for the year		
Revenues	3,229,800	3,831,250
Operating expenditures	(1,402,063)	(1,771,723)
Capital expenditures in the normal course of operations	(732,051)	(818,825)
Net revenues	1,095,686	1,240,702
Decrease in amounts to be recovered from future revenues	(691,119)	(656,416)
Net increase in fund balances	404,567	584,286

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

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% "capping" by retaining a portion of the decrease experienced by properties that would have experienced tax decreases. A total of \$170,635 of decreases in Commercial, Industrial and Multi-Residential classes were retained in 2009 to fund the revenue shortfalls caused by capping.

21. Tangible capital assets

i) Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one Canadian dollar, because of the difficulty of determining a tenable valuation and/or the assets were older than their estimated expected useful lives, and therefore were fully amortized.

ii) Works of art and historical treasures

The City applies efforts to protect and preserve a number of owned historical buildings, collections of equipment, artifacts, documents and exhibits and works of art. These assets are not held for financial gain or to provide service but rather for public exhibition, education or research in furtherance of public service. These historical treasures and works of art are not recognized as tangible capital assets in the financial statements. The acquisition or betterment of such assets is recognized in the financial statements as an operating expense.

iii) Other

No interest was capitalized during the year (2008 - \$Nil).

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

21. Tangible capital assets (continued)

	2009						
	Land and land improvements	Building and building improvements	Vehicles, machinery and equipment	Water and sewer	Road Infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, beginning of year	27,990,071	97,147,501	46,360,545	156,697,701	264,401,613	26,904,382	619,501,813
Additions	-	-	6,430,491	-	-	26,492,120	32,922,611
Work in progress completed	-	2,232,832	-	3,744,505	3,413,861	-	9,391,198
Disposals/transfers	-	(999,352)	(4,101,387)	(163,743)	(2,299,589)	(8,839,548)	(16,403,619)
Balance, end of year	27,990,071	98,380,981	48,689,649	160,278,463	265,515,885	44,556,954	645,412,003
Accumulated amortization							
Balance, of year beginning	4,843,764	48,177,329	24,903,336	48,141,029	155,980,110	-	282,045,568
Disposals	-	(483,586)	(3,915,559)	(89,446)	(1,727,656)	-	(6,216,247)
Amortization expense	151,692	1,917,888	3,234,094	3,957,680	9,166,146	-	18,427,500
Balance, end of year	4,995,456	49,611,631	24,221,871	52,009,263	163,418,600	-	294,256,821
Net book value, end of year	22,994,615	48,769,350	24,467,778	108,269,200	102,097,285	44,556,954	351,155,182
	2008						
	Land and land improvements	Building and building improvements	Vehicles, machinery and equipment	Water and sewer	Road infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, beginning of year	27,955,121	96,725,413	46,953,246	156,337,433	262,399,880	18,910,570	609,281,663
Additions	-	-	4,754,605	-	-	13,778,965	18,533,570
Work in progress completed	169,296	759,599	-	557,310	4,608,236	-	6,094,441
Disposals/transfers	(134,346)	(337,511)	(5,347,306)	(197,042)	(2,606,503)	(5,785,153)	(14,407,861)
Balance, end of year	27,990,071	97,147,501	46,360,545	156,697,701	264,401,613	26,904,382	619,501,813
Accumulated amortization							
Balance, of year beginning	4,720,251	46,440,074	27,046,102	44,225,800	148,205,103	-	270,637,330
Disposals/transfers	(70,532)	(156,193)	(5,079,735)	(14,803)	(1,976,190)	-	(7,297,453)
Amortization expense	194,045	1,893,448	2,936,969	3,930,032	9,751,197	-	18,705,691
Balance, end of year	4,843,764	48,177,329	24,903,336	48,141,029	155,980,110	-	282,045,568
Net book value, end of year	23,146,307	48,970,172	21,457,209	108,556,672	108,421,503	26,904,382	337,456,245

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

22. Segmented information

The City provides a wide range of services to its residents.

Segmented information has been provided in Schedule 1 for the following City Services:

- General Government
- Protection to persons and property
- Transportation Services
- Environmental Services
- Health and Social Services
- Recreation and culture
- Planning and Development

Revenues and expenses directly attributable to each segment are reported by segment. Typically general government expenses are incurred in support of all services. Similarly general government revenues including taxes are used to finance all activities of the City. For purposes of segmented reporting general government revenues and expenses have not been allocated to the other services but rather are shown separately.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

23. 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	0.00713634	0.00406928	0.000112	0.01131763	0.00252	0.01499871	0.0225739
Ops	0.00713634	0.00259148	0.000112	0.00983983	0.00252	0.01499871	0.0225739
Omemee	0.00713634	0.00142507	0.000112	0.00867342	0.00252	0.01499871	0.0225739
Bobcaygeon/Verulam	0.00713634	0.00142507	0.000112	0.00867342	0.00252	0.01499871	0.0225739
Emily	0.00713634	0.00124084	0.000112	0.00848919	0.00252	0.01499871	0.0225739
Fenelon Falls	0.00713634	0.00127002	0.000112	0.00851837	0.00252	0.01499871	0.0225739
Sturgeon Point	0.00713634	0.00127002	0.000112	0.00851837	0.00252	0.01499871	0.0225739
Woodville	0.00713634	0.00127002	0.000112	0.00851837	0.00252	0.01499871	0.0225739
Bexley	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739
Verulam	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739
Fenelon	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739
Laxton, Digby and Longford	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739
Somerville	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739
Eldon	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739
Mariposa	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739
Manvers	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739
Carden/Dalton	0.00713634	0.00108579	0.000112	0.00833414	0.00252	0.01499871	0.0225739

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2009

24. 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	0.250000
Managed forest	0.250000
Commercial	1.277500
Industrial	1.277500
Multi-residential	1.979653

City of Kawartha Lakes

Consolidated schedule of segmented disclosure - Schedule 1 year ended December 31, 2009

	General Government	Protection to persons and property	Transportation services	Environmental services	Health and Social Services	Recreation and culture	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	9,361,300	12,093,305	7,980,776	2,742,515	16,883,076	5,061,177	1,469,024	55,591,173
Minor Capital	1,017,261	139,192	297,957	1,819,869	614,245	997,186	393,694	5,279,404
Interest costs	1,149,620	-	-	910,955	530,933	-	31,447	2,622,955
Other expenses	6,891,373	9,063,088	9,717,098	15,792,679	35,560,313	3,832,600	833,023	81,690,174
Amortization Expense	631,176	1,332,890	10,280,138	4,056,252	1,510,030	595,870	21,144	18,427,500
	19,050,730	22,628,475	28,275,969	25,322,270	55,098,597	10,486,833	2,748,332	163,611,206
External tax revenues	(50,243,638)	(14,891,485)	(6,720,230)	(438,146)	(2,002,867)	(1,457,758)	(136,213)	(75,890,337)
External non-tax revenues	(13,414,370)	(4,276,055)	(7,184,635)	(16,516,655)	(36,506,441)	(5,152,175)	(929,069)	(83,979,400)
Restricted amounts earned	(759,506)	(74,239)	(5,123,464)	(200,450)	(34,080)	(403,878)	(65,870)	(6,661,487)
Loss on disposal of TCA	8,392	37,555	616,234	74,297	480,627	130,718	-	1,347,823
	(64,409,122)	(19,204,224)	(18,412,095)	(17,080,954)	(38,062,761)	(6,883,093)	(1,131,152)	(165,183,401)
Annual (surplus) deficit	(45,358,392)	3,424,251	9,863,874	8,241,316	17,035,836	3,603,740	1,617,180	(1,572,195)

City of Kawartha Lakes

Consolidated schedule of segmented disclosure - Schedule 1 year ended December 31, 2008

	General Government	Protection to persons and property	Transportation services	Environmental services	Health and Social Services	Recreation and culture	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenditure								
Salaries and wages	6,987,374	11,285,624	6,936,438	2,385,914	15,635,525	4,504,437	1,245,112	48,980,424
Minor Capital	2,033,242	151,316	1,081,628	4,028,578	700,768	969,407	137,829	9,102,768
Interest costs	1,099,323	-	950	1,054,569	972,182	-	37,423	3,164,447
Other expenses	7,853,498	8,050,134	11,303,125	13,703,583	32,204,584	3,639,725	912,638	77,667,287
Amortization expenses	613,644	1,344,021	10,634,768	4,031,047	1,514,406	546,662	21,143	18,705,691
	18,587,081	20,831,095	29,956,909	25,203,691	51,027,465	9,660,231	2,354,145	157,620,617
External tax revenues	(48,168,291)	(14,806,641)	(6,481,020)	(322,063)	(1,991,934)	(1,854,974)	(230,137)	(73,855,060)
External non-tax revenues	(12,795,640)	(2,528,125)	(4,854,413)	(15,220,547)	(35,644,472)	(4,447,815)	(806,376)	(76,297,388)
Restricted amounts earned	(1,478,764)	(309,118)	(2,024,302)	(92,544)	(56,833)	(455,255)	(91,381)	(4,508,197)
Loss on disposal of TCA	70,530	64,786	734,183	182,239	118,910	108,373	46,232	1,325,253
	(62,442,695)	(17,643,884)	(13,359,735)	(15,635,154)	(37,693,239)	(6,758,044)	(1,127,894)	(153,335,392)
Annual (surplus) deficit	(43,855,614)	3,187,211	16,597,174	9,568,537	13,334,226	2,902,187	1,226,251	4,285,225

City of Kawartha Lakes Public Library Board

Schedule of operations - Schedule 2
year ended December 31, 2009

	Budget (unaudited)	2009 Actual	2008 Actual
	\$	\$	\$
Revenues			
Contribution from municipal tax revenues	1,501,284	1,501,284	1,359,625
Grants - Province of Ontario	178,733	217,073	178,733
User fees	23,165	24,777	18,549
Fines and penalties	17,920	22,233	18,341
Donations	1,000	3,331	371
	1,722,102	1,768,698	1,575,619
Expenditures			
Administration and board			
Software	7,400	6,228	7,594
Salaries and benefits	355,711	343,835	283,599
Office and general	93,500	108,536	77,748
Equipment maintenance and rental	6,500	7,659	6,443
Utilities and maintenance	4,000	5,394	6,346
Training and development	6,750	6,272	7,272
Vehicle and travel	12,000	9,278	8,922
Advertising and promotion	7,000	7,853	5,251
Minor capital expenses	21,000	20,503	22,299
Purchase of tangible capital assets	85,000	150,197	83,193
Books, periodicals purchases and processing	264,200	268,171	219,708
Library branches			
Wages and benefits	645,677	699,999	629,491
Building maintenance and utilities	174,814	174,997	157,436
Office and general	11,000	3,294	9,868
Telephone	27,550	34,102	27,581
	1,722,102	1,846,318	1,552,751
Net (expenditures) revenues	-	(77,620)	22,868

Financial statements of

**City of Kawartha Lakes
Trust Funds**

December 31, 2009

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, 2009 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, 2009 and the results of the operations and of cash flows of the trust funds for the year then in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
November 5, 2010

City of Kawartha Lakes Trust Funds

Statement of financial activities
year ended December 31, 2009

	2009								2008	
	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	Total trusts
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	59,640	516,842	111,903	229,202	46,851	12,758	158,502	8,145	1,143,843	1,130,355
Revenues										
Interest earned	1,811	24,237	4,655	8,208	427	1,060	9,002	292	49,692	50,856
Plot sales	-	70,034	-	-	-	-	-	-	70,034	35,198
Donations and other	-	-	24	-	-	-	-	-	24	375
Manor residents	-	-	-	-	86,519	-	-	-	86,519	87,071
	1,811	94,271	4,679	8,208	86,946	1,060	9,002	292	206,269	173,500
Expenditures										
Capital transfer to City	-	-	-	-	-	2,860	64,495	-	67,355	32,515
Repayment to province	1,132	-	-	-	-	-	-	-	1,132	1,470
Manor residents	-	-	-	-	85,277	-	-	-	85,277	90,852
Disaster relief	-	-	5,683	-	-	-	-	-	5,683	8,956
Contributed to minor hockey	-	-	-	3,965	-	-	-	-	3,965	3,883
Contributed to figure skating	-	-	-	3,965	-	-	-	-	3,965	3,883
Paid to general operations	-	43,080	-	-	-	-	-	-	43,080	17,720
Other expenses	-	-	-	-	-	-	-	-	-	733
	1,132	43,080	5,683	7,930	85,277	2,860	64,495	-	210,457	160,012
Balance, end of year	60,319	568,033	110,899	229,480	48,520	10,958	103,009	8,437	1,139,655	1,143,843

City of Kawartha Lakes Trust Funds

Statement of financial position
as at December 31, 2009

									2009	2008
	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	Total trusts
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets										
Cash	7,558	79,859	1,472	1,906	73,244	5,404	45,894	1,492	216,829	162,177
Investments	34,688	483,196	119,801	229,152	5,092	24,801	210,643	6,851	1,114,224	1,071,625
Accrued interest	474	5,252	1,140	6,352	29	339	2,876	94	16,556	17,823
Loans receivable	18,874	-	-	-	-	-	-	-	18,874	20,065
	61,594	568,307	122,413	237,410	78,365	30,544	259,413	8,437	1,366,483	1,271,690
Liabilities and fund balance										
Accounts payable	2,796	-	-	-	-	-	-	-	2,796	1,664
Due to City of Kawartha Lakes	(1,521)	274	11,514	7,930	29,845	19,586	156,404	-	224,032	126,183
	1,275	274	11,514	7,930	29,845	19,586	156,404	-	226,828	127,847
Fund balances										
capital	60,319	568,033	110,899	229,480	48,520	10,958	103,009	8,437	1,139,655	1,143,843
	61,594	568,307	122,413	237,410	78,365	30,544	259,413	8,437	1,366,483	1,271,690

City of Kawartha Lakes Trust Funds

Notes to the financial statements

December 31, 2009

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, 2009 comprise repayable loans of \$18,874 (2008 - \$20,065). In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

- (c) Ontario Regulation 641 has established procedures for the winding down of the Ontario Home Renewal Program. Under conditions stipulated in the Regulation, all Fund balances were remitted to the Ministry during 1994. The Municipality will continue to administer the collection of any outstanding loans and remit the proceeds, net of 5% administration fee.

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. Cemetery perpetual care trusts

Cemetery perpetual care trusts represent a portion of the burial fees and proceeds of sale of cemetery plots of various cemeteries. The capital amounts are to be kept intact in perpetuity, with investment income earned on the funds used to maintain the cemeteries.

City of Kawartha Lakes Trust Funds

Notes to the financial statements

December 31, 2009

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.