

Consolidated financial statements of

City of Kawartha Lakes

December 31, 2013

City of Kawartha Lakes

December 31, 2013

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Kawartha Lakes, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Kawartha Lakes as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
September 19, 2014

City of Kawartha Lakes

Consolidated statement of financial position as at December 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash and cash equivalents (Note 4)	50,350,865	48,861,724
Taxes receivable	6,385,389	6,484,432
Accounts receivable (Note 5)	22,201,455	24,828,611
Other current assets	72,040	62,666
Long-term receivables (Note 6)	47,092	69,160
	79,056,841	80,306,593
Liabilities		
Accounts payable and accrued liabilities	19,840,920	21,226,120
Deferred revenue (Note 7)	39,468,358	41,244,727
Other liabilities	1,713,162	1,709,297
Accrued interest on long-term liabilities	260,381	299,616
Employee future benefits (Note 8)	8,097,384	10,063,563
Landfill closure and post closure accrual (Note 9)	10,074,532	11,390,448
General tax related debt (Note 10)	17,804,929	18,230,812
Water and sewer user rated debt (Note 10)	34,026,408	32,553,724
Kawartha Lakes Haliburton housing debt (Note 10)	10,201,477	11,065,021
Haliburton Housing project debt (Note 10)	600,000	-
Tile Drain debt (Note 10)	323,602	311,950
	142,411,153	148,095,278
Net debt	(63,354,312)	(67,788,685)
Non-financial assets		
Tangible capital assets (Note 20)	411,692,941	401,875,386
Inventory and prepaid expenses	3,510,620	3,190,820
Total non-financial assets	415,203,561	405,066,206
Contingencies and commitments (Note 12)		
Accumulated surplus (Note 11)	351,849,249	337,277,521

Approved by Council

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

City of Kawartha Lakes

Consolidated statement of operations

year ended December 31, 2013

	Budget	2013	2012
	(Note 13)	Actual	Actual
	\$	\$	\$
Revenues			
Taxes levied for own purposes	85,451,400	86,146,440	83,836,176
Payments in lieu from other governments	483,875	536,431	476,730
Taxation	85,935,275	86,682,871	84,312,906
User charges, licenses and fines (Note 15)	30,683,519	33,487,402	33,784,928
Grants			
Government of Canada	383,634	2,411,641	2,434,308
Province of Ontario	38,307,350	47,266,870	46,515,293
Other municipalities	2,515,667	2,384,590	2,774,077
Other			
Investment income	639,509	542,678	632,118
Loss on disposal of tangible capital assets	-	(2,328,637)	(854,955)
Penalties and interest on taxes	1,239,000	1,291,158	1,328,366
Restricted amounts earned (Note 7)	8,151,211	9,671,236	10,373,719
Donations and other	11,791,026	6,749,755	4,344,083
Contributed tangible capital assets	-	1,769,364	380,350
	179,646,191	189,928,928	186,025,193
Expenses (Note 14)			
General government	17,277,435	18,010,348	21,115,549
Protection to persons and property	29,683,244	27,570,362	26,888,350
Transportation services	34,849,061	31,983,444	28,648,923
Environmental services	21,600,199	24,322,871	25,618,052
Health services	12,772,472	11,740,703	10,829,194
Social services	36,490,972	36,411,181	36,291,847
Housing services	9,363,681	9,124,500	8,693,473
Recreational and cultural services	13,732,701	12,058,812	11,935,956
Planning and development	4,249,073	4,134,979	3,823,617
	180,018,838	175,357,200	173,844,961
Annual surplus	(372,647)	14,571,728	12,180,232
Accumulated surplus, beginning of year	337,277,521	337,277,521	325,097,289
Accumulated surplus, end of year	336,904,874	351,849,249	337,277,521

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

City of Kawartha Lakes

Consolidated statement of change in net debt year ended December 31, 2013

		2013	2012
	Budget (Note 13)	Actual	Actual
	\$	\$	\$
Annual surplus	(372,647)	14,571,728	12,180,232
Acquisition of tangible capital assets	(29,021,140)	(32,841,645)	(42,897,434)
Amortization of tangible capital assets	17,640,564	20,617,288	19,577,290
Loss on sale of tangible capital assets	-	2,328,637	854,955
Proceeds on sale of tangible capital assets	-	78,165	218,869
	(11,753,223)	4,754,173	(10,066,088)
Change in prepaid expenses	-	(36,686)	(113,581)
Change in inventory	-	(283,114)	14,646
	(11,753,223)	4,434,373	(10,165,023)
Net debt, beginning of year	(67,788,685)	(67,788,685)	(57,623,662)
Net debt, end of year	(79,541,908)	(63,354,312)	(67,788,685)

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

City of Kawartha Lakes

Consolidated statement of cash flows

year ended December 31, 2013

	2013	2012
	\$	\$
Operating activities		
Annual surplus	14,571,728	12,180,232
Items not involving cash		
Amortization	20,617,288	19,577,290
Loss on disposal of capital assets	2,328,637	854,955
Contributed tangible capital assets recorded in revenue	(1,769,364)	-
Change in non-cash assets and liabilities		
Decrease in taxes receivable	99,043	393,621
Decrease (increase) in accounts receivable	2,627,156	(874,624)
Increase in other current assets	(9,374)	(27,415)
(Decrease) in accounts payable and accrued liabilities	(1,385,200)	(637,102)
Decrease in deferred revenue	(1,776,369)	(3,463,165)
Increase in other liabilities	3,865	280,482
(Decrease) in accrued interest on long-term liabilities	(39,235)	(45,405)
Increase in employee future benefits	(1,966,179)	1,978,406
(Decrease) increase in landfill closure and post closure accrual	(1,315,916)	1,276,581
Increase in inventory and prepaids	(319,800)	(98,935)
	31,666,280	31,394,921
Capital activities		
Acquisition of tangible capital assets	(31,072,281)	(42,897,434)
Proceeds from sale of tangible capital assets	78,165	218,869
	(30,994,116)	(42,678,565)
Investing activity		
Decrease in long term receivables	22,068	453,148
Financing activities		
Municipal debt issued	7,528,149	6,369,012
Municipal debt paid	(6,733,240)	(6,829,578)
	794,909	(460,566)
Change in cash and cash equivalents during the year	1,489,141	(11,291,062)
Cash and cash equivalents, beginning of year	48,861,724	60,152,786
Cash and cash equivalents, end of year	50,350,865	48,861,724

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

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

Nature of business

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

1. Summary of significant accounting policies

The consolidated financial statements of the City are the representations of management prepared in accordance with accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the 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 18)

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

(ii) Accounting for school board transactions

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

(iii) Trust funds

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

(b) (i) Basis of accounting

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with a term to maturity of three months or less at the date of acquisition.

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.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

1. Summary of significant accounting policies (continued)

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

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:

	Useful life-years
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) Deferred revenue

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

(iii) Employee future benefits

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

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

1. Summary of significant accounting policies (continued)

(b) (iv) Government transfers

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

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

(v) Use of estimates

The preparation of the periodic financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Significant estimates relate to taxes receivable, accounts receivable, accrued liabilities, employee future benefits, landfill closure and post-closure accrual, and tangible capital assets. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

Adoption of new accounting standards

As at January 1, 2013, the City adopted Public Sector Accounting Handbook *Section PS 3410, "Government Transfers"*, and *Section PS 3510, "Tax Revenue"*. There was no impact on the consolidated financial statements as a result of the adoption of these new standards.

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:

	2013	2012
	\$	\$
Requisitions of School Boards		
English public	24,297,424	24,482,998
French public	44,979	32,050
English separate	2,476,072	2,622,249
French separate	28,536	48,383
	26,847,011	27,185,680

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

3. Restricted assets

	2013	2012
	\$	\$
Cash (Note 4)	4,442,235	5,355,625
Short-term investments (Note 4)	30,124,535	30,757,437
Interest receivable (Note 5)	350,904	247,974
Due from own municipality	1,986,158	3,439,141
	36,903,832	39,800,177
Consists of		
Obligatory funds in deferred revenue (Note 7)	35,907,319	38,454,652
Reserve funds	996,513	1,345,525
	36,903,832	39,800,177

4. Cash and cash equivalents

	2013	2012
	\$	\$
Unrestricted		
Cash	7,063,838	1,560,528
Short-term investments		
Marketable securities	8,720,257	11,188,134
Restricted		
Cash (Note 3)	4,442,235	5,355,625
Short-term investments (Note 3)		
Marketable securities	30,124,535	30,757,437
	50,350,865	48,861,724

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 6.25% (2012 - 1.25% to 6.25%). The costs listed are approximate fair values.

5. Accounts receivable

	2013	2012
	\$	\$
Unrestricted		
Federal Grant	2,433,378	4,381,242
Provincial Grant	2,341,174	4,248,115
Other municipalities and school boards	1,033,044	1,469,044
Water and sewer charges		
Billed	1,468,607	1,420,046
Unbilled	1,369,605	1,470,432
Other user charges and recoveries	14,000,900	12,293,336
Allowance for doubtful accounts	(796,157)	(701,578)
	21,850,551	24,580,637
Restricted - accrued interest (Note 3)	350,904	247,974
	22,201,455	24,828,611

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

6. Long-term receivables

	2013	2012
	\$	\$
Local improvements receivable - 8% and 15% interest, repayable \$7,904 blended payments of principal and interest annually, due 2014 to 2015	1,932	3,969
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	21,140
Water System loans - 5.5%, repayable \$16,098 and \$4,772 blended payments of principal and interest annually, due 2015 and 2016	24,020	42,549
Drainage Loans - 4.3% interest, repayable \$1,566 blended payments of principal and interest annually, due 2014	-	1,502
	47,092	69,160

7. Deferred revenue

	2013	2012
	\$	\$
Obligatory reserve funds		
Recreational land (Planning Act)	1,496,545	1,772,462
Development Charges Act	3,268,887	5,431,938
Federal and Provincial Gas Tax Reserves	5,873,592	5,670,371
Parking revenues (Municipal Act)	37,752	37,715
Other	2,354,209	2,463,152
Reserve funds restricted for specified purposes to benefit residents in geographic areas of former municipalities (Restructuring Order and City of Kawartha Lakes Act)	22,719,737	22,698,602
	35,750,722	38,074,240
Restricted reserves		
Reserves restricted for specific purposes to benefit residents in geographic areas of former municipalities (Restructuring Order)	156,597	380,412
	35,907,319	38,454,652
Other deferred revenue		
Unearned grants	2,700,605	2,112,112
Other unearned revenue	860,434	677,963
	39,468,358	41,244,727

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

7. Deferred revenue (continued)

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

					2013	2012
	Parkland levies and development charges	Parking revenues	Gas tax reserves and other	Amounts restricted by amalgamation legislation	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	7,204,402	37,715	8,133,522	23,079,013	38,454,652	41,274,120
Restricted funds received	1,454,870	-	5,029,306	621,327	7,105,503	6,678,309
Interest earned	5,372	37	8,229	4,762	18,400	875,942
Revenue recognized	(3,899,211)	-	(4,943,257)	(828,768)	(9,671,236)	(10,373,719)
Balance, end of year	4,765,433	37,752	8,227,800	22,876,334	35,907,319	38,454,652

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

8. Employee future benefits

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

	2013	2012
	\$	\$
Accrued payroll	1,558,921	1,573,882
Vacation and overtime payable	608,074	584,105
WSIB self-insured claims (Note 12)	3,043,014	5,132,743
Post-employment benefits	2,887,375	2,772,833
Total estimated liability	8,097,384	10,063,563

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 11.

Post-employment benefit liability

The City sponsors a defined benefit plan for post employment benefits other than pensions for substantially all of its employees. The plan provides extended health and life insurance coverage to age 65 for full-time employees. The plan is unfunded and requires no contribution from employees. Total benefit payments to retirees during the year were \$209,434 (2012 - \$182,201).

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

8. Employee future benefits (continued)

An actuarial valuation for accounting purposes is performed triennially using the projected benefit method prorated on service. The most recent actuarial valuation was completed as of December 31, 2013. The post-employment benefit liability at December 31 includes the following components:

	2013	2012
	\$	\$
Accrued benefit obligation	2,611,663	2,802,219
Actuarial gain (loss)	275,712	(29,386)
Post-employment benefits liability	2,887,375	2,772,833

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	3.75%
	- end of year	4.5%
Medical cost increases	- first year	7.4%
	- 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:

	2013	2012
	\$	\$
Current service cost	134,385	114,409
Amortization of actuarial gains (losses)	20,430	(137)
Interest on post-employment benefit liability	105,646	111,995
Total expense related to post-employment benefits	260,461	226,267

Pension agreement

The City makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 701 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 2013 was \$4,248,626 (2012 - \$3,743,979) for current service which is included as an expense in the consolidated statement of operations.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

9. Solid waste landfill closure and post-closure liability

The City is required to account for the solid waste landfill closure and post-closure liabilities as the landfill sites are used. The City currently has 13 closed sites and 5 active solid waste sites. Details of the active sites are as follows:

	Estimated years to closure	Remaining capacity tonnes 2013
Eldon	34	144,473
Fenelon	7	66,696
Laxton/Digby/Longford	15	19,031
Somerville	27	219,232
Lindsay-Operations	19	759,126

Engineering consultants were engaged to prepare estimates of closure and post closure costs as at December 31, 2013. 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.

	2013 \$	2012 \$
Estimated total closure and post-closure costs	45,647,287	46,562,623
Discount rate	4.50%	3.75%
Estimated present value of costs at end of year	16,350,535	16,674,888
Less:		
Portion related to remaining available capacity	(4,229,595)	(5,324,637)
Expenses paid	(2,046,408)	40,197
Liability for capacity already used	10,074,532	11,390,448
Net expenses recognized in the year	1,315,916	1,276,581

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

10. Municipal debt

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

	2013	2012
	\$	\$
Total debt incurred and outstanding at December 31, 2013		
to be financed from		
General tax rates (see sinking fund below)	17,804,929	18,230,812
Water and sewer user rates	34,026,408	32,553,724
Benefiting landowners for local improvements and tile loans	323,602	311,950
Haliburton Housing Project	600,000	-
Housing corporation	10,201,477	11,065,021
Net municipal debt	62,956,416	62,161,507

- (a) The municipal debt issued in the City's name and the names of amalgamated former municipalities have been approved by the Ontario Municipal Board or by-law as required and the annual principal and interest payments required are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (b) Interest rates vary from 2.5% to 11.75%. Total future payments over the next 5 years and thereafter are summarized as follows:

	2014	2015	2016	2017	2018	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Principal							
Municipal	2,555,960	2,641,766	2,729,248	2,290,814	1,769,915	5,817,226	17,804,929
Water and sewer	2,170,438	2,245,739	2,317,367	2,504,335	2,333,403	22,455,126	34,026,408
Tile Drain	67,012	57,666	43,504	38,423	37,709	79,288	323,602
Haliburton Housing	24,000	24,000	24,000	24,000	24,000	480,000	600,000
Housing	898,540	927,915	945,865	980,243	1,016,297	5,432,617	10,201,477
Total	5,715,950	5,897,086	6,059,984	5,837,815	5,181,324	34,264,257	62,956,416
Interest							
Municipal	637,384	531,998	431,646	308,741	231,590	489,612	2,630,971
Water and sewer	1,443,857	1,355,879	1,264,377	1,056,619	981,807	5,905,748	12,008,287
Tile Drain	22,806	24,443	15,168	12,031	9,415	20,478	104,341
Haliburton Housing	24,116	23,142	22,228	21,307	20,164	199,851	310,808
Housing	578,205	527,924	476,532	441,346	382,030	1,091,934	3,497,971
Total	8,422,318	8,360,472	8,269,935	7,677,859	6,806,330	41,971,880	81,508,794

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

10. Municipal debt (continued)

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

					2013	2012
	Municipal	Water and sewer	Tile Drain	Housing	Total	Total
	\$	\$	\$	\$	\$	\$
Principal payments	3,294,593	2,511,755	63,348	863,544	6,733,240	6,829,578
Interest	697,848	1,406,705	19,052	257,420	2,381,025	2,527,237
	3,992,441	3,918,460	82,400	1,120,964	9,114,265	9,356,815

(e) Housing debentures in the amount of \$4,286,092 (2012 - \$4,629,433) are paid for by the Provincial government on behalf of the housing corporation. The Province recovers this outlay by reducing subsidy payment cash flows.

(f) The City has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$15 million via an overdraft or demand note. Any balance borrowed will bear interest at prime less .60% per year. Council authorized the temporary borrowing limit for 2013 in By-Law 2012 001. As at December 31, 2013, there was a balance outstanding of \$Nil (2012 - \$Nil).

11. Accumulated surplus

Accumulated surplus consists of the following:

	2013	2012
	\$	\$
Operating fund surplus	793,890	2,849,907
Capital fund deficit - projects to be debentured	(6,289,974)	(6,952,326)
Capital fund deficit - municipal drain projects	(1,408,067)	(2,174,880)
Capital fund surplus - all other projects	3,772,933	6,715,814
Unfunded employee future benefits	(8,097,384)	(10,063,563)
Post closure landfill costs	(10,074,532)	(11,390,448)
Accrued interest on long term debt	(260,381)	(299,616)
Long term debt	(62,956,416)	(62,161,507)
Reserves and reserve funds	24,676,239	18,878,754
Tangible capital assets	411,692,941	401,875,386
	351,849,249	337,277,521

12. Contingencies and commitments

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 \$464,714 (2012 - \$414,511). The WSIB has estimated liability for future benefit costs as at December 31, 2013 to be \$3,043,014 (2012 - \$5,132,743) and this liability has been included in employee future benefits payable (Note 8). The City has \$500,000 set aside in a reserve for WSIB self insurance as at December 31, 2013 (2012 - \$450,000).

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

12. Contingencies and commitments (continued)

Other contingencies

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

Commitment - water and sewer system operating agreements

The City is committed to 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 City must pay for capital upgrades and unusual maintenance necessary to meet legislative requirements. Contracts expire in 2014.

Commitment - garbage and recycling collection contract

On September 26, 2011, the City contracted out garbage and recycling collection services. The contract is for a seven year term with the option for two additional one year renewal terms. The contract requires the City to pay a base fee of \$3,156,514 for 2014 plus an annual fuel surcharge as well as an increase for new homes.

Commitments - capital projects

The City has committed to many capital projects expected to be completed over several years including upgrades to the water and sewer treatment plants and the expansion of the Lindsay/Operations landfill site. As at December 31, 2013, the City had awarded contracts in the amount of \$19,002,237 (2012 - \$26,717,563) and has recorded \$13,375,404 of those awarded amounts. Therefore, the remaining contractual commitments will be recorded in future years as the projects are completed.

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

13. Budget amounts

The operating and tax rate supported capital budgets were approved by Council on January 31, 2013 to establish the tax rates for the year. In addition, the water and sewer operating and capital budgets were approved by Council on April 16, 2013.

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

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

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

14. Expenses by object

	2013	2012
	\$	\$
Salaries and wages	63,072,258	64,676,370
Materials, supplies and services	33,043,168	31,473,475
Contracted services	29,112,438	27,673,636
Rents and financial	2,900,973	2,778,760
Transfers to other entities	24,966,407	25,547,587
Tile drain loans advanced to landowners	75,000	36,300
Interest on net municipal debt	2,358,299	2,475,344
Amortization expense	20,617,288	19,577,290
Other (recovery)	(788,631)	(393,801)
	175,357,200	173,844,961

15. User charges, licences and fines

	2013	2012
	\$	\$
General government	911,522	996,032
Protection to persons and property user fees	264,803	329,934
Provincial Offences Act (Note 17)	1,832,157	2,112,859
Building department	1,102,638	1,036,004
Roads, transit, parking and airport	1,216,338	1,323,033
Water and sewer consumption	14,810,925	14,318,804
Waste management	2,519,731	2,762,751
Victoria Manor	3,114,746	3,096,506
Parks and recreation	3,571,288	3,587,886
Housing	3,043,282	2,969,235
Social services	674,886	755,972
Other	425,086	495,912
	33,487,402	33,784,928

16. Trust funds

Trust funds administered by the City amounting to \$1,208,396 (2012 - \$1,146,597) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

17. 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:

	2013	2012
	\$	\$
Gross revenues	1,832,157	2,112,859
Operating costs	(1,295,338)	(1,221,833)
Amount transferred to Haliburton County	(119,741)	(171,347)
Net City revenue	417,078	719,679

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.

18. Supplementary information

Social Housing downloading

As part of Provincial local services realignment programs, the City 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 Corporation (KLHHC)

Under the provisions of transfer orders prepared under authority of the Social Housing Reform Act, the Kawartha Lakes Haliburton Housing Corporation 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, KLHHC entered into an amalgamation agreement with Lindsay Non-Profit Housing Corporation (LNPHC). Under the terms of the agreement KLHHC and LNPHC amalgamated to form a new corporation (also known as Kawartha Lakes-Haliburton Housing Corporation) which commenced operations on January 1, 2006. KLHHC is exempt from income taxes under the Income Tax Act. The City is the sole shareholder and KLHHC 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, 2013

18. Supplementary information (continued)

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.

	2013	2012
	\$	\$
Effect on municipal position		
Unrestricted financial assets	1,437,879	2,350,199
Restricted financial assets	1,545,437	1,528,776
Current liabilities	(1,667,855)	(1,208,689)
Debt and accrued interest on debt	(10,201,477)	(11,065,021)
Municipal position, end of year	(8,886,016)	(8,394,735)
Amounts to be recovered from future revenues	10,201,477	11,065,021
Fund balances, end of year	1,315,461	2,670,286
Effect on operations for the year		
Revenues	5,377,632	4,196,595
Operating expenditures	(2,069,983)	(2,062,919)
Non-tangible capital asset capital expenses	638,409	(1,359,781)
Net revenues	3,946,058	773,895
Decrease in amounts to be recovered from future revenues	(863,544)	(805,987)
Net increase (decrease) in accumulated surplus	3,082,514	(32,092)

19. Bill 140 - Continued protection for Property Taxpayers Act

Bill 140 requires the City 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 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 \$11,041 (2012 - \$12,925) of decreases in Commercial, Industrial and Multi-Residential classes were retained in 2011 to fund the revenue shortfalls caused by capping.

20. 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.

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

20. Tangible capital assets (continued)

iii) Other

							2013
	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	29,804,205	105,953,104	62,304,342	172,633,844	290,236,877	79,143,605	740,075,977
Additions	2,212,783	20,602,868	4,729,270	7,051,665	38,636,604	32,841,645	106,074,835
Work in progress completed	-	-	-	-	-	(73,233,190)	(73,233,190)
Disposals/transfers	(224,101)	(2,610,285)	(491,021)	(72,034)	(8,615,093)	-	(12,012,534)
Balance, end of year	31,792,887	123,945,687	66,542,591	179,613,475	320,258,388	38,752,060	760,905,088
Accumulated amortization							
Balance, of year beginning	5,274,477	55,209,371	29,120,989	63,937,243	184,658,512	-	338,200,592
Disposals	(215,560)	(1,470,108)	(435,823)	(54,910)	(7,429,332)	-	(9,605,733)
Amortization expense	190,265	2,208,197	4,093,856	4,359,852	9,765,118	-	20,617,288
Balance, end of year	5,249,182	55,947,460	32,779,022	68,242,185	186,994,298	-	349,212,147
Net book value, end of year	26,543,705	67,998,227	33,763,569	111,371,290	133,264,090	38,752,060	411,692,941

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

20. Tangible capital assets (continued)

iii) Other (continued)

							2012
	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	29,054,084	103,407,312	57,960,724	168,307,110	280,619,922	63,436,269	702,785,421
Additions	794,722	3,040,569	7,248,806	4,674,417	11,431,584	42,897,434	70,087,532
Work in progress completed	-	-	-	-	-	(27,190,098)	(27,190,098)
Disposals/transfers	(44,602)	(494,776)	(2,905,188)	(347,684)	(1,814,628)	-	(5,606,878)
Balance, end of year	29,804,204	105,953,105	62,304,342	172,633,843	290,236,878	79,143,605	740,075,977
Accumulated amortization							
Balance, of year beginning	5,172,987	53,435,985	27,672,269	59,996,771	176,878,343	-	323,156,355
Disposals	(44,602)	(256,385)	(2,715,968)	(185,350)	(1,330,749)	-	(4,533,054)
Amortization expense	146,092	2,029,772	4,164,687	4,125,821	9,110,918	-	19,577,290
Balance, end of year	5,274,477	55,209,372	29,120,988	63,937,242	184,658,512	-	338,200,591
Net book value, end of year	24,529,727	50,743,733	33,183,354	108,696,601	105,578,366	79,143,605	401,875,386

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

21. 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, 2013

22. 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	Infrastructure Renewal levy	Residential total city rate	Residential education rate	Commercial education rate	Industrial education rate
Lindsay	0.006525	0.004264	0.000060	0.010849	0.212000	0.012600	0.015900
Ops	0.006525	0.002641	0.000060	0.009226	0.212000	0.012600	0.015900
Omemee	0.006525	0.001428	0.000060	0.008014	0.212000	0.012600	0.015900
Bobcaygeon/Verulam	0.006525	0.001428	0.000060	0.008014	0.212000	0.012600	0.015900
Emily	0.006525	0.001299	0.000060	0.007884	0.212000	0.012600	0.015900
Fenelon Falls	0.006525	0.001290	0.000060	0.007875	0.212000	0.012600	0.015900
Sturgeon Point	0.006525	0.001290	0.000060	0.007875	0.212000	0.012600	0.015900
Woodville	0.006525	0.001290	0.000060	0.007875	0.212000	0.012600	0.015900
Bexley	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900
Verulam	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900
Fenelon	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900
Laxton, Digby and Longford	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900
Somerville	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900
Eldon	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900
Mariposa	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900
Manvers	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900
Carden/Dalton	0.006525	0.001160	0.000060	0.007746	0.212000	0.012600	0.015900

City of Kawartha Lakes

Notes to the consolidated financial statements

December 31, 2013

22. 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.

Tax class	Ratio to apply to residential rate
Farmland	0.250000
Managed forest	0.250000
Commercial	1.277500
Industrial	1.277500
Multi-residential	1.979653

23. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.

City of Kawartha Lakes

Consolidated schedule of segmented disclosure - Schedule 1 year ended December 31, 2013

	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	6,785,997	14,951,880	9,790,001	3,415,103	19,934,277	5,804,115	2,390,885	63,072,258
Minor capital	2,111,072	444,950	2,143,779	2,248,700	702,491	1,124,401	863,304	9,638,697
Interest costs	675,122	-	-	1,406,705	257,420	-	19,052	2,358,299
Other expenses	7,971,683	10,832,048	8,465,361	12,755,244	34,556,406	4,252,425	837,491	79,670,658
Amortization expense	466,474	1,341,484	11,584,303	4,497,119	1,825,790	877,870	24,248	20,617,288
	18,010,348	27,570,362	31,983,444	24,322,871	57,276,384	12,058,811	4,134,980	175,357,200
External tax revenues	(65,876,013)	(18,578,244)	(942,812)	(181,853)	(748,089)	(226,363)	(129,497)	(86,682,871)
External non-tax revenues	(13,417,956)	(4,173,502)	(4,536,619)	(23,188,192)	(45,291,566)	(4,220,436)	(1,075,187)	(95,903,458)
Restricted amounts earned	(461,519)	(40,432)	(6,315,318)	(1,748,217)	(307,290)	(732,480)	(65,980)	(9,671,236)
Loss on disposal of TCA	-	3,611	1,363,922	20,071	12,393	928,640	-	2,328,637
	(79,755,488)	(22,788,567)	(10,430,827)	(25,098,191)	(46,334,552)	(4,250,639)	(1,270,664)	(189,928,928)
Annual (surplus) deficit	(61,745,140)	4,781,795	21,552,617	(775,320)	10,941,832	7,808,172	2,864,316	(14,571,728)

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

City of Kawartha Lakes

Consolidated schedule of segmented disclosure - Schedule 1 year ended December 31, 2012

	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	10,793,144	14,366,201	9,091,273	3,133,197	19,523,613	5,672,314	2,096,628	64,676,370
Minor capital	2,199,766	166,950	1,347,882	878,538	371,196	988,864	747,308	6,700,504
Interest costs	716,618	-	-	1,394,188	339,539	-	24,999	2,475,344
Other expenses	6,903,660	10,926,333	7,342,669	15,944,948	33,783,318	4,585,701	928,823	80,415,452
Amortization expense	502,361	1,428,866	10,867,099	4,267,181	1,796,848	689,077	25,859	19,577,291
	21,115,549	26,888,350	28,648,923	25,618,052	55,814,514	11,935,956	3,823,617	173,844,961
External tax revenues	(64,392,159)	(17,887,809)	(703,811)	(173,282)	(752,707)	(216,434)	(186,704)	(84,312,906)
External non-tax revenues	(12,581,843)	(4,320,452)	(3,113,279)	(20,826,740)	(42,014,368)	(8,102,425)	(1,234,416)	(92,193,523)
Restricted amounts earned	(1,867,404)	(152,694)	(5,677,875)	(1,820,271)	(98,895)	(719,929)	(36,651)	(10,373,719)
Loss on disposal of TCA	15,544	15,069	470,026	162,334	16,267	174,391	1,324	854,955
	(78,825,862)	(22,345,886)	(9,024,939)	(22,657,959)	(42,849,703)	(8,864,397)	(1,456,447)	(186,025,193)
Annual (surplus) deficit	(57,710,313)	4,542,464	19,623,984	2,960,093	12,964,811	3,071,559	2,367,170	(12,180,232)

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

City of Kawartha Lakes

Schedule of operations of the Public Library Board - Schedule 2 year ended December 31, 2013

	2013		2012
	Budget	Actual	Actual
	\$	\$	\$
Revenues			
Contribution from municipal tax revenues	1,872,681	1,872,681	1,816,709
Grants - Province of Ontario	178,883	184,522	185,933
User fees	25,360	26,246	28,647
Fines and penalties	25,900	21,274	24,225
Donations	3,000	230	375
	2,105,824	2,104,953	2,055,889
Expenses			
Administration and Board			
Salaries and benefits	452,977	452,859	443,558
Office and general	112,850	93,958	121,243
Equipment maintenance and rental	21,600	21,793	20,719
Utilities and maintenance	10,330	11,524	10,600
Training and development	8,000	8,479	6,747
Vehicle and travel	5,450	8,994	5,358
Advertising and promotion	9,000	12,079	8,377
Minor capital expenses	21,000	19,771	17,384
Books, periodicals purchases and processing	356,500	331,392	355,628
Library branches			
Wages and benefits	876,842	802,232	792,724
Building maintenance and utilities	180,975	155,347	174,314
Office and general	20,850	7,823	12,031
Telephone	29,450	23,976	23,919
	2,105,824	1,950,227	1,992,602
Net revenues	-	154,726	63,287

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

Financial statements of

**City of Kawartha Lakes
Trust Funds**

December 31, 2013

Independent Auditor's Report

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

We have audited the accompanying financial statements of The Corporation of the City of Kawartha Lakes Trust Funds, which comprise the statement of financial position as at December 31, 2013 and the statements of financial activities and fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Kawartha Lakes Trust Funds as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
September 19, 2014

City of Kawartha Lakes Trust Funds

Statement of financial position
as at December 31, 2013

									2013	2012
	Ontario Home Renewal Program	Cemetary Perpetual Care Trusts	Disaster Trust Fund	Forbert Estate Bequests	Aged Comfort Trust	Treasurer's Maintenance Trust	Building Donation Fund	Other trusts	Total trusts	Total trusts
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets										
Cash	936	54,881	3,490	-	33,502	70	-	662	93,541	309,665
Investments	49,416	606,289	103,324	243,804	-	3,677	205,556	9,499	1,221,565	1,029,889
Accrued interest	481	5,842	1,312	4,571	-	36	-	92	12,334	11,669
Loans receivable	10,596	-	-	-	-	-	-	-	10,596	12,205
Accounts Receivable	-	-	-	-	38,870	-	-	-	38,870	-
	61,429	667,012	108,126	248,375	72,372	3,783	205,556	10,253	1,338,036	1,363,428
Liabilities and fund balance										
Accounts payable	1,529	-	-	5,873	-	-	-	-	7,402	6,836
Due to City of Kawartha Lakes	(796)	(34,970)	4,324	13,016	41,331	1,010	136,974	219	161,108	209,995
	733	(34,970)	4,324	18,889	41,331	1,010	136,974	219	168,510	216,831
Fund balances	60,696	701,982	103,802	229,486	31,041	2,773	68,582	10,034	1,208,396	1,146,597
	61,429	667,012	108,126	248,375	72,372	3,783	205,556	10,253	1,376,906	1,363,428

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

City of Kawartha Lakes Trust Funds

Statements of financial activities and fund balances
year ended December 31, 2013

									2013	2012
	Home Renewal Program	Cemetery Perpetual Care Trusts	Disaster Relief Fund	Forbert Estate Bequest	Aged Comfort Trust	Treasurer's Maintenance Trust	Building Donation Fund	Other trusts	Total trusts	Total trusts
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	60,109	620,619	107,067	229,486	53,520	2,657	63,404	9,735	1,146,597	1,098,141
Revenues										
Interest earned	2,561	16,707	52	5,873	-	116	-	299	25,608	46,922
Plot sales	-	16,754	-	-	-	-	-	-	16,754	21,140
Proceeds	-	64,710	-	-	-	-	-	-	64,710	-
Donations and other	-	-	77	-	-	-	5,178	219	5,474	385
Manor residents	-	-	-	-	95,051	-	-	-	95,051	83,539
	2,561	98,171	129	5,873	95,051	116	5,178	518	207,597	151,986
Expenses										
Capital transfer to City	-	-	-	-	-	-	-	-	-	-
Repayment to province	1,974	-	-	-	-	-	-	-	1,974	636
Manor residents	-	-	-	-	117,530	-	-	-	117,530	59,343
Disaster relief	-	-	3,394	-	-	-	-	-	3,394	2,449
Contributed to minor hockey	-	-	-	2,937	-	-	-	-	2,937	3,100
Contributed to figure skating	-	-	-	2,936	-	-	-	-	2,936	3,100
Paid to general operations	-	16,808	-	-	-	-	-	219	17,027	34,902
	1,974	16,808	3,394	5,873	117,530	-	-	219	145,798	103,530
Excess of revenues over expenses	587	81,363	(3,265)	-	(22,479)	116	5,178	299	61,799	48,456
Balance, end of year	60,696	701,982	103,802	229,486	31,041	2,773	68,582	10,034	1,208,396	1,146,597

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

City of Kawartha Lakes Trust Funds

Statement of cash flows year ended December 31, 2013

	2013	2012
	\$	\$
Operating activities		
Excess of revenues over expenses	61,799	48,456
Change in non-cash assets and liabilities		
Decrease in loans receivable	1,609	669
Increase in accounts receivable	(38,870)	-
(Increase) decrease in accrued interest	(665)	4,841
Increase (decrease) in accounts payable	566	(2,062)
	<u>24,439</u>	<u>51,904</u>
Investing activity		
Decrease (increase) in investments	(191,676)	154,126
Financing activity		
Decrease in amount due to City of Kawartha Lakes	(48,887)	(11,468)
Change in cash during the year	(216,124)	194,562
Cash, beginning of year	309,665	115,103
Cash, end of year	<u>93,541</u>	<u>309,665</u>

City of Kawartha Lakes Trust Funds

Notes to the financial statements

December 31, 2013

1. Significant accounting policies

The financial statements of the trust funds of The City of Kawartha Lakes (the "Trust Funds") are the representations of management prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

Basis of accounting

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenses are recorded in the period the goods and services are acquired and a liability is incurred, or transfers are due.

Investments

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

Use of estimates

The preparation of the periodic financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

2. Ontario Home Renewal Program

- (a) The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.
- (b) Ontario Home Renewal Program loans receivable at December 31, 2013 comprise repayable loans of \$10,596 (2012 - \$12,205). In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.
- (c) Ontario Regulation 641 has established procedures for the winding down of the Ontario Home Renewal Program. Under conditions stipulated in the Regulation, all Fund balances were remitted to the Ministry during 1994. The City will continue to administer the collection of any outstanding loans and remit the proceeds, net of 5% administration fee.

3. Due to City of Kawartha Lakes

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

4. Cemetery perpetual care trusts

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

5. Forbert trust

This trust fund represents a bequest from the Estate of Ross and Helen Forbert. Investment income on the funds is distributed to promote figure skating and minor hockey in the Village of Bobcaygeon. The capital is to remain intact.

City of Kawartha Lakes Trust Funds

Notes to the financial statements

December 31, 2013

6. Assumption of net assets

In 2013, two cemeteries were assumed by the City of Kawartha Lakes. In assuming these net assets of the Trust Funds received the perpetual care funds of each cemetery. The following represents the amounts assumed:

	\$
Sadowa Cemetery	61,887
Manilla United Church Cemetery	2,823
	<hr/>
	64,710
