

**CORPORATION OF THE
TOWN OF DESERONTO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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AUDITORS' REPORT

TO THE MEMBERS OF COUNCIL, INHABITANTS AND RATEPAYERS OF THE CORPORATION OF THE TOWN OF DESERONTO

We have audited the consolidated statement of financial position of the Corporation of the Town of Deseronto as at December 31, 2004 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Town'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 consolidated financial statements, present fairly, in all material respects, the financial position of the Town as at December 31, 2004 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peterborough, Ontario
March 11, 2005

Chartered Accountants

CORPORATION OF THE TOWN OF DESERONTO

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION At
December 31, 2004**

	2004	2003
	\$	\$
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments	96,458	85,904
Taxes and grants in lieu receivable	180,377	245,566
Accounts receivable	785,286	861,499
Prepaid expenses	5,038	33,675
TOTAL ASSETS	1,067,159	1,226,644
LIABILITIES AND MUNICIPAL POSITION		
LIABILITIES		
Bank indebtedness	387,378	403,741
Accounts payable	740,782	539,266
Deferred revenue obligatory reserve funds (Note 3)	31,536	25,536
Other deferred revenues	78,845	77,254
Long term debt (Note 4)	1,330,685	1,477,616
	2,569,226	2,523,413
MUNICIPAL POSITION		
Fund Balances (Note 5) Current fund		
Capital fund Reserves (see Schedule page 12)	(102,969) (367,472) 299,059	(51,340) - 232,187
Amount To Be Recovered	(171,382)	180,847
Long term debt	(1,330,685)	(1,477,616)
	(1,502,067)	(1,296,769)
TOTAL LIABILITIES AND MUNICIPAL POSITION	1,067,159	1,226,644

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



Collins Barrow

Chartered Accountants

CORPORATION OF THE TOWN OF DESERONTO

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES For
The Year Ended December 31,2004**

	Budget	Actual	Actual
	2004	2004	2003
	\$	\$	\$
REVENUES			
Property taxation	727,033	726,780	646,586
Taxation from other governments	26,721	29,290	26,379
User charges	940,476	965,770	914,541
Government of Canada	-	-	1,152
Province of Ontario	1,008,043	902,351	1,404,669
Other municipalities	-	-	500
Penalties and interest on taxes	45,000	37,650	47,126
Investment income	-	2,335	1,267
Capital donations	-	8,000	3,000
Sale of capital assets	-	66,778	-
TOTAL REVENUES	2,747,273	2,738,954	3,045,220
EXPENDITURES			
CURRENT			
General government	399,941	404,160	393,431
Protection to persons and property	565,811	596,307	628,322
Transportation services	259,197	221,948	303,148
Environmental services	744,018	808,906	832,058
Health services	4,000	20,260	18,689
Recreation and cultural services	302,808	352,137	291,682
Planning and development	91,350	26,898	12,195
TOTAL CURRENT EXPENDITURES	2,367,125	2,430,616	2,479,525
CAPITAL			
General government	111,163	85,935	31,291
Protection to persons and property	9,000	7,597	17,914
Transportation services	12,000	53,210	-
Environmental services	40,000	343,645	(6,549)
Health services	2,550	2,549	-
Recreation and cultural services	3,000	20,700	12,364
TOTAL CAPITAL EXPENDITURES	177,713	513,636	55,020
TOTAL EXPENDITURES	2,544,838	2,944,252	2,534,545
NET REVENUES/(EXPENDITURES)	202,435	(205,298)	510,675
INCREASE (DECREASE) IN AMOUNTS			
TO BE RECOVERED			
Debt principal repayments	(151,095)	(146,931)	(143,809)
INCREASE (DECREASE) IN FUND BALANCES	51,340	(352,229)	366,866

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



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CORPORATION OF THE TOWN OF DESERONTO

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION For
The Year Ended December 31,2004**

	2004	2003
	\$	\$
OPERATIONS		
Net revenues/(expenditures)	(205,298)	510,675
(Uses) Sources:	65,189	172,233
(Increase) decrease in taxes receivable	76,213	(417,310)
(Increase) decrease in trade and other receivables	28,637	(52,092)
(Increase) decrease in other assets	201,516	72,398
Increase (decrease) in accounts payable	6,000	4,091
Increase (decrease) in deferred revenue - obligatory reserve funds	1,591	14,875
Increase (decrease) in other deferred revenues		
Net increase (decrease) in cash from operations	173,848	304,870
FINANCING		
Long term debt repaid	(146,931)	(143,809)
NET CHANGE IN CASH AND CASH EQUIVALENTS	26,917	161,061
OPENING CASH AND CASH EQUIVALENTS	(317,837)	(478,898)
CLOSING CASH AND CASH EQUIVALENTS	(290,920)	(317,837)
REPRESENTED BY:		
Cash and temporary investments Bank indebtedness	96,458	85,904
	(387,378)	(403,741)
	(290,920)	(317,837)

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



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CORPORATION OF THE TOWN OF DESERONTO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2004

The Town of Deseronto is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies are as follows:

Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures and fund balances of the reporting entity.

The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. The financial statements include:

Deseronto Water and Sewer System Deseronto
Community Recreation Centre Deseronto
Public Library Board Deseronto Cemetery
Board Deseronto Business Improvement Area

All interfund assets and liabilities and revenues and expenditures are eliminated. **Fund**

Accounting

Funds within the consolidated financial statements consist of current, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate municipal fund balance.

Trust funds and their related operations administered by the Town are not included in these financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

Capital Assets

Expenditures made on capital assets are reported as capital expenditures on the Consolidated Statement of Financial Activities in the period incurred.

Reserves

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

Deferred Revenue

Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

Government Funding

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.



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CORPORATION OF THE TOWN OF DESERONTO

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For
The Year Ended December 31,2004**

1. SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Use of Estimates

The preparation of 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 financial statements, and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Financial Instruments

It is management's opinion that the fair value of financial instruments are not materially different from their carrying value unless otherwise noted.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HASTINGS

During 2004, requisitions were made by the County of Hastings and School Boards requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$
Property taxes	240,684	251,127
Taxation from other governments	31	5,755
<hr/>		
Amount requisitioned and remitted	240,715	256,882

These amounts have not been included in the Consolidated Statement of Financial Activities.

3. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the municipality are summarized below.

	2004 \$	2003 \$
. parkland	13,429	13,429
.lot levy	18,107	12,107
	31,536	25,536

CORPORATION OF THE TOWN OF DESERONTO

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For
The Year Ended December 31,2004**

4. LONG TERM DEBT

	2004 \$	2003 \$
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(a) The balance of long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

Total long term debt incurred by the municipality and outstanding at the end of the year amount to	1,330,685	1,477,616
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(b) Future long term debt payments are as follows:

	Principal \$	Interest \$	Total \$
2005	152,278	80,523	232,801
2006	174,080	71,527	245,607
2007	177,714	61,016	238,730
2008	136,086	51,064	187,150
2009	133,680	42,278	175,958
2010 and thereafter	773,838 556,847	306,408 77,223	1,080,246 634,070
	1,330,685	383,631	1,714,316

(c) The long term debt in (a) issued in the name of the municipality have received approval of the Ontario Municipal Board (or approval by private legislation) for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) The long term debt in (a) includes a loan under the Financial Integrity Fund Program with the Ministry of Municipal Affairs and Housing at December 31, 2004 of \$167,234 (2003 \$167,234). The principal and interest payments have been postponed until December 31, 2006. Interest on this loan has been accrued at December 31, 2004 in the amount of \$ 11,372.

(e) Total charges for the year for long term debt which are reported on the Consolidated Statement of Financial Activities are as follows:

	2004 \$	2003 \$
Principal payments	146,931	143,809
Interest	87,006	109,283
	233,937	253,092

CORPORATION OF THE TOWN OF DESERONTO

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For
The Year Ended December 31,2004**

MUNICIPAL POSITION AT THE END OF THE YEAR

The municipal position is comprised of the following:

	2004	2003
	\$	\$
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Current Fund		
For general reduction (increase) of taxation and user charges	(49,267)	(62,252)
. Town	(73,346)	6,218
. Water and sewer system	15,704	(3,270)
. Public Library board	4,595	7,964
. Cemetery Board	8,535	
. Business Improvement Area Board		
	<hr/>	<hr/>
	(102,969)	(51,340)
Capital Fund Watermain upgrades (Note 9)	(333,568)	-
Transportation equipment	(33,904)	
	<hr/>	<hr/>
(367,472)		
	<hr/>	<hr/>
Reserves	299,059	232,187
	(171,382)	180,847
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PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time 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.

Contributions required on account of current service in 2004 were \$11,908 (2003 - \$6,289).



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CORPORATION OF THE TOWN OF DESERONTO

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For
The Year Ended December 31,2004**

7. TRUST FUNDS

Trust funds administered by the municipality amounting to \$85,028 (2003 \$83,148) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

8. BUDGET FIGURES

Budgets established for capital funds and reserves are based on a project-oriented basis, the costs of which may be carried out over one or more years. Although they are not directly comparable with the current year actual amounts they have been reflected on the Consolidated Statement of Financial Activities. Budget figures are not subject to audit.

9. SUBSEQUENT EVENTS

Subsequent to December 31, 2004, the Town financed the capital expenditures for water main upgrades by way of long term debt totalling \$345,000.

10. COMPARATIVE FIGURES

Comparative figures were restated, where required, to conform with the current year presentation.



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