

**CORPORATION OF THE
TOWN OF DESERONTO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31,2003**

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Collins Barrow

Chartered Accountants

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, 2003 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, 2003 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.

The financial statements for the year ended December 31, 2002 were reported on by another firm of Chartered Accountants.

Peterborough, Ontario
March 15, 2004

Chartered Accountants

CORPORATION OF THE TOWN OF DESERONTO

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION At
December 31, 2003**

	2003	2002
	\$	\$
ASSETS		
FINANCIAL ASSETS	85,904	131,102
Cash and temporary investments	245,566	417,799
Taxes and grants in lieu receivable	840,499	423,189
Accounts receivable	54,675	2,583
Prepaid expenses		
TOTAL ASSETS	1,226,644	974,673
LIABILITIES AND MUNICIPAL POSITION		
LIABILITIES	403,741	610,000
Bank indebtedness	539,266	466,868
Accounts payable	25,536	21,445
Deferred revenue	77,254	62,379
obligatory reserve funds (Not3)	1,477,616	1,621,425
Other deferred revenues		
Long term debt (Note 4)		
	2,523,413	2,782,117
MUNICIPAL POSITION		
Fund Balances (Note 5) Current fund		
Capital fund Reserves (see Schedule page 12)	(51,340) (288,389) 232,187	(122,611) 224,981
Amount To Be Recovered	180,847	(186,019)
Long term debt	(1,477,616)	(1,621,425)
	(1,296,769)	(1,807,444)
TOTAL LIABILITIES AND MUNICIPAL POSITION	1,226,644	974,673

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



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CORPORATION OF THE TOWN OF DESERONTO

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES For
The Year Ended December 31,2003**

	Budget 2003	Actual 2003	Actual 2002
	\$	\$	\$
REVENUES			
Property taxation	631,079	646,586	606,563
Taxation from other governments	7,118	26,379	6,742
User charges	946,686	914,541	927,915
Government of Canada	1,801	1,152	1,801
Province of Ontario	1,511,707	1,404,669	940,221
Other municipalities	52,000	500	500
Penalties and interest on taxes	500	47,126	52,141
Investment income		1,267	17,840
Capital donations	5,000	3,000	75,343
Sale of capital as sets			
Lot levies earned			
TOTAL REVENUES	3,155,891	3,045,220	2,629,066
EXPENDITURES			
CURRENT			
General government	390,518	393,431	319,948
Protection to persons and property	676,875	628,322	670,098
Transportation services	292,862	303,148	236,335
Environmental services	849,727	832,058	624,306
Health services	264,173	18,689	16,308
Recreation and cultural services		291,682	250,151
Planning and development	13,700	12,195	33,449
TOTAL CURRENT EXPENDITURES	2,491,855	2,479,525	2,150,595
CAPITAL			
General government	59,756	31,291	41,203
Protection to persons and property	17,000	17,914	14,575
Transportation services	2,000	(6,549)	187,627
Environmental services	9,500	12,364	294,477
Recreation and cultural services			852,130
TOTAL CAPITAL EXPENDITURES	88,256	55,020	1,390,012
TOTAL EXPENDITURES	2,580,111	2,534,545	3,540,607
NET REVENUES/(EXPENDITURES)	575,780	510,675	(911,541)
INCREASE (DECREASE) IN AMOUNTS TO BE RECOVERED			
Debt principal repayments	(139,800)	(143,809)	(128,675)
Long term debt issued			267,459
	(139,800)	(143,809)	138,784
INCREASE (DECREASE) IN FUND BALANCES	435,980	366,866	(772,757)

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 31,2003**

	2003	2002
	\$	\$
OPERATIONS		
Net revenues/(expenditures)	510,675	(911,541)
(Uses) Sources:		
(Increase) decrease in taxes receivable	172,233	(28,078)
(Increase) decrease in trade and other receivables	(417,310)	(328,908)
(Increase) decrease in other assets	(52,092)	1,202
Increase (decrease) in accounts payable	72,398	75,582
Increase (decrease) in deferred revenue		
- obligatory reserve funds	4,091	3,589
Increase (decrease) in other deferred revenues	14,875	55,252
Net increase (decrease) in cash from operations	304,870	(1,132,902)
FINANCING		
Long term debt issued		267,459
Long term debt repaid	(143,809)	(128,675)
	(143,809)	138,784
NET CHANGE IN CASH AND CASH EQUIVALENTS	161,061	(994,118)
OPENING CASH AND CASH EQUIVALENTS	(478,898)	515,220
CLOSING CASH AND CASH EQUIVALENTS	(317,837)	(478,898)
REPRESENTED BY:		
Cash and temporary investments	85,904	131,102
Bank indebtedness	(403,741)	(610,000)
	(317,837)	(478,898)

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 31,2003

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

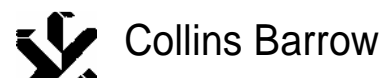
Certain amounts, as approved by Council, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

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.



CORPORATION OF THE TOWN OF DESERONTO

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For
The Year Ended December 31,2003**

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.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HASTINGS

During 2003, 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	253,314	247,280
Taxation from other governments	-	5,432
<hr/>		
Amount requisitioned and remitted	253,314	252,712

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

3. DEFERRED REVENUE - OBLIGATORY RESERVE FUND

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.

	2003 \$	2002 \$
.parkland	13,429	13,342
.lot levy	12,107	8,103
	25,536	21,445



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CORPORATION OF THE TOWN OF DESERONTO

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31,2003**

4. LONG TERM DEBT

	2003 \$	2002 \$	
(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	1,477,616	1,621,425	
(b) Future long term debt payments are as follows:			
	Principal \$	Interest \$	Total \$
2004	146,932	77,624	224,556
2005	152,278	69,151	221,429
2006	174,080	71,527	245,607
2007	177,714	61,016	238,730
2008	136,086	51,064	187,150
2009 to 2013	787,090	330,382	1,117,472
2014	630,956	114,612	745,568
	59,570	4,899	64,469
	1,477,616	449,893	1,927,509

- (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, 2003 of \$167,234 (2002 \$167,234). The principal and interest payments have been postponed until December 31, 2006. Interest on this loan has been accrued at December 31, 2003 in the amount of \$22,744 (2002 \$Nil).
- (e) Total charges for the year for long term debt which are reported on the Consolidated Statement of Financial Activities are as follows:

	2003 \$	2002 \$
Principal payments	143,809	128,675
Interest	109,283	83,860
	253,092	212,535

CORPORATION OF THE TOWN OF DESERONTO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31,2003

MUNICIPAL POSITION AT THE END OF THE YEAR

The municipal position is comprised of the following:

	2003	2002
	\$	\$
Current Fund		
For general reduction (increase) of taxation and user charges .		
Town	(43,639)	(158,546)
. Water and sewer system . Community		18,501
Recreation Centre . Public Library board .	(18,613)	(4,946)
Cemetery Board . Business Improvement	6,218	15,107
Area Board	(3,270)	1,010
	7,964	6,263
	(51,340)	(122,611)
Capital Fund		
Water and sewer system		(288,389)
Reserves	232,187	224,981
	180,847	(186,019)

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. Due to significant surplus, OMERS has declared a temporary contribution holiday for all active employees and participating employers, through to December 31, 2002. Contributions were recommenced in 2003.

Contributions required on account of current service in 2003 were \$6,289 (2002 - \$Nil).

CORPORATION OF THE TOWN OF DESERONTO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31,2003

7. TRUST FUNDS

Trust funds administered by the municipality amounting to \$83.148 (2002 \$85,725) 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. COMPARATIVE FIGURES

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

