

Township of Scugog

Financial Statements

For the year ended December 31, 2003

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Township of Scugog

Financial Statements

For the year ended December 31, 2003

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Auditors' Report

To the Members of Council of the Township of Scugog

We have audited the consolidated statement of financial position of the Township of Scugog as at December 31, 2003 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the municipality's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as explained in the following paragraph, 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.

We have been unable to obtain satisfactory evidence as to the valuation of the employee future benefits liability because the municipality did not engage an actuary to perform an actuarial valuation.

Management estimated the liability for employee future benefits at \$554,000, but the estimate was not calculated in accordance with Canadian generally accepted accounting principles for municipalities. Specifically, an accrued benefit method was not used to attribute the cost of benefits to the periods of employee service, and actuarial assumptions including turnover and mortality were not considered. Although we believe the liability is overstated, we are unable to estimate what the liability should be, nor are we able to estimate the related effect on expenditures and the municipality's ending municipal position.

In our opinion, except that the liability for employee future benefits is likely overstated as described above, these consolidated financial statements present fairly, in all material respects, the financial position of the Township of Scugog as at December 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2002 and for the year then ended were audited by other auditors who expressed opinion without reservation on those statements in their report dated March 28, 2003.

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Chartered Accountants

Lindsay, Ontario
Audit Report Date

Township of Scugog
Consolidated Statement of Financial Position

December 31 **2003** **2002**

Assets

Financial Assets

Cash (Note 5)	\$ 2,840,839	\$ 3,500,812
Taxes receivable	4,045,327	3,898,198
Accounts receivable (Note 6)	2,032,992	1,468,746
Other current assets	5,454	13,335
Investment in government business enterprise (Note 7)	1,829,868	1,912,273
	\$ 10,754,480	\$ 10,793,364

Liabilities and Municipal Position

Liabilities

Accounts payable and accrued expenses	\$ 2,475,288	\$ 1,537,427
Deferred revenue (Note 8)	1,523,887	2,751,151
Other liabilities	1,037,956	969,439
Employee future amounts payable (Note 9)	554,000	554,000
Municipal debt (Note 11)	5,300,000	1,064,000
	10,891,131	6,876,017

Municipal Position

Capital fund (Page 7 & Note 12)	382,650	3,473
Operating fund (Page 6 & Note 12)	78,571	190,725
Reserves and reserve funds (Page 8)	3,347,924	3,366,876
Equity in government business enterprise (Note 7)	1,829,868	1,912,273
	5,639,013	5,473,347
Fund balances	5,639,013	5,473,347
Amounts to be recovered from future revenues (Note 10)	(5,775,664)	(1,556,000)
	(136,651)	3,917,347
	\$ 10,754,480	\$ 10,793,364

Township of Scugog Consolidated Statement of Financial Activities

For the year ended December 31	Budget 2003	Actual 2003	Actual 2002
Revenues			
Taxation levied for own purposes (Note 3)	\$ 6,330,761	\$ 6,501,856	\$ 6,048,415
User charges, licences and fines (Note 14)	1,371,750	1,371,220	1,398,332
Grants			
Government of Canada	503,300	503,866	9,406
Province of Ontario	495,000	558,004	82,622
Other Municipalities	131,500	229,502	28,589
Other			
Casino revenues	1,400,000	1,498,020	1,400,363
Developer contributions earned (Note 8)	2,271,388	2,073,570	427,006
Investment income	76,000	123,285	110,744
Sale of land and capital assets	-	22,476	210,635
Penalties and interest on taxes	532,000	556,458	531,844
Donations and other	893,700	705,540	81,544
	14,005,399	14,143,797	10,329,500
Expenditures			
General government	5,109,785	4,560,225	1,267,193
Protection to persons and property	1,270,870	1,197,970	1,134,643
Transportation services	4,183,300	4,897,533	4,279,873
Environmental services	19,500	29,277	18,970
Health services	32,000	15,000	25,000
Social services	30,000	37,400	105,403
Recreational and cultural services	7,788,111	7,164,106	2,529,715
Planning and development	330,014	213,878	167,688
	18,763,580	18,115,389	9,528,485
Government Business Enterprise (Note 7)			
Share of net loss	-	(82,405)	(368,999)
Net Revenues (Expenditures)	(4,758,181)	(4,053,997)	432,016
Financing			
New debt issued	4,334,335	4,333,999	-
Debt principal repayments	(152,000)	(98,000)	(95,500)
Employee future amounts	-	(20,000)	(20,000)
Change in inventory and prepaid expenses	-	3,664	-
Increase (decrease) in amounts to be recovered from future revenues	4,182,335	4,219,663	(115,500)
Change in Fund Balances	\$ (575,846)	\$ 165,666	\$ 316,516

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

Township of Scugog Consolidated Statement of Cash Flows

For the year ended December 31	Actual 2003	Actual 2002
Cash flows from operating activities		
Net Revenues (Expenditures) (Page 4)	\$ (4,053,997)	\$ 432,016
Uses		
Increase in taxes receivable	(147,129)	(117,684)
Increase in accounts receivable	(564,249)	(584,218)
Increase in other assets	-	(8,102)
Decrease in accounts payable	-	(968,033)
Decrease in deferred revenue	(1,227,264)	-
	(1,938,642)	(1,678,037)
Sources		
Increase in accounts payable	937,861	-
Increase in other liabilities	68,520	404,860
Increase in deferred revenue	-	682,451
Decrease in other assets	7,881	-
	1,014,262	1,087,311
	(4,978,377)	(158,710)
Cash flows from investing activities		
Share of net loss of Government Business Enterprise (Note 7)	82,405	368,999
Cash flows from financing activities		
Municipal debt issued	4,333,999	-
Debt principal repayments	(98,000)	(95,500)
	4,235,999	(95,500)
Net change in cash and cash equivalents	(659,973)	114,789
Opening cash and cash equivalents	3,500,812	3,386,023
Closing cash and cash equivalents (Note 5)	\$ 2,840,839	\$ 3,500,812

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

Township of Scugog Schedule of Operating Fund Operations

For the year ended December 31	Budget 2003	Actual 2003	Actual 2002
Revenues			
Net taxation for own purposes (Note 3)	\$ 6,330,761	\$ 6,501,856	\$ 6,048,415
User charges, licences and fines (Note 14)	1,371,750	1,371,220	1,398,332
Grants			
Government of Canada	8,300	8,866	9,406
Province of Ontario	-	63,004	67,960
Other Municipalities	31,500	30,000	28,589
Other			
Developer contributions earned	39,000	39,000	28,000
Investment income	76,000	93,501	93,038
Penalties and interest on taxes	532,000	556,458	531,844
Donations and other	3,500	-	-
	8,392,811	8,663,905	8,205,584
Expenditures			
General government	1,375,150	1,493,222	1,207,587
Protection to persons and property	1,163,870	1,146,277	1,026,443
Transportation services	2,951,000	3,528,551	2,937,315
Environmental services	19,500	29,277	18,970
Health services	32,000	15,000	25,000
Social services	30,000	37,400	34,223
Recreation and cultural services	1,725,651	1,870,240	1,737,240
Planning and development	318,808	213,878	167,688
	7,615,979	8,333,845	7,154,466
Net Revenues	776,832	330,060	1,051,118
Financing and Transfers from (to) other Funds			
Debt principal repayment	(152,000)	(98,000)	(95,500)
Employee future amounts	-	(20,000)	(20,000)
Change in inventory and prepaid expenses	-	3,664	-
Reserves and reserve funds (Page 8)	30,050	275,462	(753,488)
Capital fund (Page 7)	(654,882)	(603,340)	(239,881)
	(776,832)	(442,214)	(1,108,869)
Change in Operating Fund Balance	-	(112,154)	(57,751)
Opening Operating Fund Balance	190,725	190,725	248,476
Closing Operating Fund Balance (Note 12)	\$ 190,725	\$ 78,571	\$ 190,725

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

Township of Scugog Schedule of Capital Fund Operations

For the year ended December 31	Budget 2003	Actual 2003	Actual 2002
Revenues			
Grants			
Government of Canada	\$ 495,000	\$ 495,000	\$ -
Province of Ontario	495,000	495,000	14,662
Other Municipalities	100,000	199,502	-
Other			
Sale of land and capital assets	-	22,476	210,635
Developer contributions earned	2,232,388	2,034,570	399,006
Donations and other	890,200	705,540	81,544
	<u>4,212,588</u>	<u>3,952,088</u>	<u>705,847</u>
Expenditures			
General government	3,734,635	3,067,003	59,606
Protection to persons and property	107,000	51,693	108,200
Transportation services	1,232,300	1,368,982	1,342,558
Social services	-	-	71,180
Recreation and cultural services	6,062,460	5,293,866	792,475
Planning and development	11,206	-	-
	<u>11,147,601</u>	<u>9,781,544</u>	<u>2,374,019</u>
Net Expenditures	<u>(6,935,013)</u>	<u>(5,829,456)</u>	<u>(1,668,172)</u>
Financing and transfers from (to) other Funds			
New debt issued	4,334,335	4,333,999	-
Operating fund (Page 6)	654,882	603,340	239,881
Reserves and reserve funds (Page 8)	1,945,796	1,271,294	846,244
	<u>6,935,013</u>	<u>6,208,633</u>	<u>1,086,125</u>
Change in Capital Fund Balance	-	379,177	(582,047)
Opening Capital Fund Balance	<u>3,473</u>	<u>3,473</u>	<u>585,520</u>
Closing Capital Fund Balance (Note 12)	<u>\$ 3,473</u>	<u>\$ 382,650</u>	<u>\$ 3,473</u>

Township of Scugog
Schedule of Reserves and Reserve Funds

For the year ended December 31	Budget 2003	Actual 2003	Actual 2002
Revenues			
Interest	\$ -	\$ 29,784	\$ 17,706
Casino revenues	1,400,000	1,498,020	1,400,363
	<u>1,400,000</u>	<u>1,527,804</u>	<u>1,418,069</u>
Net Transfers from (to) other Funds			
Operating fund (Page 6)	(30,050)	(275,462)	753,488
Capital fund (Page 7)	(1,945,796)	(1,271,294)	(846,244)
	<u>(1,975,846)</u>	<u>(1,546,756)</u>	<u>(92,756)</u>
Change in Reserves and Reserve Funds	(575,846)	(18,952)	1,325,313
Opening Reserves and Reserve Funds	<u>3,366,876</u>	<u>3,366,876</u>	<u>2,041,563</u>
Closing Reserves and Reserve Funds	<u>\$ 2,791,030</u>	<u>\$ 3,347,924</u>	<u>\$ 3,366,876</u>

Consists of:	<u>2003</u>	<u>2002</u>
Reserves set aside by Council		
for municipal projects	\$ 1,299,688	\$ 1,014,361
for working capital	<u>1,200,000</u>	<u>1,200,000</u>
	<u>2,499,688</u>	<u>2,214,361</u>
Reserve funds set aside by Council		
for community enhancement	<u>848,236</u>	<u>1,152,515</u>
Total Reserves and Reserve Funds	<u>\$ 3,347,924</u>	<u>\$ 3,366,876</u>

Township of Scugog

Summary of Significant Accounting Policies

December 31, 2003

**Management
Responsibility**

These financial statements are the representation of the municipality's management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Use of Estimates

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Actual results could differ from management's best estimates as additional information becomes available in the future.

Basis of Accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

The focus of PSAB financial statements is on the financial position of the municipality and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

Basis of Consolidation

This statement reflects the assets, liabilities, sources of financing and expenditures of the operating fund, capital fund, reserves and reserve funds and include the activities of all committees of Council and the following local boards and municipal enterprises which are under the control of Council:

Scugog Memorial Library Board
Port Perry Central District Business Improvement Area

All interfund and inter-entity assets, liabilities, sources of financing and expenditures have been eliminated for the entities listed as consolidated in this statement.

The municipality's investment in Scugog Hydro Energy Corporation is accounted for on a modified equity basis, consistent with generally accepted accounting treatment for investments in government business enterprises.

Trust funds and their related operations administered by the municipality are not consolidated, but are disclosed separately in Note 2.

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the region and school boards are not reflected in the municipal fund balances of this financial statement, but are disclosed

**Township of Scugog
Summary of Significant Accounting Policies**

December 31, 2003

separately in Note 3.

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Township of Scugog
Summary of Significant Accounting Policies

December 31, 2003

Reserves and Reserve Funds	Certain amounts, as approved by the Township's council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserve funds are an adjustment to the respective fund when approved.
Capital Assets	The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.
Amounts to be Recovered from Future Revenues	Amounts to be recovered from future revenues represent the unfunded principal portion of unmatured long-term liabilities for municipal expenditures and employee future amounts. Future revenues will be required to fund payment of these balances.
Deferred Revenue	Under PSAB accounting principles, obligatory reserve funds and any other externally restricted financing amounts must be reported as deferred revenue. Only the amount earned by qualifying expenditures in the current year is reflected as revenue in the Consolidated Statement of Financial Activities.
Cash and cash equivalents	Cash and cash equivalents consist of bank balances and investments in money market instruments with maturities of three months or less, and is net of any temporary borrowings for current purposes. Composition of the balance and restricted amounts are disclosed in Note 5.

Township of Scugog Notes to Financial Statements

December 31, 2003

1. Financial Instruments

The municipality's financial instruments consist of cash, taxes receivable, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

2. Trust Funds

Trust funds administered by the municipality amounting to \$286,975 (2002 - \$617,429) have not been included in the Consolidated Statement of Financial Position nor have operations been included in the Consolidated Statement of Financial Activities. Separate schedules of the trust funds have been prepared. A summary of the balances is as follows:

	2003	2002
Gregg Cemetery	\$ 21,948	\$ 22,962
Subdivider Trust	230,925	269,307
Ontario Home Renewal Program	15,978	22,599
Kent Farndale Art Bursary	7,843	7,183
Cartwright Minor Ball Trust	7,824	7,678
Minor Sports Group	-	287,700
Skateboard Park	2,457	-
	\$ 286,975	\$ 617,429

3. Taxation Raised on Behalf of Others

The following amounts raised on behalf of others are not included in these financial statements.

	2003	2002
School Boards	\$ 7,517,671	\$ 7,213,591
Region of Durham	13,242,378	12,098,618
	\$ 20,760,049	\$ 19,312,209

Township of Scugog Notes to Financial Statements

December 31, 2003

4. Restricted Assets

	2003	2002
Cash (Note 5)	\$ 1,481,478	\$ 2,700,503
Short-term investments (Note 5)	744,911	388,000
Accounts receivable (Note 6)	14,645	17,035
Due from own municipality	79,826	752,758
	\$ 2,320,860	\$ 3,858,296
 Consists of:		
Obligatory funds in deferred revenue (Note 8)	\$ 1,472,624	\$ 2,705,781
Reserve funds (Page 8)	848,236	1,152,515
	\$ 2,320,860	\$ 3,858,296

5. Cash

	2003	2002
Unrestricted		
Unrestricted net cash (overdraft) (Note 13c)	\$ (2,181,206)	\$ 411,309
Unrestricted Money Market and Treasury Bill Funds (Market value- \$2,837,362)	2,795,656	1,000
Restricted		
Restricted cash	1,481,478	2,700,503
Restricted Bond Fund (Market value - \$742,204)	744,911	388,000
	\$ 2,840,839	\$ 3,500,812

The majority of the short term investments, both restricted and unrestricted, are comprised of money market funds, treasury bill funds, and bond funds through the "ONE" Public Sector Group of Funds and a chartered bank.

6. Accounts Receivable

	2003	2002
Unrestricted		
Canada	\$ 212,862	\$ 131,768
Ontario	515,664	14,412
Other municipalities and school boards	539,324	759,224
Other	750,497	546,307
Restricted		
Accrued interest	14,645	17,035
	\$ 2,032,992	\$ 1,468,746

Township of Scugog Notes to Financial Statements

December 31, 2003

7. Government Business Enterprise

In recognition of the requirements of Bill 35 (Energy Competition Act, 1998) the Township of Scugog on October 16, 2000 passed a transfer by-law that transferred substantially all of the assets and liabilities of the Scugog Hydro-Electric Commission, effective October 31, 2000, to the newly created Scugog Hydro Energy Corporation. Scugog Hydro Energy Corporation has carried on the former business of the Commission with all its rights, duties, obligations and responsibilities from the date of transfer. The Township of Scugog is the sole shareholder of Scugog Hydro Energy Corporation.

The following provides condensed supplementary financial information for the Scugog Hydro Energy Corporation for the year ended December 31:

	2003	2002
Assets	\$ 2,870,729	\$ 2,884,945
Liabilities	(2,306,739)	(2,238,550)
Shareholders Equity	\$ 563,990	\$ 646,395
Results of operations		
Revenues	\$ 3,955,188	\$ 3,863,259
Operating expenses	(4,037,593)	(4,232,258)
Net loss reported by Town	\$ (82,405)	\$ (368,999)

The Township's investment in this corporation at December 31, 2003 is as follows:

	2003	2002
Share capital - Scugog Hydro Energy Corporation - 100 common shares	\$ 1,265,878	\$ 1,265,878
Promissory note receivable - interest 5.69%, callable with 12 months notice, no other specific terms of repayment	1,265,878	1,265,878
	2,531,756	2,531,756
Accumulated losses	(701,888)	(619,483)
Balance, end of year	\$ 1,829,868	\$ 1,912,273

The investment in Scugog Hydro Energy Corporation is reflected at the underlying book value of this entity at December 31, 2003. Due to recurring losses experienced by Scugog Hydro Energy Corporation, industry regulations, and current market conditions in the electricity sector, the market value of this investment cannot reasonably be determined. Consequently, the potential writedown (if any) of this investment to market value as at December 31, 2003, has not been recorded in these financial statements.

Township of Scugog Notes to Financial Statements

December 31, 2003

8. Deferred Revenue

	2003	2002
Obligatory Reserve Funds		
Recreational land (Planning Act)	\$ 217,165	\$ 170,741
Development Charges Act	1,255,459	2,535,040
	1,472,624	2,705,781
Other deferred revenue	51,263	45,370
	\$ 1,523,887	\$ 2,751,151

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

	Development Charges Act	Recreational Land	Total
Opening obligatory funds	\$ 2,535,040	\$ 170,741	\$ 2,705,781
Restricted funds received	713,829	66,728	780,557
Interest earned	54,799	5,056	59,855
Transfer to operations	(2,048,208)	(25,361)	(2,073,569)
	\$ 1,255,460	\$ 217,164	\$ 1,472,624

9. Employee Future Amounts Payable

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

a. Vacation Payable

Vacation pay owing at December 31, 2003 has been fully funded from operations and included in accounts payable in these financial statements. The amount payable at December 31, 2003 is \$79,462 (2002 - \$78,634).

b. Pension Agreement

The municipality makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 50 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 contributed to OMERS for 2003 was \$43,863 (2002 - NIL). The OMERS Board set the contribution rate at 0% for August 1998 through December 2002 as a result of a surplus in the fund. When contributions resumed in January 2003, the rate was set at 2.1% of the first \$39,900 of earnings and 2.6% on the remainder. Beginning January 2004, rates have returned to the original 6% of earnings up to \$40,500 and 8.8% on the remainder.

Township of Scugog Notes to Financial Statements

December 31, 2003

9. Employee Future Amounts Payable (Cont'd)

c. Post Employment Benefits

Under the provisions of certain employee benefit plans, an employee who, has achieved the 85 factor as determined by Ontario Municipal Employee Retirement System (OMERS), is eligible for a retirement pension from OMERS, and is under the age of 65 will be provided with Extended Health (drug, semi-private hospital and dental plan) coverage. All coverage ceases at age 65.

The management of the Township has, using the best information available to it, estimated the liability for employee post employment benefits based on the present value of the current obligation for past and current employees. Total benefit payments to retirees during the year were \$17,621 (2002 - \$21,212). No reserve has been set aside to fund this liability, but a portion is being funded from operations at the rate of \$20,000 per year. The estimated liability and unfunded amount are as follows:

	2003	2002
Total estimated liability	\$ 554,000	\$ 554,000
Less amount already funded from operations	(82,000)	(62,000)
Net amount to be recovered from future revenues (Note 10)	\$ 472,000	\$ 492,000

Management's estimate was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, and wage and salary increases, however turnover and mortality have not been considered. The main assumptions employed by management are as follows:

Expected inflation rate	3%
Discount rate	6.75%
Medical cost increases - first year	8%
- decreasing over 7 years to	1.45% plus CPI
Expected rate of dental cost increase	1.45% plus CPI

10. Amounts to be Recovered from Future Revenues

	2003	2002
Employee future amounts payable (Note 9)	\$ 472,000	\$ 492,000
Municipal debt (Note 11)	5,300,000	1,064,000
Prepaid expenses	3,664	-
	\$ 5,775,664	\$ 1,556,000

Township of Scugog Notes to Financial Statements

December 31, 2003

11. Municipal Debt

The balance of net municipal debt is made up of the following:

	2003	2002
The municipality has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by the Region of Durham. At the end of the year, the outstanding principal amount of the liability to be financed by future taxation and user charges is	\$ 5,300,000	\$ 1,064,000

- a. The interest rates charged on debt range from 3% to 5.75%. Future payments requiring taxation and user charge financing are summarized as follows:

	2004	2005	2006	2007	2008+	Total
Principal	\$ 458,000	\$ 475,000	\$ 494,000	\$ 515,000	\$ 3,358,000	\$ 5,300,000
Interest	244,325	225,953	205,632	183,059	534,933	1,393,902
Total Payment	\$ 702,325	\$ 700,953	\$ 699,632	\$ 698,059	\$ 3,892,933	\$ 6,693,902

- b. The long-term liabilities issued in the municipality's name 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. Total gross expenditures for the year to service net municipal debt are reported on the Consolidated Statement of Financial Activities as follows:

	2003	2002
Principal payments - in financing section	\$ 98,000	\$ 95,500
Interest - in operating expenditures by function	182,269	55,793
Gross expenditures	\$ 280,269	\$ 151,293

Township of Scugog Notes to Financial Statements

December 31, 2003

12. Fund Balances

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

Operating Fund Balance

For general reduction of (increase in)

	2003	2002
- Township general taxes	\$ 70,139	\$ 215,252
- BIA taxes	13,832	(457)
- Library Board user fees	(5,400)	(24,070)
	\$ 78,571	\$ 190,725

Capital Fund Balance

Unexpended capital financing for - municipal building	\$ 306,575	\$ -
- recreation facilities	72,602	-
- other	3,473	3,473
	\$ 382,650	\$ 3,473

13. Contingent Liabilities and Commitments

a. Other Contingencies

In the normal course of its operations, the municipality is subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, the municipality's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

b. Capital Project Commitment

The municipality has committed to construction contract for the new Municipal Office as follows:

Project description	Net cost to December 31	Gross costs to completion	Net to be financed in future
Municipal Offices	\$ 2,637,922	\$ 3,197,162	\$ 559,240

The costs remaining will be funded by debenture debt and future taxation.

c. Credit Facility Agreement

The municipality has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$2 million via an operating line. Any balance borrowed will bear interest at prime less .5% per year. Council authorized the temporary borrowing limit for 2003 in By-Law 110-02, and the balance owing as at December 31, 2003 excluding outstanding cheques and deposits was \$1,577,318.

**Township of Scugog
Notes to Financial Statements**

December 31, 2003

14. User Charges, Licences and Fees

	2003	2002
Licences and permits	\$ 367,891	\$ 381,960
Roads and engineering user fees and recoveries	96,214	63,033
Recreation program/facility fees, rentals and registrations	628,832	643,045
Library user fees and fines	100,649	88,326
Other	177,634	221,968
	\$ 1,371,220	\$ 1,398,332

15. Expenditures Breakdown

	2003	2002
Salaries and wages	\$ 3,922,008	\$ 3,489,948
Materials, supplies and services	3,619,608	3,112,833
Contracted services	427,308	279,979
Rent and financial expenses	11,464	46,183
Transfers to other entities	171,188	169,730
Interest on municipal debt	182,269	55,793
Capital expenditures	9,781,544	2,374,019
	\$ 18,115,389	\$ 9,528,485

16. Budget Amounts

The budget approved by Council on February 26, 2002 to establish the tax rates for the year was not prepared on the same basis as these financial statements. Certain amounts have been reclassified to conform to PSAB accounting presentation for comparison to the actual results.

12. Prior Year Comparative Figures

Also, comparative figures have been reclassified to conform to current year presentation and statement format.