

**The Corporation of the Town
of Cobourg**
Consolidated Financial Statements
For the year ended December 31, 2004

Contents

Auditors' Report	2
Consolidated Financial Statements	
Statement of Financial Position	3
Statement of Financial Activities	4
Statement of Changes in Financial Position	5
Summary of Significant Accounting Policies	6-8
Notes to Financial Statements	9-18
Schedule of Current Fund Operations	19
Schedule of Capital Fund Operations	20



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Auditors' Report

**To: The Members of Council, Inhabitants
and Ratepayers of The Corporation of
the Town of Cobourg**

We have audited the consolidated statement of financial position of The Corporation of the Town of Cobourg 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 Corporation of the Town of Cobourg as at December 31, 2004 and the results of its financial activities and changes in financial position for the year then ended in accordance with the Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Markham, Ontario
January 13, 2006, except as to Note 7 which is as of February 2, 2006

The Corporation of the Town of Cobourg
Consolidated Statement of Financial Position

December 31

2004

2003

Assets

Financial assets

Taxes receivable	\$ 2,568,717	\$ 2,307,446
Receivables - grants	45,257	80,157
- other	2,744,269	2,075,523
Due from County and School Boards (Note 2)	164,773	13,549
Other assets	60,312	40,646
Investment in Town of Cobourg Holdings Inc. (Note 3)	15,780,897	15,598,171
Industrial property (Note 4)	15,140,024	14,626,846

\$ 36,504,249 \$ 34,742,338

Liabilities and Municipal Position

Liabilities

Bank indebtedness (Note 5)	\$ 3,203,488	\$ 5,474,037
Accounts payable and accrued liabilities	3,075,668	2,351,120
Deferred revenue (Note 6)	1,978,692	1,380,365
Employee future benefits (Note 7)	1,450,353	1,328,009
Mortgage payable (Note 8)	12,839,996	13,489,140
Net long-term liabilities (Note 9)	10,226,020	3,174,904

32,774,217 27,197,575

Municipal position

Fund balances

Current fund (Note 10)(Page 19)	118,333	86,661
Capital fund (Note 10)(Page 20)	(6,333,139)	(8,261,241)
Reserves (Note 11)	3,461,323	3,462,071
Net equity in industrial property	2,408,463	1,177,125
Net equity in Town of Cobourg Holdings Inc.	15,780,897	15,598,171

15,435,877 12,062,787

Amounts to be recovered (Note 12)

(11,705,845) (4,518,024)

3,730,032 7,544,763

\$ 36,504,249 \$ 34,742,338

The Corporation of the Town of Cobourg

Consolidated Statement of Financial Activities

For the year ended December 31	Budget 2004	Actual 2004	Actual 2003
Revenue	(unaudited)		
Taxation and user charges			
Residential and farm taxation	\$ 9,168,784	\$ 9,163,093	\$ 9,494,971
Commercial and industrial taxation	5,206,259	4,867,152	3,669,228
Payments in lieu of taxation	116,000	132,272	132,373
User charges	3,511,472	4,051,429	5,113,136
Development and parking (Note 6)	25,000	231,697	1,056,897
Grants			
Province of Ontario	626,475	963,278	707,000
Government of Canada and other municipalities	20,000	731,871	651,963
Other			
Interest income - Town of Cobourg Holdings Inc.	507,500	507,501	507,500
Interest income - Others	105,000	139,607	171,610
Donations	-	23,401	-
Sale of industrial land	125,000	1,898	112,732
	<u>19,411,490</u>	<u>20,813,199</u>	<u>21,617,410</u>
Expenditures			
Current			
General government	1,984,132	2,252,104	2,022,577
Protection to persons and property	5,928,262	5,712,237	5,317,257
Transportation services	2,639,142	2,811,377	2,692,192
Environmental services	1,966,072	1,641,464	1,485,241
Recreation and cultural services	2,946,719	3,579,428	3,245,213
Social and family services	83,000	55,052	77,529
Planning and development	568,067	689,638	655,196
	<u>16,115,394</u>	<u>16,741,300</u>	<u>15,495,205</u>
Capital			
General government	816,685	763,659	361,302
Protection to persons and property	501,396	635,741	254,204
Transportation services	2,026,625	4,641,279	3,404,131
Environmental services	2,294,500	1,633,813	2,730,115
Recreation and cultural services	1,213,960	1,767,268	3,275,403
Health services	352,900	352,900	311,700
Planning and development	12,130	106,034	114,412
	<u>7,218,196</u>	<u>9,900,694</u>	<u>10,451,267</u>
Total expenditures	<u>23,333,590</u>	<u>26,641,994</u>	<u>25,946,472</u>
Net expenditures from activities	(3,922,100)	(5,828,795)	(4,329,062)
Net equity increase in			
Town of Cobourg Holdings Inc. (Note 3)	600,000	782,726	1,155,987
Net income from industrial property (Note 4)	-	1,231,338	1,177,125
Net expenditures for the year	<u>(3,322,100)</u>	<u>(3,814,731)</u>	<u>(1,995,950)</u>
Change in amounts to be recovered			
Increase (decrease) in accrued interest on long-term liabilities	14,361	14,361	(5,953)
Debt principal repayments	(732,884)	(732,884)	(493,332)
Issuance of new debt	4,384,000	7,784,000	2,000,000
Increase in employee future benefits	-	122,344	90,009
Increase in amounts to be recovered	<u>3,665,477</u>	<u>7,187,821</u>	<u>1,590,724</u>
Change in fund balances for the year	<u>\$ 343,377</u>	<u>\$ 3,373,090</u>	<u>\$ (405,226)</u>

The accompanying summary of significant accounting policies, notes, and schedules are an integral part of these financial statements.



The Corporation of the Town of Cobourg
Consolidated Statement of Changes in Financial Position

For the year ended December 31

2004

2003

Cash provided by (used in)

Operating activities

Net expenditures for the year	\$ (3,814,731)	\$ (1,995,950)
Changes in non-cash items		
Amortization on industrial property	602,996	294,919
Net equity increase in Town of Cobourg Holdings Inc.	(782,726)	(1,155,987)
Changes in non-cash working capital balances		
Decrease (increase) in taxes receivable	(261,271)	401,199
Decrease in grants receivable	34,900	1,378,314
Increase in other receivable	(668,746)	(962,503)
Decrease (increase) in other assets	(19,666)	15,493
Increase in accounts payable and accrued liabilities	724,548	1,163,306
Increase (decrease) in deferred revenue	598,327	(565,550)
Increase in employee benefits repayable	122,344	90,009
	<u>(3,464,025)</u>	<u>(1,336,750)</u>

Investing activities

Acquisition of industrial property	(1,116,174)	(14,921,765)
Decrease (increase) from County and School Boards	(151,224)	264,294
Dividend from Town of Cobourg Holdings Inc.	600,000	-
	<u>(667,398)</u>	<u>(14,657,471)</u>

Financing activities

Increase (decrease) in bank indebtedness	(2,270,549)	998,413
Increase in mortgage payable	-	14,000,000
Repayment of mortgage payable	(649,144)	(510,860)
Issuance of new debt	7,784,000	2,000,000
Repayment of long-term liabilities	(732,884)	(493,332)
	<u>4,131,423</u>	<u>15,994,221</u>

Net change in cash, and cash end of year

\$ - \$ -

The Corporation of the Town of Cobourg

Summary of Significant Accounting Policies

December 31, 2004

Management Responsibility

The consolidated financial statements of the Corporation are the representations of management. They have been prepared in accordance with accounting policies established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenue and expenditures of the current fund, capital fund and reserves and include the activities of all committees of Council and the following boards and municipal enterprises which are under the control of Council:

Downtown Business Improvement Area
Library Board

All interfund assets, liabilities, revenue and expenditures have been eliminated on consolidation.

These financial statements also include the assets, liabilities, revenue and expenses of the industrial property.

Investment in Town of Cobourg Holdings Inc.

Town of Cobourg Holdings Inc. ("TCHI") and its subsidiaries are accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for government business enterprises. Under the modified equity basis of accounting, the business enterprise's accounting principles are not adjusted to conform to those of the Corporation, and inter-organizational transactions and balances are not eliminated. The Corporation recognizes its equity interest in the annual income or loss of TCHI in its statement of financial activities with a corresponding increase or decrease in its investment asset account. Any dividends that the Corporation may receive from TCHI will be reflected as reductions in the investment asset account.

The Corporation of the Town of Cobourg

Summary of Significant Accounting Policies

December 31, 2004

Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the County of Northumberland are not reflected in the municipal fund balances of these financial statements. Overlevies (underlevies) are reported on the Consolidated Balance Sheet.

Basis of Accounting

Revenue 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 consolidated statement of financial position reflects all of the financial 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 of the municipality, and is the difference between its assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.

Industrial Property

Industrial property is recorded at cost less accumulated amortization. Amortization is provided based on the estimated useful life of the asset on a declining balance basis as follows:

Buildings - 5%

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.

The Corporation of the Town of Cobourg

Summary of Significant Accounting Policies

December 31, 2004

Impairment of Long-Lived Assets

On January 1, 2004, the Town adopted CICA Handbook Section 3063, "Impairment of Long-Lived Assets", which requires the Town to test for impairment of long-lived assets to be held and used when events or changes in circumstances occur which may cause their carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. An impairment loss, if any, is determined as the excess of the carrying value of the asset over its fair value.

Employee Future Benefits

The Town accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Vacation entitlements are accrued for as entitlements are earned. Other post-employment benefits are accrued in accordance with the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Reserves

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

Amounts to be Recovered

Amounts to be recovered are reported in the municipal position on the consolidated statement of financial position. The balance represents the outstanding principal portion of unmatured long-term liabilities, interest on long-term liabilities, employee future benefits liabilities, liabilities not yet due, and other future expenditures not yet levied on the ratepayers.

Financial Instruments

Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from its financial instruments and the carrying amount of its financial instruments approximate their fair value.

The Corporation of the Town of Cobourg

Notes to Consolidated Financial Statements

December 31, 2004

1. Adoption of Public Sector Accounting Recommendations

Commencing in 2004, the Town has adopted generally accepted accounting principles concerning employee future benefits issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Key elements of the changes to the balances reported include:

Establishing a liability on the Town's accounts for estimated employee future benefit obligations associated with retirement, health, dental and life insurance benefits, and workers compensation. The restated consolidated statement of financial activities includes the cost of providing these benefits in the period earned.

To facilitate comparability, retroactive restatement has been made of the corresponding comparative figures for the 2003 year. A summary of the impact of key aspects of the restatement and the impact on amounts reported is set out below.

	Impact on Fiscal 2004 Net Expenditure	Impact on Fiscal 2003 Net Expenditure	Impact on Dec 31, 2003 Fund Balances
Recording employee future benefit obligation	\$ 208,680	\$ 168,994	\$ 1,328,009

2. Due from County and School Boards

The balance due from County and School Boards is non-interest bearing. The amount will reduce the next quarterly instalment to be made to the County and School Boards.

3. Investment in Town of Cobourg Holdings Inc.

In compliance with provincial legislation enacted to restructure the electricity industry in Ontario, Council approved the incorporation of the electricity distribution business of the former Public Utilities Commission - Electric Department of Cobourg (the "Commission") in April 2000. Through its 99.9% interest in Town of Cobourg Holdings Inc. ("TCHI"), the Town retains its interest in the electricity business conducted by TCHI.

As part of electricity restructuring, incorporated distribution utilities have been allowed to take on commercial debt structures and have the ability to earn a regulated commercial rate of return. Effective May 1, 2000, the electricity distribution business formerly conducted by the Commission was transferred to TCHI. The Town's financial statements as a result of this transaction is comprised of the following:

	2004	2003
Note receivable from TCHI (i)	\$ 7,000,000	\$ 7,000,000
9,999,999 common shares of TCHI	7,002,144	7,002,144
Retained earnings, beginning of the year	1,596,027	440,040
Pro-rata share of net income during the year	782,726	1,155,987
Dividend	(600,000)	-
Total	\$ 15,780,897	\$ 15,598,171

The Corporation of the Town of Cobourg
Notes to Consolidated Financial Statements

December 31, 2004

3. Investment in Town of Cobourg Holdings Inc. - (Continued)

(i) The note receivable bears interest at 7.25% per annum. The Town does not intend to demand repayment from TCHI until replacement term financing is in place. Interest earned on this note amounted to \$507,501 (2003 - \$507,500).

The following table provides condensed financial information with respect to the Town's investment in TCHI as at December 31, 2004 and December 31, 2003 and its operations for both periods:

<u>Financial Position</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Current assets	\$ 10,441,946	\$ 8,798,417
Capital assets	10,576,145	10,776,993
Other assets	49,929	142,596
Total Assets	21,068,020	19,718,006
Current liabilities	4,844,762	3,649,563
Long-term liabilities	7,442,360	7,470,271
Total Liabilities	12,287,122	11,119,834
Net Assets	\$ 8,780,898	\$ 8,598,172
<u>Results of Operations</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Revenues	\$ 23,443,156	\$ 21,730,351
Expenses	22,660,430	20,574,364
Income for the period	\$ 782,726	\$ 1,155,987

4. Industrial Property

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 3,125,000	\$ -	\$ 3,125,000	\$ -
Buildings	12,912,939	897,915	11,796,765	294,919
	16,037,939	897,915	14,921,765	294,919
Cost less accumulated amortization	\$ 15,140,024		\$ 14,626,846	

The Corporation of the Town of Cobourg

Notes to Consolidated Financial Statements

December 31, 2004

4. Industrial Property - (Continued)

Included in the consolidated statement of financial position are the following assets and liabilities pertaining to the industrial property operations:

<u>Financial Position</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Cash (bank indebtedness)	\$ 408,235	\$ (124,373)
Accounts receivable	116,738	207,226
Prepaid expenses	17,892	5,873
Due from The Corporation of Town of Cobourg	195,971	195,971
Industrial property	<u>15,140,024</u>	<u>14,626,846</u>
Total Assets	<u>15,878,860</u>	<u>14,911,543</u>
Accounts payable and accrued liabilities	630,401	245,278
Mortgage payable	<u>12,839,996</u>	<u>13,489,140</u>
Total Liabilities	<u>13,470,397</u>	<u>13,734,418</u>
Net equity in industrial property	<u>\$ 2,408,463</u>	<u>\$ 1,177,125</u>

The following table provides condensed financial information for the industrial property operations:

<u>Results of Operations</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Gross rental income	\$ 3,135,247	\$ 2,402,936
Operating expenses	(1,751,738)	(1,694,208)
Operating expenses recovery	1,431,776	1,601,588
Administrative expenses	(265,446)	(220,480)
Interest on long term debt	(715,505)	(617,792)
Amortization	<u>(602,996)</u>	<u>(294,919)</u>
Income for the period	<u>\$ 1,231,338</u>	<u>\$ 1,177,125</u>

The industrial property is managed by an independent management company under a year to year contract. Rental income is recognized based on rental lease agreement.

5. Bank Indebtedness

The bank indebtedness is due on demand and interest is calculated and payable monthly. Included in bank indebtedness is an operating loan of \$1,060,000 (2003 - \$3,250,000) which bears interest at the bank's prime rate minus 0.75%, and a line of credit of \$2,000,000 (2003 - \$2,000,000) which bears interest at the bank's prime rate minus 0.75%. The balance of the bank indebtedness is represented by outstanding cheques. The Town has maximum available credit facilities with two banks of \$17,000,000.

The Corporation of the Town of Cobourg
Notes to Consolidated Financial Statements

December 31, 2004

6. Deferred Revenue

	2004				
Obligatory Reserve Funds	Opening Balance	Received in the year	Interest Income	Allocated to Revenue in the year	Closing Balance
Development charges	\$ 1,100,104	\$ 749,919	\$ 24,752	\$ (193,110)	\$ 1,681,665
Parking revenues	167,263	25,748	3,763	(38,587)	158,187
Recreational land	112,998	23,300	2,542	-	138,840
	\$ 1,380,365	\$ 798,967	\$ 31,057	\$ (231,697)	\$ 1,978,692

7. Employee Future Benefits Liability

	2004	2003
Employee future benefits	\$ 1,313,434	\$ 1,257,577
Workplace Safety & Insurance Board (WSIB) Liability	136,919	70,432
	\$ 1,450,353	\$ 1,328,009

Retirement Benefits

Employee future benefits are health and dental benefits that the Town of Cobourg pays on behalf of its retired employees. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. The liability recorded by the Town has been determined by an actuarial study completed February 2006.

Other Employee Future Benefits

The Corporation of the Town of Cobourg is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self insurance for all its employees. The Town assumes responsibility for the payment of all claims to its injured workers and remits payments to the Workplace Safety & Insurance Board (WSIB) as required to fund disability payments. The estimated future liability relating the WSIB was determined by an actuarial valuation completed October 2005.

The Corporation of the Town of Cobourg
Notes to Consolidated Financial Statements

December 31, 2004

7. Employee Future Benefits Liability - (Continued)

Information about the Town's defined benefit plans are as follows:

	2004		2003	
	WSIB	Employee Future Benefits	Total	Total
Accrued benefit liability, beginning of year	\$ 70,432	\$ 1,257,577	\$ 1,328,009	\$ 1,238,000
Service cost	71,772	56,032	127,804	94,267
Interest cost	5,961	74,915	80,876	74,727
Benefit payments	(11,246)	(75,090)	(86,336)	(78,985)
Accrued benefit liability, end of year	\$ 136,919	\$ 1,313,434	\$ 1,450,353	\$ 1,328,009
Employee future benefit expense	\$ 77,733	\$ 130,947	\$ 208,680	\$ 168,994

The actuarial valuation of the plans were based on a number of assumptions about future events, which reflect management's best estimates. The following represents the most significant assumptions made:

	WSIB	Employee Future Benefits
Expected inflation rate	6.0%	3.0%
Expected level of salary increase	2.5%	4.0%
Interest discount rate	2.5%	3.0%
Assumed health care cost trend	0.0%	5.0% -10.0%
Expected average remaining service life	N/A	16 years

The Corporation of the Town of Cobourg
Notes to Consolidated Financial Statements

December 31, 2004

8. Mortgage Payable on Industrial Property

	2004	2003
Royal Bank of Canada		
5.45%, due on March 4, 2013, blended monthly payments of principal and interest in the amount of \$114,021, secured by industrial property (Note 4)	\$ 12,839,996	\$ 13,489,140

Principal payments for the next five years and thereafter are as follows:

2005	\$	685,420
2006		723,723
2007		764,166
2008		806,869
2009		851,959
Thereafter		9,007,859
		\$ 12,839,996

9. Net Long-Term Liabilities

- (a) The balance of the net long-term liabilities reported on the "Consolidated Statement of Financial Position" is made up of the following:

	2004	2003
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	\$ 10,226,020	\$ 3,174,904

- (b) Of the net long-term liabilities reported in (a) of this note, principal payments are payable from general municipal revenues as follows:

2005	\$	1,033,305
2006		936,289
2007		985,630
2008		1,038,010
2009		1,092,877
Thereafter		5,139,909
		\$ 10,226,020

The Corporation of the Town of Cobourg

Notes to Consolidated Financial Statements

December 31, 2004

9. Net Long-Term Liabilities - (Continued)

- (c) Approval of the Ontario Municipal Board or by-law as required has been obtained for the long-term liabilities in (a) issued in the name of the Town.
- (d) Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	2004	2003
Principal payments	\$ 732,884	\$ 493,332
Interest	264,971	184,454
	\$ 997,855	\$ 677,786

- (e) The long-term liabilities bear interest at varying rates of 4.72% to 9.25% per annum.

10. Municipal Fund Balances at the End of the Year

The balances of the Current Fund and Capital Fund on the "Consolidated Statement of Financial Position" at the end of the year are comprised of the following:

	2004	2003
Current Fund		
For general reduction of taxation	\$ 118,333	\$ 86,661
Capital Fund		
Acquisition of capital assets to be recovered through taxation and user charges	\$ (10,712,028)	\$ (12,162,308)
Funds available for the acquisition of capital assets	4,378,889	3,901,067
	\$ (6,333,139)	\$ (8,261,241)

The Corporation of the Town of Cobourg
Notes to Consolidated Financial Statements

December 31, 2004

11. Reserves

(a) Continuity of Reserves

	2004	2003
Balance, beginning of year	\$ 3,462,071	\$ 3,378,566
Revenue		
Interest earned	15,934	26,484
Province of Ontario	23,401	-
Net Revenue	39,335	26,484
Net transfers from (to) other funds		
Transfers from the current fund	1,259,512	1,354,268
Transfers to the capital fund	(1,299,595)	(1,297,247)
	(40,083)	57,021
Net change in reserves	(748)	83,505
Balance, end of year	\$ 3,461,323	\$ 3,462,071

(b) Year End Position of Reserves

	2004	2003
(i) Reserves		
Working capital	\$ 317,200	\$ 317,200
Contingencies	19,965	33,662
Current expenditure		
- general government	354,138	419,094
- protection services	406	407
- health services	2,115	6,000
- recreation and cultural services	2,433	2,433
- planning and development	2,000	2,000
- other	18,428	18,428
Capital expenditure (recoveries)		
- general government	5,794	(7,206)
- protection services	261,041	446,362
- transportation services	748,374	758,548
- environmental services	(106,262)	337,955
- health services	1,190,585	435,985
- recreation and cultural services	542,505	501,802
- planning and development	85,401	189,401
- other	17,200	-
	\$ 3,461,323	\$ 3,462,071

The Corporation of the Town of Cobourg
Notes to Consolidated Financial Statements

December 31, 2004

11. Reserves - (Continued)

(ii) The total balance of reserves is made up of the following:

	2004	2003
Reserves set aside for specific purpose by Council		
for acquisition of capital assets	\$ 2,250,933	\$ 2,205,967
for recreation programs and facilities	544,938	504,235
for working capital	317,200	317,200
for benefit plan	348,252	434,669
	\$ 3,461,323	\$ 3,462,071

12. Amounts to be Recovered

	2004	2003
Capital outlay financed by long-term liabilities and to be recovered in future years	\$ 10,226,020	\$ 3,174,904
Employee future benefits	1,450,353	1,328,009
Interest on long-term liabilities included in accrued liabilities	29,472	15,111
	\$ 11,705,845	\$ 4,518,024

13. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf 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.

For the year ended December 31, 2004, the current service pension costs charged to expenses was \$1,025,641 (2003 - \$322,949).

14. Liability for Vested Sick Leave Benefits

The Town has paid to its employees all vested sick leave benefits as at December 31, 2004. Current sick leave benefits are funded through short term and long term disability plans provided by insurers.

The Corporation of the Town of Cobourg

Notes to Consolidated Financial Statements

December 31, 2004

15. Contingent Liabilities

Claims have been filed against the Corporation for incidents, most of which arose in the ordinary course of business. The outcome of the claims is not currently determinable.

The Town is currently in negotiations with the County of Northumberland with respect to its obligations for landfill closing costs. The Town has been paying for landfill closing costs to date. The Town's ultimate liability pertaining to these costs is not currently determinable and hence has not been recorded in these financial statements.

16. Commitments

The Town has entered into contractual obligations for completion of various construction projects and does so on a continuing basis.

The Town has a remaining balance of \$352,900 of financial commitment to the Northumberland Health Care Corporation for the construction of a new health care facility in Cobourg. The commitment has been funded by non-tax revenue over a five year period ending December 31, 2005.

Lease commitments as at December 31, 2004 for equipment under lease obligations are as follows:

2005	\$ 111,351
2006	80,486
2007	61,676
2008	52,504
2009	49,321
	<hr/>
	\$ 355,338

17. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

18. Budget Figures

The budget figures as presented for comparison purposes, are unaudited and are those as approved by Council, reclassified to conform with these financial statements.

The Corporation of the Town of Cobourg
Schedule of Current Fund Operations

For the year ended December 31	Budget 2004	Actual 2004	Actual 2003
Revenue	(unaudited)		
Taxation and user charges			
Residential and farm taxation	\$ 9,168,784	\$ 9,163,093	\$ 9,494,971
Commercial and industrial taxation	5,206,259	4,867,152	3,669,228
Payments in lieu of taxation	116,000	132,272	132,373
User charges	3,106,504	3,703,653	3,469,855
Parking revenues (Note 6)	-	-	2,897
Grants			
Province of Ontario	442,000	483,000	697,000
Other municipalities	-	220,574	234,526
Other			
Interest income - Town of Cobourg Holdings Inc.	507,500	507,501	507,500
Interest income - Others	105,000	123,673	145,126
Sale of industrial land	125,000	1,898	112,732
	18,777,047	19,202,816	18,466,208
Expenditures			
General government	1,984,132	2,252,104	2,022,577
Protection to persons and property	5,928,262	5,712,237	5,317,257
Transportation services	2,639,142	2,811,377	2,692,192
Environmental services	1,966,072	1,641,464	1,485,241
Recreation and cultural services	2,946,719	3,579,428	3,245,213
Social and family services	83,000	55,052	77,529
Planning and development	568,067	689,638	655,196
	16,115,394	16,741,300	15,495,205
Net revenues for the year	2,661,653	2,461,516	2,971,003
Financing and transfers			
Debt principal repayments	(732,884)	(732,884)	(493,332)
Increase (decrease) in accrued interest on long-term liabilities	14,361	14,361	(5,953)
Increase in employee future benefits	-	122,344	90,009
Transfers to capital fund operations	(1,174,153)	(1,174,153)	(1,138,698)
Transfers to reserves	(1,455,638)	(1,259,512)	(1,354,268)
Transfer from net equity in Town of Cobourg Holdings Inc. Fund	600,000	600,000	-
	(2,748,314)	(2,429,844)	(2,902,242)
Change in fund balance for the year	(86,661)	31,672	68,761
Current fund, beginning of the year	86,661	86,661	17,900
Current fund, end of the year	\$ -	\$ 118,333	\$ 86,661

The Corporation of the Town of Cobourg
Schedule of Capital Fund Operations

For the year ended December 31	Budget 2004	Actual 2004	Actual 2003
Revenue	(unaudited)		
Grants - Province of Ontario	\$ 184,475	\$ 480,278	\$ 10,000
Grants - Government of Canada	-	-	417,437
Other municipalities	20,000	511,297	-
User charges	404,968	347,776	1,643,281
Development and parking (Note 6)	25,000	231,697	1,054,000
	634,443	1,571,048	3,124,718
Expenditures			
General government	816,685	763,659	361,302
Protection to persons and property	501,396	635,741	254,204
Transportation services	2,026,625	4,641,279	3,404,131
Environmental services	2,294,500	1,633,813	2,730,115
Recreation and cultural services	1,213,960	1,767,268	3,275,403
Health services	352,900	352,900	311,700
Planning and development	12,130	106,034	114,412
	7,218,196	9,900,694	10,451,267
Net expenditures for the year	(6,583,753)	(8,329,646)	(7,326,549)
Transfers			
Issuance of new debt	4,384,000	7,784,000	2,000,000
Transfers from current fund operations	1,174,153	1,174,153	1,138,698
Transfers from reserves	1,025,600	1,299,595	1,297,247
	6,583,753	10,257,748	4,435,945
Change in fund balance for the year	-	1,928,102	(2,890,604)
Capital fund, beginning of the year	(8,261,241)	(8,261,241)	(5,370,637)
Capital fund, end of the year	\$ (8,261,241)	\$ (6,333,139)	\$ (8,261,241)