

Financial Report

City of Thorold

December 31, 2018

Contents

	Page
City of Thorold	
Independent Auditor's Report	1-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8-28
Consolidated Schedule of Tangible Capital Assets	29-30
Consolidated Schedule of Segment Disclosure	31-32
Consolidated Schedule of Segment Disclosure with Budget Information	33-36
Trust Funds	
Independent Auditor's Report	37-38
Statement of Financial Position	39
Statement of Operations and Changes in Net Assets	40
Statement of Cash Flows	41
Notes to the Financial Statements	42

Independent auditor's report

To the Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Thorold

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Thorold (“the Entity”), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Corporation of the City of Thorold as at December 31, 2018, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restated Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes that certain comparative information for the year ended December 31, 2017 has been restated.

As part of our audit of the financial statements for the year ended December 31, 2018, we also audited the adjustments that were applied to restate certain comparative information for the year ended December 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Port Colborne, Canada
July 16, 2019

Chartered Professional Accountants
Licensed Public Accountants

City of Thorold

Consolidated Statement of Financial Position

As at December 31, 2018

	<u>2018</u>	<u>2017</u> As restated (Note 2)
Financial assets		
Cash and cash equivalents	\$ 38,420,701	\$ 29,377,519
Portfolio investments (Note 3)	12,381,965	13,136,819
Taxes receivable (Note 4)		
Current year	1,673,434	1,583,195
Prior years	1,681,407	2,072,788
User charges receivable	1,598,459	1,321,738
Other receivables	<u>2,169,860</u>	<u>1,494,308</u>
	<u>57,925,826</u>	<u>48,986,367</u>
Liabilities		
Payables and accruals	10,110,443	7,163,331
Deferred revenue - obligatory reserve funds (Note 5)	11,336,519	5,917,300
Deferred revenue - other (Note 6)	2,151,303	1,677,197
Employee benefit obligations (Notes 7 and 20)	1,999,153	2,067,623
Landfill liability (Note 8)	7,030,702	6,708,409
Contaminated sites liability (Note 9)	114,700	114,700
Long term debt (Note 10)	<u>1,065,157</u>	<u>1,176,174</u>
	<u>33,807,977</u>	<u>24,824,734</u>
Net financial assets	<u>24,117,849</u>	<u>24,161,633</u>
Non-financial assets		
Tangible capital assets (Note 11 and Pages 29 and 30)	104,028,414	100,995,562
Prepaid expenses	<u>218,152</u>	<u>162,451</u>
	<u>104,246,566</u>	<u>101,158,013</u>
Accumulated surplus (Note 12)	<u>\$ 128,364,415</u>	<u>\$ 125,319,646</u>

Contingencies (Note 22) and Commitments (Note 23)

Approved by

Director of Finance

Chief Administrative Officer

See accompanying notes to the consolidated financial statements

City of Thorold

Consolidated Statement of Operations

For the Year Ended December 31, 2018

	Budget <u>2018</u> (Note 26)	Actual <u>2018</u>	Actual <u>2017</u> As restated (Note 2)
Revenues other than revenues related to tangible capital assets			
Taxation (Note 15)	\$ 16,380,909	\$ 16,567,919	\$ 15,792,140
User fees and charges (Note 17)	10,818,676	10,628,856	9,486,501
Government transfers (Note 18)	576,340	635,102	629,916
Other (Note 19)	<u>1,831,591</u>	<u>1,786,352</u>	<u>1,541,651</u>
	<u>29,607,516</u>	<u>29,618,229</u>	<u>27,450,208</u>
Expenses			
General government	1,779,501	1,688,671	1,547,691
Protection to persons and property	5,126,184	5,140,235	4,811,504
Transportation services	5,203,493	5,693,394	4,970,302
Environmental services	8,579,224	9,009,432	9,506,478
Health services	1,279,159	1,336,166	1,195,564
Social and family services	246,016	240,822	255,799
Recreation and culture services	3,385,021	3,653,284	3,321,881
Planning and development	<u>1,026,104</u>	<u>702,071</u>	<u>654,544</u>
	<u>26,624,702</u>	<u>27,464,075</u>	<u>26,263,763</u>
Annual surplus before revenue related to tangible capital assets	<u>2,982,814</u>	<u>2,154,154</u>	<u>1,186,445</u>
Revenues related to tangible capital assets			
User fees and charges (Note 17)	222,450	63,178	133,168
Government transfers (Note 18)	875,000	587,878	626,216
Other (Note 19)	307,330	263,186	280,530
(Loss) gain on disposal of tangible capital assets	<u>-</u>	<u>(23,627)</u>	<u>29,975</u>
	<u>1,404,780</u>	<u>890,615</u>	<u>1,069,889</u>
Annual surplus	<u>4,387,594</u>	<u>3,044,769</u>	<u>2,256,334</u>
Accumulated surplus (Note 12)			
Beginning of year			
As previously stated	125,319,646	122,942,468	120,624,306
Prior period adjustment (Note 2)	<u>-</u>	<u>2,377,178</u>	<u>2,439,006</u>
As restated	<u>125,319,646</u>	<u>125,319,646</u>	<u>123,063,312</u>
End of year	<u>\$ 129,707,240</u>	<u>\$ 128,364,415</u>	<u>\$ 125,319,646</u>

See accompanying notes to the consolidated financial statements.

City of Thorold

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2018

	Budget <u>2018</u> (Note 26)	Actual <u>2018</u>	Actual <u>2017</u> As restated (Note 2)
Annual surplus	\$ 4,387,594	\$ 3,044,769	\$ 2,256,334
Amortization of tangible capital assets	4,236,142	4,236,142	4,003,984
Acquisition of tangible capital assets	(15,595,870)	(7,323,139)	(4,534,186)
Contributed tangible capital assets	-	-	(16,500)
Proceeds on sale of tangible capital assets	-	30,518	29,976
Loss (gain) on disposal of tangible capital assets	-	23,627	(29,975)
	(6,972,134)	11,917	1,709,633
Acquisition of inventory and prepaid expenses	-	(55,701)	(26,032)
(Decrease) increase in net financial assets	(6,972,134)	(43,784)	1,683,601
Net financial assets			
Beginning of year	<u>24,161,633</u>	<u>24,161,633</u>	<u>22,478,032</u>
End of year	<u>\$ 17,189,499</u>	<u>\$ 24,117,849</u>	<u>\$ 24,161,633</u>

See accompanying notes to the consolidated financial statements.

City of Thorold

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u> As restated (Note 2)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 3,044,769	\$ 2,256,334
Non-cash items:		
Amortization of tangible capital assets	4,236,142	4,003,984
Contributed tangible capital assets	-	(16,500)
Loss (gain) on disposal of tangible capital assets	23,627	(29,975)
Changes in:		
Taxes receivable	301,142	73,230
User charges receivable	(276,721)	(50,068)
Other receivables	(675,552)	(106,625)
Accounts payable and accrued liabilities	2,947,112	2,132,849
Deferred revenue - obligatory reserve funds	5,419,219	2,612,915
Deferred revenue - other	474,106	73,821
Employee benefit obligations	(68,470)	(175,983)
Landfill liability	322,293	1,017,231
Inventory and prepaid expenses	(55,701)	(26,032)
	<u>15,691,966</u>	<u>11,765,181</u>
Capital activities		
Proceeds from disposal of tangible capital assets	30,518	29,976
Acquisition of tangible capital assets	(7,323,139)	(4,534,186)
	<u>(7,292,621)</u>	<u>(4,504,210)</u>
Financing activities		
Repayment of long term debt	(111,017)	(106,747)
Investing activities		
Purchase of portfolio investments, net	754,854	1,258,642
Net increase in cash and cash equivalents	9,043,182	8,412,866
Cash and cash equivalents		
Beginning of year	<u>29,377,519</u>	<u>20,964,653</u>
End of year	<u>\$ 38,420,701</u>	<u>\$ 29,377,519</u>

See accompanying notes to the consolidated financial statements.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies

Management responsibility

The consolidated financial statements of the City of Thorold ("Municipality") are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

(a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

Thorold Public Library Board
Thorold Downtown Development Board

Interdepartmental and organizational transactions and balances are eliminated.

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statements of Financial Position and Operations (Note 21).

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(c) Cash and cash equivalents

Cash and temporary investments include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

(d) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(e) Deferred revenue

Resources restricted by agreement with an external party are recognized as revenue in the entity's financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met is recorded as a liability until the resources are used for the purpose or purposes specified.

(f) Employee future benefits

The Municipality pays certain benefits on behalf of its retired employees. These post-employment costs are recognized in the period in which the employees rendered their services to the Municipality. The actuarial determination of the accrued benefit obligations for pension benefits earned by employees uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

(g) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Municipality:
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(h) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Municipality does not capitalize interest as part of the costs of its capital assets.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

Works of art for display in municipal property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Consolidated Statement of Operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	10 to 30 years
Buildings	20 to 50 years
Machinery and equipment	3 to 20 years
Vehicles	7 to 20 years
Infrastructure	5 to 75 years

For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase. Assets under construction are not amortized until the asset is available for productive use.

(i) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality and recorded as contributed tangible capital assets at their fair market value at the date of acquisition. The Municipality is not involved in the construction.

(j) Inventory

Inventory is recorded at the lower of average cost and net realizable value.

(k) Reserves for future expenses

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenses.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(l) Revenue recognition

i) Taxation

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment.

Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the Region of Niagara and school boards, as appropriate.

ii) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

iii) Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

iv) Other

Other revenue is recorded when it is earned and collection is reasonably assured.

iv) Investment income

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue – obligatory reserve funds balance.

(m) Local improvements

The Municipality records capital expenses funded by local improvement agreements as they are incurred. Revenues are recognized in the year they become payable.

(n) Region of Niagara and school board transactions

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

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(o) Use of estimates

The preparation of the consolidated financial statements in accordance 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which management make estimates are with regards to an allowance for uncollectible taxes receivable, obligations for employee benefits and the contaminated sites and landfill liabilities.

2. Prior period adjustment

During the year, management discovered that certain subdivision infrastructure tangible capital assets had not been recorded when the City assumed responsibility for the subdivisions in the years 2000 to 2003.

As a result of the errors, the following financial statement items have been increased (decreased) as follows:

	Previously reported	Adjustments	As restated
<u>Consolidated Statement of Financial Position</u>			
<u>As at December 31, 2017</u>			
Tangible capital assets	\$ 98,618,384	\$ 2,377,178	\$ 100,995,562
Accumulated surplus	122,942,468	2,377,178	125,319,646
<u>Consolidated Statement of Operations</u>			
<u>For the Year Ended December 31, 2017</u>			
Expenses:			
Transportation	4,948,064	22,238	4,970,302
Environmental	9,466,888	39,590	9,506,478
Annual surplus	2,318,162	(61,828)	2,256,334
Opening accumulated surplus – January 1, 2017	120,624,306	2,439,006	123,063,312
Accumulated surplus – December 31, 2017	122,942,468	2,377,178	125,319,646
<u>Consolidated Statement of Changes in</u>			
<u>Net Financial Assets</u>			
<u>For the Year Ended December 31, 2017</u>			
Annual surplus	2,318,162	(61,828)	2,256,334
Amortization of tangible capital assets	3,942,156	61,828	4,003,984

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

2. Prior period adjustment (continued)

	Previously reported	Adjustments	As restated
<u>Consolidated Statement of Cash Flows</u>			
<u>For the Year Ended December 31, 2017</u>			
Annual surplus	\$ 2,318,162	\$ (61,828)	\$ 2,256,334
Amortization of tangible capital assets	3,942,156	61,828	4,003,984
<u>Tangible capital assets (Note 11)</u>			
<u>As at December 31, 2017</u>			
Infrastructure - net book value			
Transportation	27,413,610	377,575	27,791,185
Storm sewers	6,635,498	892,719	7,528,217
Sanitary sewers	25,835,869	772,347	26,608,216
Water	15,500,664	334,537	15,835,201
	<u>75,385,641</u>	<u>2,377,178</u>	<u>77,762,819</u>

3. Portfolio investments

	<u>2018</u>	<u>2017</u>
Guaranteed investment certificates	\$ 1,248,477	\$ 1,463,924
Federal, provincial and municipal bonds	<u>11,133,488</u>	<u>11,672,895</u>
	<u>\$ 12,381,965</u>	<u>\$ 13,136,819</u>

Portfolio investments carry an effective interest rate from 2.10% to 4.90% and maturity dates ranging from January, 2019 to June, 2027. Interest is receivable on an annual basis. Portfolio investments reported on the Consolidated Statement of Financial Position have a market value of \$ 12,637,796 (2017 - \$ 13,561,263).

4. Taxes receivable

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$ 1,575,663 (2017 - \$ 1,403,650). The Province of Ontario instituted a mandatory capping program through the provisions of Bill 140 which limits assessment related increases in property tax bills.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

5. Deferred revenue - obligatory reserve funds

The following balances are reflected as deferred revenue – obligatory reserve funds as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded:

	<u>2018</u>	<u>2017</u>
Parkland	\$ 105,705	\$ 129,164
Building code	1,211,634	545,789
Ontario Sport & Recreation Community grant	9,578	7,250
Ontario Community Infrastructure grant	144,185	-
Tree planting	5,064	4,975
Gas tax	903,065	565,629
Main St revitalization	54,747	-
Commuter cycling	81,058	-
Development charges	<u>8,821,483</u>	<u>4,664,493</u>
	<u>\$ 11,336,519</u>	<u>\$ 5,917,300</u>

The continuity of deferred revenue – obligatory reserve funds reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	<u>\$ 5,917,300</u>	<u>\$ 3,304,385</u>
Contributions from		
Development Charges Act	4,906,092	2,965,165
Interest earned	153,532	49,436
Federal gas tax grant received	571,119	554,811
Provincial gas tax grant received	250,993	242,664
Infrastructure grants received	308,519	215,793
Other revenue	<u>180,530</u>	<u>136,388</u>
	<u>6,370,785</u>	<u>4,164,257</u>
Provided from (utilized for)		
Operations	28,203	(929,639)
Tangible capital asset acquisitions	<u>(979,769)</u>	<u>(621,703)</u>
	<u>(951,566)</u>	<u>(1,551,342)</u>
Balance, end of year	<u>\$ 11,336,519</u>	<u>\$ 5,917,300</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

6. Deferred revenue - other	<u>2018</u>	<u>2017</u>
Prepayment of taxes	\$ 1,784,210	\$ 1,659,830
Other	<u>367,093</u>	<u>17,367</u>
	<u>\$ 2,151,303</u>	<u>\$ 1,677,197</u>

7. Employee benefit obligations	<u>2018</u>	<u>2017</u>
Accrued vacation pay	<u>\$ 348,195</u>	<u>\$ 415,723</u>
Accumulated sick leave	<u>704,482</u>	671,900
Post-employment benefits	<u>946,476</u>	<u>980,000</u>
	<u>1,650,958</u>	<u>1,651,900</u>
	<u>\$ 1,999,153</u>	<u>\$ 2,067,623</u>

(a) Accrued vacation pay

As at December 31, 2018, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 348,195 (2017 - \$ 415,723). Any unused credits may be carried forward to the next year.

(b) Accumulated sick leave and post-employment benefits

Under the Municipality's sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment. The Municipality pays certain medical and dental benefits for early retirees and life insurance benefits on behalf of its retired employees.

The accrued benefit liability for accumulated sick leave and post-employment benefits as at December 31, 2018 of \$ 1,650,958 (2017 - \$ 1,651,900) was determined by actuarial valuation using a discount rate of 3.5% (2017 - 3.5%). A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2018 is \$ 966,059 (2017 - \$ 893,839).

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation		
Beginning of year	\$ 1,651,900	\$ 1,750,056
Benefit expense	96,100	81,900
Interest accrued	58,600	50,800
Benefits paid	(153,242)	(222,900)
Amortization of past service cost	-	17,000
Amortization of actuarial gain	(2,400)	(25,000)
Actuarial adjustment	-	44
	<u>\$ 1,650,958</u>	<u>\$ 1,651,900</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

7. Employee benefit obligations (continued)

(b) Accumulated sick leave and post-employment benefits (continued)

	<u>2018</u>	<u>2017</u>
Funded status		
Deficit	\$ 1,660,058	\$ 1,658,600
Unamortized actuarial gain	<u>(9,100)</u>	<u>(6,700)</u>
	<u>\$ 1,650,958</u>	<u>\$ 1,651,900</u>

The most recent actuarial valuation was prepared at December 31, 2017. The main actuarial assumptions employed for the valuation are as follows:

General inflation - future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 2.5% per annum.

Salary levels – future general salary and wage levels were assumed to be 3% per annum.

Dental costs – dental costs were assumed to be 4% per annum.

Medical costs – medical costs were assumed to be 6.5% per annum for 2018 grading down 0.5% per annum to a rate of 4% per annum.

8. Landfill liability

The Municipality owns and monitors one closed landfill site. The liability for post-closure care has been recognized based upon monitoring costs included in the 2018 budget and inflation adjusted at 2.0% (2017 - 1.9%) per annum. These costs were then discounted to December 31, 2018 using a discount rate of 4% (2017 - 4%). Post-closure care is estimated to be required for an indefinite period and will be funded by future tax levies.

The liability for post-closure care as at December 31, 2018 is \$ 7,030,702 (2017 - \$ 6,708,409). Additional expenses for post-closure care recorded in 2018 were in the amount of \$ 408,700 (2017 - \$ 1,136,736) and actual expenses paid during the year were \$ 86,407 (2017 - \$ 119,504).

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

9. Contaminated sites liability

The Municipality reports environmental liabilities related to the management and remediation of contaminated sites where the Municipality is obligated or likely obligated to incur such costs. The Municipality has identified one property where environmental assessments have indicated soil contamination that exceeds current environmental standards.

A contaminated sites liability of \$ 114,700 (2017 - \$ 114,700) has been recorded based on estimated future remediation costs in 2104 of between \$ 900,000 and \$ 1,200,000 using a present value technique at a discount rate of 4.25%.

The Municipality's ongoing efforts to assess contaminated sites may result in future environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Municipality's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

10. Long term debt

(a) The Municipality has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by the Region of Niagara. At the end of the year, the outstanding principal amount of this debt is

	<u>2018</u>	<u>2017</u>
	<u>\$ 1,065,157</u>	<u>\$ 1,176,174</u>

(b) The net long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

<u>Debenture Number</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2018</u>	<u>2017</u>
60-2006	City Hall	5.354%	2026	\$ 317,027	\$ 348,041
129-2011	City Hall	3.43%	2026	<u>748,130</u>	<u>828,133</u>
				<u>\$ 1,065,157</u>	<u>\$ 1,176,174</u>

(c) Principal repayments in each of the next five years are due as follows:

2019	\$ 115,468
2020	120,105
2021	124,938
2022	129,975
2023	135,224

(d) The long term debt in (a) issued in the name of the Municipality was approved by by-law. The annual principal and interest payments required to service this debt are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

10. Long term debt (continued)

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

	<u>2018</u>	<u>2017</u>
Principal	\$ 111,017	\$ 106,746
Interest	<u>45,042</u>	<u>49,358</u>
	<u>\$ 156,059</u>	<u>\$ 156,104</u>

11. Tangible capital assets

	<u>2018</u>	<u>2017</u> As restated (Note 2)
Net book value		
Land	\$ 2,202,470	\$ 2,196,810
Land improvements	3,242,229	3,421,600
Buildings	13,098,299	13,447,173
Machinery and equipment	1,731,866	1,832,925
Vehicles	<u>2,951,049</u>	<u>1,387,450</u>
	<u>23,225,913</u>	<u>22,285,958</u>
Infrastructure		
Transportation	27,263,088	27,791,185
Storm sewers	7,563,776	7,528,217
Sanitary sewers	27,573,345	26,608,216
Water	<u>15,771,738</u>	<u>15,835,201</u>
	<u>78,171,947</u>	<u>77,762,819</u>
Construction in process	<u>2,630,554</u>	<u>946,785</u>
	<u>\$ 104,028,414</u>	<u>\$ 100,995,562</u>

See pages 29 and 30 for more detail.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

12. Accumulated surplus	<u>2018</u>	<u>2017</u> As restated (Note 2)
Operating deficit	\$ (7,443,745)	\$ (6,580,665)
Investment in tangible capital assets	104,028,414	100,995,562
Reserves and reserves funds (Note 13)	41,989,458	40,971,655
Unfunded liabilities (Note 14)	<u>(10,209,712)</u>	<u>(10,066,906)</u>
	<u>\$ 128,364,415</u>	<u>\$ 125,319,646</u>

The 2018 operating annual surplus was \$ 258,657, which was transferred to the reserve for industrial development and the reserve for municipal development as authorized by Council. Had this transfer not been made, the 2018 operating deficit of the Municipality would have been \$ 7,185,088.

The 2017 operating annual surplus was \$ 309,829, which was transferred to the reserve for industrial development and the reserve for municipal development as authorized by Council. Had this transfer not been made, the 2017 operating deficit of the Municipality would have been \$ 6,270,836

13. Reserves and reserve funds	<u>2018</u>	<u>2017</u>
Reserves set aside by Council for specific purposes:		
Municipal development	\$ 1,369,353	\$ 1,162,069
Working funds (uncollectible taxes)	510,000	510,000
Equipment replacement	2,176,332	3,005,391
Accumulated sick leave	966,059	893,839
Computer	146,650	134,350
Contingencies	337,259	267,259
Election	25,306	77,192
Sewage capital	4,107,501	4,510,919
Water capital	6,453,247	5,476,452
Insurance deductible	237,916	234,377
Industrial development	887,809	1,072,640
Pay equity	28,038	38,966
Winter control	192,226	163,668
Encumbrances	<u>759,269</u>	<u>619,833</u>
Total reserves	<u>18,196,965</u>	<u>18,166,955</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

13. Reserves and reserve funds (continued)	<u>2018</u>	<u>2017</u>
Reserve funds set aside by Council for specific purposes:		
Capital assets	\$ 1,164,847	\$ 927,257
Transportation asset replacement	2,808,723	2,156,891
Hospital expansion	22,141	15,569
Port Robinson beautification	1,180	-
Arena building	405,557	422,106
Library expansion	30,557	30,122
Hydro proceeds	16,981,004	16,991,666
Mausoleum and cemetery improvements	615,998	546,856
Municipal land and building	797,914	763,235
Niagara Falls bridge	798,895	784,897
Parking	10,422	10,230
Port Robinson transportation	150,998	148,352
Thorold pre-recreation (Mel Swart Park)	-	3,336
Thorold South Community Centre building	2,417	2,375
Darlene Ryan Port Robinson Community Centre	<u>1,840</u>	<u>1,808</u>
Total reserve funds	<u>23,792,493</u>	<u>22,804,700</u>
Total reserves and reserve funds	<u>\$ 41,989,458</u>	<u>\$ 40,971,655</u>

The continuity of reserves and reserve funds is made up of the following:

Balance, beginning of year	<u>\$ 40,971,655</u>	<u>\$ 37,160,188</u>
Contributions from		
Investment income	624,307	552,491
User charges	44,737	55,310
Other revenue	<u>56,923</u>	<u>23,574</u>
	<u>725,967</u>	<u>631,375</u>
Provided from (utilized for)		
Operations	4,595,798	4,446,369
Tangible capital asset acquisitions	<u>(4,303,962)</u>	<u>(1,266,277)</u>
	<u>291,836</u>	<u>3,180,092</u>
Balance, end of year	<u>\$ 41,989,458</u>	<u>\$ 40,971,655</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

14. Unfunded liabilities	<u>2018</u>	<u>2017</u>
Employee benefit obligations	\$ 1,999,153	\$ 2,067,623
Landfill liability	7,030,702	6,708,409
Contaminated sites	114,700	114,700
Long term debt	<u>1,065,157</u>	<u>1,176,174</u>
	<u>\$ 10,209,712</u>	<u>\$ 10,066,906</u>

15. Taxation	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Real property		\$ 37,004,648	\$ 35,609,907
From other governments			
Payments in lieu of taxes		<u>1,142,561</u>	<u>1,133,041</u>
		<u>38,147,209</u>	<u>36,742,948</u>
Less: taxation collected on behalf of (Note 16):			
Region of Niagara		15,521,948	14,975,173
School boards		<u>6,057,342</u>	<u>5,975,635</u>
		<u>21,579,290</u>	<u>20,950,808</u>
Net taxes available for municipal purposes		<u>\$ 16,567,919</u>	<u>\$ 15,792,140</u>
Residential, multi-residential and farm	\$ 12,823,392	\$ 12,920,452	\$ 12,348,067
Commercial and industrial	<u>3,557,517</u>	<u>3,647,467</u>	<u>3,444,073</u>
Net taxes available for municipal purposes	<u>\$ 16,380,909</u>	<u>\$ 16,567,919</u>	<u>\$ 15,792,140</u>

16. Collections for the Region of Niagara and school boards

Total taxation and development charges received or receivable on behalf of the Region of Niagara and the school boards were as follows:

	<u>2018</u>	<u>2017</u>
Region of Niagara	\$ 15,521,948	\$ 14,975,173
School boards	<u>6,057,342</u>	<u>5,975,635</u>
	<u>\$ 21,579,290</u>	<u>\$ 20,950,808</u>

The Municipality is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

17. User charges	Budget 2018	Actual 2018	Actual 2017
Operating			
Fees and service charges	\$ 1,360,178	\$ 1,114,116	\$ 979,783
Water charges	3,673,727	3,798,564	3,477,587
Sewer charges	4,066,983	4,209,292	3,807,766
Licences and permits	771,144	604,347	538,937
Development charges	946,644	902,537	682,428
	<u>10,818,676</u>	<u>10,628,856</u>	<u>9,486,501</u>
Capital			
Development charges	<u>222,450</u>	<u>63,178</u>	<u>133,168</u>
	<u>\$ 11,041,126</u>	<u>\$ 10,692,034</u>	<u>\$ 9,619,669</u>

18. Government transfers	Budget 2018	Actual 2018	Actual 2017
Operating			
Government of Canada	\$ 24,940	\$ 32,090	\$ 31,444
Province of Ontario	462,400	489,546	516,107
Municipal	<u>89,000</u>	<u>113,466</u>	<u>82,365</u>
	<u>576,340</u>	<u>635,102</u>	<u>629,916</u>
Capital			
Government of Canada	575,000	295,882	397,635
Province of Ontario	300,000	162,005	216,900
Municipal	<u>-</u>	<u>129,991</u>	<u>11,681</u>
	<u>875,000</u>	<u>587,878</u>	<u>626,216</u>
	<u>\$ 1,451,340</u>	<u>\$ 1,222,980</u>	<u>\$ 1,256,132</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

18. Government transfers (continued)

The Municipality recognizes the transfer of government funding as revenues or expenses in the period that the events giving rise to the transfer occurred. The government transfers reported on the Consolidated Statement of Operations are:

	<u>2018</u>	<u>2017</u>
Revenues		
Government of Canada		
Transit	\$ -	\$ 126,000
Cemeteries	21,273	21,315
Federal gas tax	243,604	271,635
Municipal asset management program	27,864	-
Recreation and cultural	13,555	10,129
Miscellaneous	<u>21,675</u>	<u>-</u>
	<u>327,971</u>	<u>429,079</u>
Province of Ontario		
Ontario Municipal Partnership Fund	94,500	111,100
Ontario Community Infrastructure Fund	162,005	216,900
Hydro One	25,353	38,182
Recreation and cultural	35,428	47,240
Transit - Provincial gas tax	255,000	247,210
Miscellaneous	<u>79,265</u>	<u>72,375</u>
	<u>651,551</u>	<u>733,007</u>
Municipal		
Provincial Offences Act	29,461	6,536
Capital grants	129,991	11,681
Port Robinson transportation service	66,500	66,500
Miscellaneous	<u>17,505</u>	<u>9,329</u>
	<u>243,457</u>	<u>94,046</u>
	<u>\$ 1,222,979</u>	<u>\$ 1,256,132</u>
Expenses		
Charitable and non-profit organizations	<u>\$ 44,597</u>	<u>\$ 53,930</u>

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

19. Other revenue	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Operating			
Penalties and interest on taxes	\$ 617,000	\$ 561,043	\$ 594,370
Fines	275,725	123,211	106,777
Investment income	251,000	344,348	169,804
Investment income – reserves and reserve funds	585,831	624,307	552,491
Rental income	75,035	81,929	77,452
Donations	-	15,052	14,957
Transfer from trust funds	<u>27,000</u>	<u>36,462</u>	<u>25,800</u>
	<u>1,831,591</u>	<u>1,786,352</u>	<u>1,541,651</u>
Capital			
Donations	15,000	10,615	31,500
Other	<u>292,330</u>	<u>252,571</u>	<u>249,030</u>
	<u>307,330</u>	<u>263,186</u>	<u>280,530</u>
	<u>\$ 2,138,921</u>	<u>\$ 2,049,538</u>	<u>\$ 1,822,181</u>

20. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 2.8 billion (2017 - \$ 0.6 billion surplus) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2018 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Consolidated Statement of Operations. Employer contributions to OMERS for 2018 current and past service was \$ 801,726 (2017 - \$ 705,040) and were matched by employee contributions in a similar amount.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

21. Trust funds

Trust funds administered by the Municipality amounting to \$ 1,341,739 (2017 - \$ 1,311,439) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

22. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

23. Commitments

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2018 is approximately \$ 6,717,648 (2017 - \$ 5,995,898). These projects will be financed by grants, subsidies and long term liabilities in future years.

Transit services

The Municipality has a letter of agreement for transit services with the St. Catharines Transit beginning on January 1, 2019. The Municipality's charges for the year are determined using the forecasted expenses less the actual revenues generated for the previous year for two of the routes serviced by this agreement. For a third route, paratransit and shuttle services, the Municipality will be charged the actual hourly or per trip rates paid by St. Catharines Transit to a sub-contractor. The fee is also impacted by any service changes made. The contract expires on December 31, 2020.

Leases

The Municipality has commitments for operating leases for office equipment and certain premises with various expiry dates up to 2026. The approximate total commitment for each of the next five years is as follows:

2019	\$ 20,657
2020	455
2021	455
2022	455
2023	455

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

23. Commitments (continued)

Tax increment based grants

The Municipality has commitments for tax increment based grants with various expiry dates up to 2026. There are currently five signed agreements with a term spanning ten years each. At December 31, 2018, the total amount remaining to be paid from these agreements is \$ 187,849 with the total commitment for each of the next five years as follows:

2019	\$ 37,173
2020	37,173
2021	37,173
2022	37,173
2023	18,964

Hospital

The Municipality has an agreement with the Niagara Health System to contribute funding for a new hospital in the amount of \$ 4.3 million, on a net present value basis with a discount rate of 5%. The contributions will be made over a sixteen year period commencing with the first payment of \$ 1,206,860 in 2011, followed by payments of \$ 298,000 per year for the remaining fifteen years up to and including 2026. The contributions are being funded from taxes with an annual levy of approximately \$ 298,000 which commenced in 2008.

24. Measurement uncertainty

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date that was used by the Municipality in computing the property tax bills. However, the property tax revenue and tax receivables of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. Any adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the Region of Niagara and school boards, as appropriate.

25. Comparative figures

Certain of the comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

26. Budget

The budget bylaw adopted by Council on February 13, 2018 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian public sector accounting standards. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Consolidated Statement of Operations and Consolidated Statement of Changes in Net Financial Assets represent the budget adopted by Council with the following adjustments:

Budgeted annual surplus (deficit)	\$ -
Add:	
Principal repayments of long term debt	121,000
Reserves and reserve funds interest revenue	585,831
Reserves and reserve funds other revenue	54,300
Acquisition of tangible capital assets	15,595,870
Less:	
Transfers from reserves and reserve funds, net	(7,714,931)
Amortization of tangible capital assets	(4,236,142)
Debenture proceeds	<u>(18,334)</u>
Budgeted surplus per Consolidated Statement of Operations	<u>\$ 4,387,594</u>

27. Segmented information

The Municipality provides a wide range of services to its citizens. Municipal services are provided by departments and their activities are reported in the Consolidated Statement of Operations. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

General government is comprised of Municipal council, administrative and clerks departments.

Protection to persons and property

Protection to persons and property is comprised of the fire, building, by-law enforcement and animal control departments.

Transportation services

The transportation services department is responsible for the delivery of public works services related to maintenance of roadway systems, maintenance of parks and open spaces, winter control, street lighting, air transportation and maintenance of municipal buildings.

Environmental services

The environmental services department consists of water, wastewater and solid waste disposal utilities. The department provides drinking water, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities.

City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

27. Segmented information (continued)

Health services

Health services department is responsible for cemetery operations.

Social and family services

Social and family services department is responsible for providing grants to external agencies.

Recreation and culture services

Recreation and culture services department is responsible for the delivery and upkeep of all recreation programs and facilities including arena, recreation complex, parks and library.

Planning and development

Planning and development is responsible for providing planning and zoning advice to the residents of the Municipality and construction and maintenance of municipal drains.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The consolidated schedules of segment disclosure and the schedules of segment disclosure with budget information follow the notes.

City of Thorold

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2018

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2018</u>
Cost								
Beginning of year	\$ 2,196,810	\$ 10,210,851	\$ 21,961,548	\$ 4,734,908	\$ 4,996,728	\$ 121,416,228	\$ 946,785	\$ 166,463,858
(As restated - Note 2)								
Additions	5,660	190,199	264,030	381,037	1,873,813	2,924,631	4,347,622	9,986,992
Disposals	-	(24,084)	(10,533)	(162,702)	(256,159)	(350,575)	(2,663,853)	(3,467,906)
End of year	<u>2,202,470</u>	<u>10,376,966</u>	<u>22,215,045</u>	<u>4,953,243</u>	<u>6,614,382</u>	<u>123,990,284</u>	<u>2,630,554</u>	<u>172,982,944</u>
Accumulated amortization								
Beginning of year	-	6,789,251	8,514,375	2,901,983	3,609,278	43,653,409	-	65,468,296
(As restated - Note 2)								
Amortization	-	369,672	612,904	468,793	323,518	2,461,255	-	4,236,142
Amortization on disposals	-	(24,186)	(10,533)	(149,399)	(269,463)	(296,327)	-	(749,908)
End of year	-	<u>7,134,737</u>	<u>9,116,746</u>	<u>3,221,377</u>	<u>3,663,333</u>	<u>45,818,337</u>	-	<u>68,954,530</u>
Net book value	<u>\$ 2,202,470</u>	<u>\$ 3,242,229</u>	<u>\$ 13,098,299</u>	<u>\$ 1,731,866</u>	<u>\$ 2,951,049</u>	<u>\$ 78,171,947</u>	<u>\$ 2,630,554</u>	<u>\$ 104,028,414</u>

The value of contributed tangible capital assets during the year is \$ Nil.

City of Thorold

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2017 (As restated - Note 2)

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2017</u>
Cost								
Beginning of year	\$ 2,196,811	\$ 10,014,954	\$ 20,025,722	\$ 4,410,819	\$ 4,878,474	\$ 117,045,331	\$ 3,781,524	\$ 162,353,635
Additions	-	195,897	1,935,826	581,109	139,171	4,533,422	1,977,604	9,363,029
Disposals	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(257,020)</u>	<u>(20,917)</u>	<u>(162,525)</u>	<u>(4,812,343)</u>	<u>(5,252,806)</u>
End of year	<u>2,196,810</u>	<u>10,210,851</u>	<u>21,961,548</u>	<u>4,734,908</u>	<u>4,996,728</u>	<u>121,416,228</u>	<u>946,785</u>	<u>166,463,858</u>
Accumulated amortization								
Beginning of year	-	6,417,128	7,925,905	2,794,412	3,347,991	41,419,338	-	61,904,774
Amortization	-	372,123	588,470	364,591	282,204	2,396,596	-	4,003,984
Amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(257,020)</u>	<u>(20,917)</u>	<u>(162,525)</u>	<u>-</u>	<u>(440,462)</u>
End of year	<u>-</u>	<u>6,789,251</u>	<u>8,514,375</u>	<u>2,901,983</u>	<u>3,609,278</u>	<u>43,653,409</u>	<u>-</u>	<u>65,468,296</u>
Net book value	<u>\$ 2,196,810</u>	<u>\$ 3,421,600</u>	<u>\$ 13,447,173</u>	<u>\$ 1,832,925</u>	<u>\$ 1,387,450</u>	<u>\$ 77,762,819</u>	<u>\$ 946,785</u>	<u>\$ 100,995,562</u>

The value of contributed tangible capital assets during the year is \$ 16,500.

City of Thorold

Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2018

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2018</u>
Revenues									
Taxation	\$ 2,916,724	\$ 3,941,314	\$ 4,220,080	\$ 1,385,401	\$ 939,656	\$ 227,088	\$ 2,237,005	\$ 700,651	\$ 16,567,919
User charges	155,365	1,057,829	150,181	8,346,919	120,417	-	660,370	200,953	10,692,034
Government transfers	25,353	160,526	758,136	129,991	21,273	42,700	63,326	21,675	1,222,980
Other revenue	1,531,835	20,697	163,631	-	46,798	8,576	276,454	1,547	2,049,538
Loss on disposal of tangible capital assets	<u>(23,627)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,627)</u>
	<u>4,605,650</u>	<u>5,180,366</u>	<u>5,292,028</u>	<u>9,862,311</u>	<u>1,128,144</u>	<u>278,364</u>	<u>3,237,155</u>	<u>924,826</u>	<u>30,508,844</u>
Expenses									
Salaries and benefits	939,266	3,975,043	1,796,013	1,039,674	710,111	43,239	1,765,147	471,057	10,739,550
Operating materials and supplies	314,125	495,287	950,395	238,797	220,790	54,733	1,030,203	87,973	3,392,303
Contracted services	86,050	334,226	1,192,821	6,243,529	(15,586)	13	111,046	89,452	8,041,551
Rents and financial expenses	27,705	46,316	49,863	86,835	11,070	1,686	66,950	7,143	297,568
External transfers to others	5,000	2,000	-	319,496	298,000	-	44,597	42,826	711,919
Amortization	271,483	287,363	1,704,302	1,081,101	111,781	141,151	635,341	3,620	4,236,142
Debt service	<u>45,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,042</u>
	<u>1,688,671</u>	<u>5,140,235</u>	<u>5,693,394</u>	<u>9,009,432</u>	<u>1,336,166</u>	<u>240,822</u>	<u>3,653,284</u>	<u>702,071</u>	<u>27,464,075</u>
Annual surplus (deficit)	<u>\$ 2,916,979</u>	<u>\$ 40,131</u>	<u>\$ (401,366)</u>	<u>\$ 852,879</u>	<u>\$ (208,022)</u>	<u>\$ 37,542</u>	<u>\$ (416,129)</u>	<u>\$ 222,755</u>	<u>\$ 3,044,769</u>

City of Thorold

Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2017 (As restated - Note 2)

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2017</u>
Revenues									
Taxation	\$ 2,851,897	\$ 3,771,757	\$ 3,853,289	\$ 1,419,745	\$ 907,547	\$ 224,256	\$ 2,143,407	\$ 620,242	\$ 15,792,140
User charges	120,584	519,284	184,106	7,885,206	135,220	19,220	540,029	216,020	9,619,669
Government transfers	25,914	147,311	942,855	11,681	21,315	42,700	64,356	-	1,256,132
Other revenue	1,382,626	522	129,818	-	33,425	4,544	268,196	3,050	1,822,181
Gain on disposal of tangible capital assets	<u>29,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,975</u>
	<u>4,410,996</u>	<u>4,438,874</u>	<u>5,110,068</u>	<u>9,316,632</u>	<u>1,097,507</u>	<u>290,720</u>	<u>3,015,988</u>	<u>839,312</u>	<u>28,520,097</u>
Expenses									
Salaries and benefits	999,823	3,784,962	1,648,644	1,048,139	591,919	38,537	1,676,594	455,971	10,244,589
Operating materials and supplies	266,405	429,608	769,315	191,931	195,679	74,462	840,262	91,648	2,859,310
Contracted services	33,811	328,205	910,784	6,607,097	(1,896)	1,061	93,953	111,730	8,084,745
Rents and financial expenses	12,698	21,467	19,944	47,117	6,463	588	42,843	3,579	154,699
External transfers to others	-	-	-	524,853	298,000	-	53,930	(9,705)	867,078
Amortization	185,596	247,262	1,621,615	1,087,341	105,399	141,151	614,299	1,321	4,003,984
Debt service	<u>49,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,358</u>
	<u>1,547,691</u>	<u>4,811,504</u>	<u>4,970,302</u>	<u>9,506,478</u>	<u>1,195,564</u>	<u>255,799</u>	<u>3,321,881</u>	<u>654,544</u>	<u>26,263,763</u>
Annual surplus (deficit)	<u>\$ 2,863,305</u>	<u>\$ (372,630)</u>	<u>\$ 139,766</u>	<u>\$ (189,846)</u>	<u>\$ (98,057)</u>	<u>\$ 34,921</u>	<u>\$ (305,893)</u>	<u>\$ 184,768</u>	<u>\$ 2,256,334</u>

City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2018

General government	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Revenue			
Taxation	\$ 2,879,423	\$ 2,916,724	\$ 2,851,897
User charges	75,511	155,365	120,584
Government transfers	17,500	25,353	25,914
Other	1,495,477	1,531,835	1,382,626
(Loss) gain on disposal of tangible capital assets	-	(23,627)	29,975
	<u>4,467,911</u>	<u>4,605,650</u>	<u>4,410,996</u>
Expenses			
Salaries and wages	905,487	939,266	999,823
Operating materials and supplies	417,695	314,125	266,405
Contracted services	68,384	86,050	33,811
Rents and financial expenses	(29,348)	27,705	12,698
External transfers to others	99,830	5,000	-
Amortization	271,483	271,483	185,596
Debt service	45,970	45,042	49,358
	<u>1,779,501</u>	<u>1,688,671</u>	<u>1,547,691</u>
Annual surplus	\$ <u>2,688,410</u>	\$ <u>2,916,979</u>	\$ <u>2,863,305</u>

Protection to persons and property	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Revenue			
Taxation	\$ 3,890,911	\$ 3,941,314	\$ 3,771,757
User charges	1,206,144	1,057,829	519,284
Government transfers	139,500	160,526	147,311
Other	200,725	20,697	522
	<u>5,437,280</u>	<u>5,180,366</u>	<u>4,438,874</u>
Expenses			
Salaries and wages	4,075,226	3,975,043	3,784,962
Operating materials and supplies	485,996	495,287	429,608
Contracted services	232,652	334,226	328,205
Rents and financial expenses	42,697	46,316	21,467
External transfers to others	2,250	2,000	-
Amortization	287,363	287,363	247,262
	<u>5,126,184</u>	<u>5,140,235</u>	<u>4,811,504</u>
Annual surplus (deficit)	\$ <u>311,096</u>	\$ <u>40,131</u>	\$ <u>(372,630)</u>

City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2018

Transportation services	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u> As restated (Note 2)
Revenue			
Taxation	\$ 4,166,113	\$ 4,220,080	\$ 3,853,289
User charges	579,009	150,181	184,106
Government transfers	1,199,000	758,136	942,855
Other	106,050	163,631	129,818
	<u>6,050,172</u>	<u>5,292,028</u>	<u>5,110,068</u>
Expenses			
Salaries and wages	1,937,690	1,796,013	1,648,644
Operating materials and supplies	(354,837)	950,395	769,315
Contracted services	1,604,903	1,192,821	910,784
Rents and financial expenses	49,013	49,863	19,944
External transfers to others	262,422	-	-
Amortization	1,704,302	1,704,302	1,621,615
	<u>5,203,493</u>	<u>5,693,394</u>	<u>4,970,302</u>
Annual (deficit) surplus	\$ 846,679	\$ (401,366)	\$ 139,766

Environmental services	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u> As restated (Note 2)
Revenue			
Taxation	\$ 1,388,742	\$ 1,385,401	\$ 1,419,745
User charges	8,169,778	8,346,919	7,885,206
Government transfers	-	129,991	11,681
	<u>9,558,520</u>	<u>9,862,311</u>	<u>9,316,632</u>
Expenses			
Salaries and wages	1,228,070	1,039,674	1,048,139
Operating materials and supplies	225,957	238,797	191,931
Contracted services	5,582,056	6,243,529	6,607,097
Rents and financial expenses	63,094	86,835	47,117
External transfers to others	398,946	319,496	524,853
Amortization	1,081,101	1,081,101	1,087,341
	<u>8,579,224</u>	<u>9,009,432</u>	<u>9,506,478</u>
Annual surplus (deficit)	\$ 979,296	\$ 852,879	\$ (189,846)

City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2018

Health services	Budget <u>2018</u>	Actual 2018	Actual <u>2017</u>
Revenue			
Taxation	\$ 931,446	\$ 939,656	\$ 907,547
User charges	93,047	120,417	135,220
Government transfers	22,440	21,273	21,315
Other	<u>31,464</u>	<u>46,798</u>	<u>33,425</u>
	<u>1,078,397</u>	<u>1,128,144</u>	<u>1,097,507</u>
Expenses			
Salaries and wages	669,710	710,111	591,919
Operating materials and supplies	224,957	220,790	195,679
Contracted services	(36,774)	(15,586)	(1,896)
Rents and financial expenses	11,485	11,070	6,463
External transfers to others	298,000	298,000	298,000
Amortization	<u>111,781</u>	<u>111,781</u>	<u>105,399</u>
	<u>1,279,159</u>	<u>1,336,166</u>	<u>1,195,564</u>
Annual deficit	\$ <u>(200,762)</u>	\$ <u>(208,022)</u>	\$ <u>(98,057)</u>
Social and family services	Budget <u>2018</u>	Actual 2018	Actual <u>2017</u>
Revenue			
Taxation	\$ 224,184	\$ 227,088	\$ 224,256
User charges	-	-	19,220
Government transfers	38,000	42,700	42,700
Other	<u>7,500</u>	<u>8,576</u>	<u>4,544</u>
	<u>269,684</u>	<u>278,364</u>	<u>290,720</u>
Expenses			
Salaries and wages	42,498	43,239	38,537
Operating materials and supplies	60,773	54,733	74,462
Contracted services	(92)	13	1,061
Rents and financial expenses	1,686	1,686	588
Amortization	<u>141,151</u>	<u>141,151</u>	<u>141,151</u>
	<u>246,016</u>	<u>240,822</u>	<u>255,799</u>
Annual surplus	\$ <u>23,668</u>	\$ <u>37,542</u>	\$ <u>34,921</u>

City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2018

Recreation and culture services	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Revenue			
Taxation	\$ 2,208,398	\$ 2,237,005	\$ 2,143,407
User charges	673,397	660,370	540,029
Government transfers	34,900	63,326	64,356
Other	<u>297,706</u>	<u>276,454</u>	<u>268,196</u>
	<u>3,214,401</u>	<u>3,237,155</u>	<u>3,015,988</u>
Expenses			
Salaries and wages	1,730,712	1,765,147	1,676,594
Operating materials and supplies	902,291	1,030,203	840,262
Contracted services	16,165	111,046	93,953
Rents and financial expenses	53,068	66,950	42,843
External transfers to others	47,444	44,597	53,930
Amortization	<u>635,341</u>	<u>635,341</u>	<u>614,299</u>
	<u>3,385,021</u>	<u>3,653,284</u>	<u>3,321,881</u>
Annual deficit	\$ <u>(170,620)</u>	\$ <u>(416,129)</u>	\$ <u>(305,893)</u>
Planning and development	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Revenue			
Taxation	\$ 691,691	\$ 700,651	\$ 620,242
User charges	244,240	200,953	216,020
Government transfers	-	21,675	-
Other	<u>-</u>	<u>1,547</u>	<u>3,050</u>
	<u>935,931</u>	<u>924,826</u>	<u>839,312</u>
Expenses			
Salaries and wages	655,973	471,057	455,971
Operating materials and supplies	114,360	87,973	91,648
Contracted services	121,703	89,452	111,730
Rents and financial expenses	9,113	7,143	3,579
External transfers to others	121,335	42,826	(9,705)
Amortization	<u>3,620</u>	<u>3,620</u>	<u>1,321</u>
	<u>1,026,104</u>	<u>702,071</u>	<u>654,544</u>
Annual surplus (deficit)	\$ <u>(90,173)</u>	\$ <u>222,755</u>	\$ <u>184,768</u>

Independent auditor's report

To the Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Thorold

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the City of Thorold ("the Funds"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Trust Funds of the Corporation of the City of Thorold as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Port Colborne, Canada
July 16, 2019

Chartered Professional Accountants
Licensed Public Accountants

City of Thorold
Trust Funds
Statement of Financial Position

As at December 31, 2018

	<u>Cemetery Care and Maintenance</u>	<u>Mausoleum Care and Maintenance</u>	<u>Monument and Marker Care</u>	<u>2018</u>	<u>2017</u>
Assets					
Cash and cash equivalents	\$ 449,562	\$ 775,915	\$ 98,451	\$ 1,323,928	\$ 797,523
Accounts receivable	-	17,811	-	17,811	13,916
Portfolio investments (Note 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Net assets	<u>\$ 449,562</u>	<u>\$ 793,726</u>	<u>\$ 98,451</u>	<u>\$ 1,341,739</u>	<u>\$ 1,311,439</u>

See accompanying notes to the financial statements

City of Thorold
Trust Funds
Statement of Operations and Changes in Net Assets

For the Year Ended December 31, 2018

	<u>Cemetery Care and Maintenance</u>	<u>Mausoleum Care and Maintenance</u>	<u>Monument and Marker Care</u>	<u>2018</u>	<u>2017</u>
Revenues					
Marker fees	\$ -	\$ -	\$ 2,800	\$ 2,800	\$ 2,500
Sales of crypts and niches	-	21,803	-	21,803	17,463
Sales of plots	5,697	-	-	5,697	6,090
Interest	<u>13,200</u>	<u>21,521</u>	<u>1,790</u>	<u>36,511</u>	<u>25,800</u>
	18,897	43,324	4,590	66,811	51,853
Expenses					
Interest earned distributed to the City of Thorold	<u>13,200</u>	<u>21,521</u>	<u>1,790</u>	<u>36,511</u>	<u>25,800</u>
Excess of revenues over expenses	5,697	21,803	2,800	30,300	26,053
Net assets					
Beginning of year	<u>443,865</u>	<u>771,923</u>	<u>95,651</u>	<u>1,311,439</u>	<u>1,285,386</u>
End of year	<u>\$ 449,562</u>	<u>\$ 793,726</u>	<u>\$ 98,451</u>	<u>\$ 1,341,739</u>	<u>\$ 1,311,439</u>

See accompanying notes to the financial statements

City of Thorold
Trust Funds
Statement of Cash Flows

For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Net increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of revenues over expenses	\$ 30,300	\$ 26,053
Increase in accounts receivable	<u>(3,895)</u>	<u>(3,455)</u>
	<u>26,405</u>	<u>22,598</u>
Investing activities		
Decrease in investments - net	<u>500,000</u>	<u>-</u>
Net increase in cash and cash equivalents	526,405	22,598
Cash and cash equivalents		
Beginning of year	<u>797,523</u>	<u>774,925</u>
End of year	<u>\$ 1,323,928</u>	<u>\$ 797,523</u>

See accompanying notes to the financial statements

City of Thorold

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2018

1. Summary of significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The significant accounting policies used are as follows:

(a) Basis of accounting

- (i) Sources of revenue and expenses are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(b) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

(c) Financial instruments

Initial measurement

The Trust Funds' financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Trust Funds measure their financial assets and liabilities at cost. The financial instruments measured at cost are cash investments, interest receivable and due from revenue fund.

For financial assets measured at cost, the Trust Funds regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Trust Funds determine that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

2. Portfolio investments

Portfolio investments consist of Canadian provincial bonds and bank guaranteed investment certificates with interest rates of 3.20% maturing in June, 2018. Portfolio investments have an estimated market value of \$ Nil (2017 - \$ 502,550).

Financial Report

Thorold Public Library Board

December 31, 2018

Contents

	Page
Independent Auditor's Report	1-3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Financial Assets (Debt)	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-15
Schedule of Tangible Capital Assets	16-17

Independent auditor's report

To the Board, Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Thorold

Qualified Opinion

We have audited the financial statements of the **Thorold Public Library Board** ("the Entity"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Thorold Public Library Board as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Entity derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Thorold Public Library Board. Therefore, we were not able to determine whether any adjustments might be necessary to donations and other revenue and annual surplus (deficit) for the years ended December 31, 2018 and 2017, net financial assets (debt) as at December 31, 2018 and 2017, and accumulated surplus (deficit) as at January 1 and December 31 for both 2018 and 2017. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for public sector 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Port Colborne, Canada
May 13, 2019

Chartered Professional Accountants
Licensed Public Accountants

Thorold Public Library Board

Statement of Financial Position

As at December 31, 2018

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash and cash equivalents (Note 3)	\$ 44,885	\$ 33,844
Portfolio investments (Note 4)	109,656	113,944
Receivables	8,622	5,917
Due from City of Thorold	<u>9,027</u>	<u>23,827</u>
	<u>172,190</u>	<u>177,532</u>
Liabilities		
Payables and accruals	10,354	11,832
Loan payable to City of Thorold (Note 5)	40,000	50,000
Employee benefit obligations (Note 6)	116,694	103,801
Deferred revenue	<u>-</u>	<u>12,213</u>
	<u>167,048</u>	<u>177,846</u>
Net financial assets (debt)	<u>5,142</u>	<u>(314)</u>
Non-financial assets		
Tangible capital assets (Pages 16 and 17)	394,249	391,026
Prepaid expenses	<u>-</u>	<u>2,585</u>
	<u>394,249</u>	<u>393,611</u>
Accumulated surplus (Note 7)	<u>\$ 399,391</u>	<u>\$ 393,297</u>

On behalf of the Board

See accompanying notes to the financial statements

Thorold Public Library Board

Statement of Operations

For the Year Ended December 31, 2018

	Budget 2018 (Note 13)	Actual 2018	Actual 2017
Revenues			
Municipal contribution	\$ 592,250	\$ 593,766	\$ 575,919
Government transfers (Note 9)	34,900	54,588	46,044
Other (Note 10)	17,850	18,580	19,361
	<u>645,000</u>	<u>666,934</u>	<u>641,324</u>
Expenses			
Administration	17,900	22,120	23,227
Amortization	74,650	74,650	75,289
Electronic resources, periodicals and newspapers	9,000	12,559	13,866
Insurance	3,200	2,765	2,619
Programs	3,000	17,801	9,977
Repairs and maintenance	35,300	42,514	29,850
Salaries, wages and benefits (Notes 11 and 12)	465,000	479,123	469,922
Service contracts	23,000	17,408	25,671
Supplies	6,800	4,620	6,821
Utilities	24,300	21,018	21,367
	<u>662,150</u>	<u>694,578</u>	<u>678,609</u>
Net expenses	<u>(17,150)</u>	<u>(27,644)</u>	<u>(37,285)</u>
Revenue related to tangible capital assets			
Municipal contribution	10,000	10,000	10,000
Development charges	21,000	21,000	21,000
Government transfers (Note 9)	-	2,738	-
Contributed tangible capital assets	-	-	1,500
	<u>31,000</u>	<u>33,738</u>	<u>32,500</u>
Annual surplus (deficit)	13,850	6,094	(4,785)
Accumulated surplus (Note 7)			
Beginning of year	<u>393,297</u>	<u>393,297</u>	<u>398,082</u>
End of year	<u>\$ 407,147</u>	<u>\$ 399,391</u>	<u>\$ 393,297</u>

See accompanying notes to the financial statements

Thorold Public Library Board

Statement of Changes in Net Financial Assets (Debt)

For the Year Ended December 31, 2018

	Budget 2018 (Note 13)	Actual 2018	Actual 2017
Annual surplus (deficit)	\$ 13,850	\$ 6,094	\$ (4,785)
Amortization of tangible capital assets	74,650	74,650	75,289
Acquisition of tangible capital assets	(72,500)	(77,873)	(57,011)
Contributed tangible capital assets	<u>-</u>	<u>-</u>	<u>(1,500)</u>
	16,000	2,871	11,993
Utilization of prepaid expenses	<u>-</u>	<u>2,585</u>	<u>379</u>
Increase in net financial assets	16,000	5,456	12,372
Net financial assets (debt)			
Beginning of year	<u>(314)</u>	<u>(314)</u>	<u>(12,686)</u>
End of year	<u>\$ 15,686</u>	<u>\$ 5,142</u>	<u>\$ (314)</u>

See accompanying notes to the financial statements

Thorold Public Library Board

Statement of Cash Flows

For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus (deficit)	\$ 6,094	\$ (4,785)
Non-cash items:		
Amortization of tangible capital assets	74,650	75,289
Contributed tangible capital assets	-	(1,500)
Changes in:		
Receivables	(2,705)	(655)
Due from City of Thorold	14,800	(17,572)
Payables and accruals	(1,478)	177
Employee benefit obligations	12,893	5,856
Deferred revenue	(12,213)	9,713
Prepaid expenses	<u>2,585</u>	<u>379</u>
	<u>94,626</u>	<u>66,902</u>
Capital activities		
Acquisition of tangible capital assets	<u>(77,873)</u>	<u>(57,011)</u>
Financing activities		
Loan repayment to City of Thorold	<u>(10,000)</u>	<u>(10,000)</u>
Investing activities		
Redemption of portfolio investments, net	<u>4,288</u>	<u>4,349</u>
Net increase in cash and cash equivalents	11,041	4,240
Cash and cash equivalents		
Beginning of year	<u>33,844</u>	<u>29,604</u>
End of year	<u>\$ 44,885</u>	<u>\$ 33,844</u>

See accompanying notes to the financial statements

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2018

1. Purpose of the Library Board

The Thorold Public Library Board (“the Library”) provides library services to residents of the City of Thorold and residents of other municipalities who have contracted with the Library for services.

2. Significant accounting policies

Management responsibility

The financial statements of the Library are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

(a) Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Library.

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(c) Cash and cash equivalents

Cash and temporary investments include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

(d) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

(e) Deferred revenue

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as deferred revenues. When qualifying expenses are incurred, deferred revenues are recognized as revenue at equal amounts. Revenues received in advance of expenses, which will be incurred in a later period, are deferred until they are earned by being matched against those expenses.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2018

2. Significant accounting policies (continued)

(f) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition. The Library does not capitalize interest as part of the costs of its capital assets.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Consolidated Statement of Operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Books	7 years
DVDs	3 years
Office equipment	5 years
Furniture and equipment	10 years
Computer equipment	4 years
Building improvements	20 years

For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase. Assets under construction are not amortized until the asset is available for productive use.

(g) Revenue recognition

i) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2018

2. Significant accounting policies (continued)

(g) Revenue recognition (continued)

ii) Government transfers

Government transfers are 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. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

iii) Other

Other revenue is recorded when it is earned and collection is reasonably assured.

(h) Reserves for future expenses

Certain amounts, as approved by the Library, are set aside in reserves for future operating and capital expenses.

(i) Use of estimates

The preparation of the financial statements in accordance 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which management make estimates are with regards to an allowance for doubtful accounts.

3. Cash and cash equivalents

	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 200	\$ 200
Bank balances	<u>44,685</u>	<u>33,644</u>
	<u>\$ 44,885</u>	<u>\$ 33,844</u>

4. Portfolio investments

Portfolio investments consist of guaranteed investment certificates that carry an effective interest rate from 1.50% to 2.10% and maturity dates ranging from April to December, 2019. Interest is receivable on maturity. Portfolio investments reported on the Statement of Financial Position have a market value of \$ 110,370 (2017 - \$ 114,242). The Library's investment policy is to be able to hold investments until maturity. Accordingly, the financial statements only recognize gains or losses on investments sold prior to maturity.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2018

5. Loan payable to City of Thorold

The City of Thorold provided the Library with an interest-free loan of \$ 100,000 to be repaid over ten years, due in 2022. The amount repaid in 2018 was \$ 10,000 (2017 - \$ 10,000).

6. Employee benefit obligations	<u>2018</u>	<u>2017</u>
Accrued vacation pay	<u>\$ 14,894</u>	<u>\$ 14,401</u>
Accumulated sick leave	<u>83,300</u>	73,100
Post-employment benefits	<u>18,500</u>	<u>16,300</u>
	<u>101,800</u>	<u>89,400</u>
	<u>\$ 116,694</u>	<u>\$ 103,801</u>

(a) Accrued vacation pay

As at December 31, 2018, employees of the Library have accumulated vacation pay credits in the amount of \$ 14,894 (2017 - \$ 14,401). Any unused credits may be carried forward to the next year.

(b) Accumulated sick leave and post-employment benefits

Under the Library's sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Library's employment. Employees eligible to retire under the OMERS early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five, and life insurance benefits to the date of the employee's death. The Library pays the total premiums for such benefits.

The accrued benefit obligation at December 31, 2018 of \$ 101,800 (2017 - \$ 89,400) was determined by actuarial valuation using a discount rate of 3.5% (2017 - 3.5%). A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2018 is \$ 53,740 (2017 - \$ 47,053).

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected post-employment benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2018

6. Employee benefit obligations (continued)

(b) Accumulated sick leave and post-employment benefits (continued)

The most recent actuarial valuation was prepared at December 31, 2017. The main actuarial assumptions employed for the valuation are as follows:

General inflation – future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 2.5% per annum.

Salary levels – future general salary and wage levels were assumed to be 3% per annum.

Dental costs – dental costs were assumed to be 4% per annum.

Medical costs – medical costs were assumed to be 5.5% per annum for 2018 grading down 0.5% per annum to a rate of 4% per annum.

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation		
Beginning of year	\$ 89,400	\$ 83,655
Current service cost	12,200	5,100
Interest cost	4,400	3,300
Benefits paid	(6,200)	(7,600)
Past service costs due to plan amendment	-	1,600
Amortization of actuarial gain	2,000	3,300
Actuarial adjustment	-	45
	<u>\$ 101,800</u>	<u>\$ 89,400</u>
Funded status		
Deficit	\$ 127,300	\$ 116,900
Unamortized actuarial loss	(25,500)	(27,500)
	<u>\$ 101,800</u>	<u>\$ 89,400</u>

7. Accumulated surplus

	<u>2018</u>	<u>2017</u>
Operating surplus	\$ 69,107	\$ 59,486
Investment in tangible capital assets	394,249	391,026
Reserves and reserves funds (Note 8)	92,729	96,586
Unfunded liabilities	(156,694)	(153,801)
	<u>\$ 399,391</u>	<u>\$ 393,297</u>

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2018

8. Reserves and reserve funds	<u>2018</u>	<u>2017</u>
Reserves set aside by the Board for specific purposes:		
Pay equity	\$ 11,312	\$ 22,240
Sick pay	<u>53,740</u>	<u>47,053</u>
Total reserves	<u>65,052</u>	<u>69,293</u>
Reserve funds set aside by the Board for specific purposes:		
Expansion	<u>27,677</u>	<u>27,293</u>
Total reserves and reserve funds	<u>\$ 92,729</u>	<u>\$ 96,586</u>

The continuity of reserves and reserve funds is made up of the following:

Balance, beginning of year	<u>\$ 96,586</u>	<u>\$ 105,903</u>
Contributions from Interest earned	<u>1,187</u>	<u>683</u>
Utilized for Operations	<u>(5,044)</u>	<u>(10,000)</u>
Balance, end of year	<u>\$ 92,729</u>	<u>\$ 96,586</u>

9. Government transfers	<u>Budget 2018</u>	<u>Actual 2018</u>	<u>Actual 2017</u>
Operating			
Province of Ontario			
Unconditional	\$ 29,700	\$ 29,684	\$ 29,684
Pay equity grant	2,700	2,744	2,744
SOLS - Capacity Building grant	-	3,000	2,500
Government of Canada			
HRDC summer student grant	2,500	4,817	4,129
Region of Niagara			
Healthy kids grant	-	8,343	6,987
Makerspace grant	<u>-</u>	<u>6,000</u>	<u>-</u>
	<u>34,900</u>	<u>54,588</u>	<u>46,044</u>
Capital			
Government of Canada			
Accessible Front Door grant	<u>-</u>	<u>2,738</u>	<u>-</u>
	<u>\$ 34,900</u>	<u>\$ 57,326</u>	<u>\$ 46,044</u>

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2018

10. Other revenue	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Operating			
Fines and fees	\$ 10,850	\$ 9,675	\$ 9,740
Interest	1,000	95	65
Interest - reserves	-	1,187	683
Miscellaneous	<u>6,000</u>	<u>7,623</u>	<u>8,873</u>
	<u>\$ 17,850</u>	<u>\$ 18,580</u>	<u>\$ 19,361</u>

11. Salaries, wages and benefits	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Salaries and wages	\$ 366,000	\$ 377,587	\$ 374,840
Benefits	<u>99,000</u>	<u>101,536</u>	<u>95,082</u>
	<u>\$ 465,000</u>	<u>\$ 479,123</u>	<u>\$ 469,922</u>

12. Pension agreements

The Library makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 2.8 billion (2017 - \$ 600 million surplus) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2018 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2018 current and past service was \$ 25,232 (2017 - \$ 33,153) and were matched by employee contributions in a similar amount.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2018

13. Budget

The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Statement of Operations and Statement of Changes in Net Financial Assets represent the budget adopted by the Board with the following adjustments:

Budgeted annual surplus	\$	-
Add:		
Acquisition of tangible capital assets		72,500
Transfers to reserves, net		6,000
Principal repayments of long term debt		10,000
Less:		
Amortization of tangible capital assets		<u>(74,650)</u>
Budgeted surplus per Statement of Operations	\$	<u>13,850</u>

14. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Thorold Public Library Board Schedule of Tangible Capital Assets

For the Year Ended December 31, 2018

	<u>Books</u>	<u>DVDs</u>	<u>Office Equipment</u>	<u>Furniture and Equipment</u>	<u>Computers</u>	<u>Building Improvements</u>	<u>2018</u>
Cost							
Beginning of year	\$ 376,065	\$ 10,454	\$ 7,824	\$ 14,758	\$ 13,851	\$ 259,804	\$ 682,756
Additions	54,401	3,509	-	-	15,934	4,029	77,873
Disposals	<u>(55,095)</u>	<u>(3,518)</u>	<u>-</u>	<u>(7,317)</u>	<u>(6,900)</u>	<u>-</u>	<u>(72,830)</u>
End of year	<u>375,371</u>	<u>10,445</u>	<u>7,824</u>	<u>7,441</u>	<u>22,885</u>	<u>263,833</u>	<u>687,799</u>
Accumulated amortization							
Beginning of year	163,986	3,484	7,824	11,795	9,142	95,499	291,730
Amortization	53,723	3,491	-	1,475	2,969	12,992	74,650
Amortization on disposals	<u>(55,095)</u>	<u>(3,518)</u>	<u>-</u>	<u>(7,317)</u>	<u>(6,900)</u>	<u>-</u>	<u>(72,830)</u>
End of year	<u>162,614</u>	<u>3,457</u>	<u>7,824</u>	<u>5,953</u>	<u>5,211</u>	<u>108,491</u>	<u>293,550</u>
Net book value	<u>\$ 212,757</u>	<u>\$ 6,988</u>	<u>\$ -</u>	<u>\$ 1,488</u>	<u>\$ 17,674</u>	<u>\$ 155,342</u>	<u>\$ 394,249</u>

Thorold Public Library Board Schedule of Tangible Capital Assets

For the Year Ended December 31, 2017

	<u>Books</u>	<u>DVDs</u>	<u>Office Equipment</u>	<u>Furniture and Equipment</u>	<u>Computers</u>	<u>Building Improvements</u>	<u>2017</u>
Cost							
Beginning of year	\$ 377,363	\$ 10,476	\$ 7,824	\$ 14,758	\$ 13,851	\$ 256,596	\$ 680,868
Additions	51,808	3,495	-	-	-	3,208	58,511
Disposals	<u>(53,106)</u>	<u>(3,517)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,623)</u>
End of year	<u>376,065</u>	<u>10,454</u>	<u>7,824</u>	<u>14,758</u>	<u>13,851</u>	<u>259,804</u>	<u>682,756</u>
Accumulated amortization							
Beginning of year	163,183	3,509	7,824	10,319	5,680	82,549	273,064
Amortization	53,909	3,492	-	1,476	3,462	12,950	75,289
Amortization on disposals	<u>(53,106)</u>	<u>(3,517)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,623)</u>
End of year	<u>163,986</u>	<u>3,484</u>	<u>7,824</u>	<u>11,795</u>	<u>9,142</u>	<u>95,499</u>	<u>291,730</u>
Net book value	<u>\$ 212,079</u>	<u>\$ 6,970</u>	<u>\$ -</u>	<u>\$ 2,963</u>	<u>\$ 4,709</u>	<u>\$ 164,305</u>	<u>\$ 391,026</u>

Contributed tangible capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$1,500.

Financial Report

Thorold Business Improvement Area

2018

Contents

	Page
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-9

Independent auditor's report

To the Board Members, Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Thorold

Opinion

We have audited the financial statements of the **Thorold Business Improvement Area** ("the Entity"), which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Thorold Business Improvement Area as at December 31, 2018, and the results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Port Colborne, Canada
July 31, 2019

Chartered Professional Accountants
Licensed Public Accountants

Thorold Business Improvement Area Statement of Financial Position

As at December 31	2018	2017
Assets		
Cash	\$ 13,735	\$ -
Accounts receivable	300	-
Due from City of Thorold	<u>9,968</u>	<u>38,956</u>
	24,003	38,956
Liabilities		
Accounts payable	<u>2,599</u>	-
Net financial assets	21,404	38,956
Non-financial assets		
Tangible capital assets (Note 3)	<u>21,780</u>	-
Accumulated surplus (Note 4)	<u>\$ 43,184</u>	<u>\$ 38,956</u>

On behalf of the Board

See accompanying notes to the financial statements.

Thorold Business Improvement Area Statement of Operations

For the Year Ended December 31, 2018

	Budget <u>2018</u> (Note 5)	<u>2018</u>	<u>2017</u>
Revenues			
Requisition from City of Thorold			
Tax levy	\$ 40,000	\$ 40,000	\$ 40,000
Other revenue	-	3,550	400
(Tax write-offs) supplementals, net	<u>-</u>	<u>(552)</u>	<u>3,976</u>
	<u>40,000</u>	<u>42,998</u>	<u>44,376</u>
Expenses			
Administration	11,230	17,480	13,309
Advertising and promotion	17,570	13,298	18,408
Amortization	1,146	1,146	-
Maintenance	<u>11,200</u>	<u>6,846</u>	<u>3,106</u>
	<u>41,146</u>	<u>38,770</u>	<u>34,823</u>
Annual surplus (deficit)	(1,146)	4,228	9,553
Accumulated surplus			
Beginning of year	<u>38,956</u>	<u>38,956</u>	<u>29,403</u>
End of year	<u>\$ 37,810</u>	<u>\$ 43,184</u>	<u>\$ 38,956</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2018

	Budget 2018 (Note 5)	<u>2018</u>	<u>2017</u>
Annual surplus (deficit)	\$ (1,146)	\$ 4,228	\$ 9,553
Acquisition of tangible capital assets	-	(22,926)	-
Amortization of tangible capital assets	<u>1,146</u>	<u>1,146</u>	<u>-</u>
(Decrease) increase in net financial assets	-	(17,552)	9,553
Net financial assets			
Beginning of year	<u>38,956</u>	<u>38,956</u>	<u>29,403</u>
End of year	<u>\$ 38,956</u>	<u>\$ 21,404</u>	<u>\$ 38,956</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Statement of Cash Flows

For the Year Ended December 31

2018

2017

Increase (decrease) in cash

Operating transactions

Annual surplus	\$ 4,228	\$ 9,553
Non-cash item		
Amortization of tangible capital assets	1,146	-
Increase in accounts receivable	(300)	-
Increase (decrease) in due from City of Thorold	28,988	(9,553)
Increase in accounts payable	<u>2,599</u>	<u>-</u>
	<u>36,661</u>	<u>-</u>

Capital transactions

Acquisition of tangible capital assets	<u>(22,926)</u>	<u>-</u>
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Net increase in cash

	13,735	-
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Cash

Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ 13,735</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2018

1. Purpose of the Business Improvement Area

The Thorold Business Improvement Area ("BIA"), established in 1980 pursuant to the Ontario Municipal Act, operates to revitalize and promote the downtown area of Thorold, Ontario.

The BIA is financed by a special levy charged upon businesses in the improvement area.

2. Summary of significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus balances of the BIA.

Tangible capital assets

(i) Determination of costs

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use.

(ii) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing government services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives. For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase.

Decorations

5 years

Thorold Business Improvement Area Notes to the Financial Statements

For the year ended December 31, 2018

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Tangible capital assets	<u>2018</u>	<u>2017</u>
Decorations		
Cost, beginning of year	\$ 28,176	\$ 28,176
Add additions during the year	22,926	-
Less disposals during the year	<u>-</u>	<u>-</u>
Cost, end of year	<u>51,102</u>	<u>28,176</u>
Accumulated amortization, beginning of year	28,176	-
Add amortization during the year	<u>1,146</u>	<u>-</u>
Accumulated amortization, end of year	<u>29,322</u>	<u>28,176</u>
Net book value	<u>\$ 21,780</u>	<u>\$ -</u>
<hr/>		
4. Accumulated surplus	<u>2018</u>	<u>2017</u>
Operating surplus	\$ 21,404	\$ 38,956
Investment in tangible capital assets	<u>21,780</u>	<u>-</u>
	<u>\$ 43,184</u>	<u>\$ 38,956</u>

Thorold Business Improvement Area Notes to the Financial Statements

For the year ended December 31, 2018

5. Budget

The budget approved by the BIA includes expenses for tangible capital assets, but does not include amortization of tangible capital assets. The following is a reconciliation of the approved budget to that reported on the statement of operations.

	<u>2018</u>
Approved budgeted annual surplus (deficit)	\$ -
Add: acquisition of tangible capital assets	-
Less: amortization of tangible capital assets	<u>1,146</u>
Budgeted annual surplus (deficit) reported on the statement of operations	<u>\$ (1,146)</u>