

Financial Statements of

**THE CORPORATION OF
THE CITY OF THOROLD**

Year ended December 31, 2002

THE CORPORATION OF THE CITY OF THOROLD

Financial Statements

December 31, 2002

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Consolidated

Public Library Board

Business Improvement Area

Consolidated Financial Statements of

**THE CORPORATION OF
THE CITY OF THOROLD**

Year ended December 31, 2002

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Financial Statements and Supplementary Information

December 31, 2002

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AUDITORS' REPORT

To the Members of Council,
Inhabitants and Ratepayers of
The Corporation of the City of Thorold

We have audited the consolidated statement of financial position of The Corporation of the City of Thorold as at December 31, 2002 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2001 were audited by another firm of chartered accountants.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Accountants

St. Catharines, Canada

April 11, 2003

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Financial Position

December 31, 2002, with comparative figures for 2001

	2002	2001 (restated)
Assets		
Financial assets:		
Cash	\$ 15,717,927	\$12,025,487
Investments	8,278,132	9,819,924
Taxes receivable (note 3)		
Current year	939,275	1,725,055
Prior years	752,944	2,056,467
Accounts receivable (note 4)	381,712	837,077
User charges receivable	747,985	730,549
Other current assets	68,883	15,544
	<u>26,886,858</u>	<u>27,210,103</u>
Liabilities		
Accounts payable and accrued liabilities	3,215,307	3,352,779
Deferred revenue – obligatory reserve funds (note 5)	646,897	784,130
Other current liabilities	25,149	5,154
Post-employment benefits (note 6)	1,130,967	1,095,563
Landfill liability (note 7)	706,318	730,513
Net long-term liabilities (note 8)	2,618,960	2,944,314
	<u>8,343,598</u>	<u>8,912,453</u>
Net financial assets	18,543,260	18,297,650
Physical assets:		
Inventories	119,736	106,287
Total net assets	<u>\$ 18,662,996</u>	<u>\$18,403,937</u>
Municipal position:		
Operating fund (note 9(a))	\$ 233,384	\$ 212,020
Capital fund (note 9(b))	(2,643,480)	(1,843,031)
Reserves and reserve funds (note 9(c))	25,529,337	24,805,338
	<u>23,119,241</u>	<u>23,174,327</u>
Amounts to be recovered	(4,456,245)	(4,770,390)
Total municipal position	<u>\$ 18,662,996</u>	<u>\$18,403,937</u>

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Financial Activities

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Revenues:		
Taxation (note 3)	\$ 7,996,900	\$ 7,535,414
User fees and charges	4,714,362	4,497,258
Government of Canada grants	101,210	91,819
Province of Ontario grants	463,526	479,221
Other municipal grants	88,244	62,146
Development levies earned	349,787	160,450
Interest and penalties	513,705	641,722
Investment income	851,838	693,592
Transfer from cemetery and mausoleum care and maintenance trust funds	30,610	36,498
Donations	16,756	24,994
Sundry	314,172	148,342
Thorold Hydro net income	-	30,890
	15,441,110	14,402,346
Expenditures:		
General government	636,725	1,378,146
Protection to persons and property	2,658,644	2,248,656
Transportation services	2,142,461	2,461,105
Environmental services	5,064,837	4,830,865
Health services	727,228	594,096
Social and family services	40,783	45,062
Recreation and cultural services	2,309,085	3,096,255
Planning and development	1,524,673	566,657
Other	91,064	212,506
	15,195,500	15,433,348
Net revenue (expenditures)	245,610	(1,031,002)
Net gain on sale of Thorold Hydro Corporation shares	-	6,933,406
Increase in net financial assets	245,610	5,902,404
Amounts to be recovered:		
Landfill liability	(24,195)	440,511
Debt principal repayments	(325,354)	(449,831)
Post-employment benefits	35,404	40,879
Increase (decrease) in amounts to be recovered	(314,145)	31,559
Increase in physical assets	13,449	9,104
Change in fund balances	\$ (55,086)	\$ 5,943,067

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Operations:		
Net expenditures	\$ 259,059	\$(1,021,898)
Uses:		
Increase in investments	-	(9,819,924)
Increase in taxes receivable	-	(569,186)
Increase in accounts receivable	-	(358,759)
Increase in user charges receivable	(17,436)	(60,600)
Increase in other current assets	(53,339)	-
Increase in physical assets	(13,449)	(9,104)
Decrease in accounts payable	(137,472)	-
Decrease in deferred revenue - obligatory reserve funds	(137,233)	(56,518)
Decrease in other liabilities	-	(570)
Decrease in landfill liability	(24,195)	-
	(383,124)	(10,874,661)
Sources:		
Decrease in investments	1,541,792	-
Decrease in taxes receivable	2,089,303	-
Decrease in accounts receivable	455,365	-
Decrease in physical assets	-	-
Decrease in other current assets	-	97,951
Increase in accounts payable and accrued liabilities	-	244,306
Increase in other current liabilities	19,995	-
Increase in post-employment benefits	35,404	40,879
Landfill	-	440,511
	4,141,859	823,647
Net income of Thorold Hydro Corporation	-	(30,890)
Net decrease in cash from operations	4,017,794	(11,103,802)
Investing:		
Proceeds on sale of Thorold Hydro Corporation	-	17,100,000
Dividends received from Thorold Hydro Corporation	-	50,305
Net increase in cash from investing	-	17,150,305
Financing:		
Long-term debt repaid	(325,354)	(449,831)
Increase in cash	3,692,440	5,596,672
Cash, beginning of year	12,025,487	6,428,815
Cash, end of year	\$ 15,717,927	\$12,025,487

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Schedule of Operating Fund Activities

Year ended December 31, 2002, with comparative figures for 2001

	Budget	2002	2001
Revenues:			
Taxation	\$ 8,029,504	\$ 7,996,900	\$ 7,535,414
User fees and charges	4,616,895	4,689,546	4,492,522
Government of Canada grants	92,000	91,210	91,819
Province of Ontario grants	434,316	463,526	459,246
Other municipal grants	-	88,244	62,146
Development levies earned	-	-	840
Interest and penalties	365,500	513,705	641,722
Investment income	285,500	245,304	268,796
Transfer from cemetery and mausoleum care and maintenance trust funds	32,000	30,610	36,498
Donations	-	300	2,500
Proceeds on sale of Thorold Hydro Corporation	-	-	17,100,000
Other	-	372	50,518
	13,855,715	14,119,717	30,742,021
Expenditures:			
General government	525,350	590,961	695,242
Protection to persons and property	1,929,544	2,045,496	2,041,528
Transportation services	1,969,054	1,892,028	1,887,674
Environmental services	4,254,759	4,084,071	3,959,930
Health services	525,275	632,797	488,932
Social and family services	42,088	40,783	40,468
Recreation and cultural services	1,765,491	1,843,231	1,762,162
Planning and development	306,070	333,095	347,684
Other	-	91,064	212,506
	11,317,631	11,553,526	11,436,126
Net revenues	2,538,084	2,566,191	19,305,895
Financing and transfers:			
Landfill liability	-	(24,195)	214,944
Debt principal repayments	(235,110)	(325,354)	(449,831)
Post-employment benefits	-	35,404	40,879
Increase in physical assets	-	13,449	9,104
Transfers to capital fund	(914,069)	(1,168,380)	(1,389,571)
Transfers to reserves and reserve funds	(1,391,990)	(1,075,751)	(17,742,364)
Net financing and transfers	(2,541,169)	(2,544,827)	(19,316,839)
Change in operating fund	(3,085)	21,364	(10,944)
Operating fund, beginning of year	212,020	212,020	222,964
Operating fund, end of year	\$ 208,935	\$ 233,384	\$ 212,020

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Schedule of Capital Fund Activities

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Revenues:		
Government of Canada	\$ 10,000	\$ -
Province of Ontario	-	19,975
Development charges earned	217,300	153,610
Donations	16,456	22,494
Other recoveries	150,000	32,759
	<u>393,756</u>	<u>228,838</u>
Expenditures:		
General government	45,764	682,904
Protection to persons and property	613,148	207,128
Transportation services	250,433	573,431
Environmental services	980,766	870,935
Health services	94,431	105,164
Social and family services	-	4,594
Recreation and cultural services	465,854	1,334,093
Planning and development	1,191,578	218,973
	<u>3,641,974</u>	<u>3,997,222</u>
Net expenditures	(3,248,218)	(3,768,384)
Financing and transfers:		
Landfill liability	-	225,567
Transfers from operating fund	1,168,380	1,389,571
Transfers from reserve fund	1,279,389	1,412,816
Net financing and transfers	<u>2,447,769</u>	<u>3,027,954</u>
Change in capital fund	(800,449)	(740,430)
Capital fund, beginning of year	(1,843,031)	(1,102,601)
Capital fund, end of year	<u>\$(2,643,480)</u>	<u>\$(1,843,031)</u>

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Schedule of Reserves and Reserve Funds

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Revenues:		
Investment income	\$ 606,534	\$ 424,796
Cemetery	132,751	103,673
Sale of land	31,049	11,697
Development levies earned	132,487	6,000
User fees and other	24,816	4,736
	<u>927,637</u>	<u>550,902</u>
Financing and transfers:		
Transfers from operating fund	1,075,751	17,742,364
Transfers to capital fund	(1,279,389)	(1,412,816)
Net financing and transfers	<u>(203,638)</u>	<u>16,329,548</u>
Change in reserve and reserve funds	723,999	16,880,450
Reserves and reserve funds, beginning of year	24,805,338	7,924,888
Reserves and reserve funds, end of year	<u>\$25,529,337</u>	<u>\$24,805,338</u>

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements

Year ended December 31, 2002

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the City of Thorold are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Standards Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(a) Basis of consolidation:

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the operating fund, capital fund, reserves and reserve funds and include the activities of all committees of council and the following boards, municipal enterprises and utilities which are under the control of council.

Public Library Board
Business Improvement Area

All inter-fund assets and liabilities and sources of financing and expenditures have been eliminated.

- (ii) Non-consolidated entities:

The following joint local board is not consolidated:

Niagara District Airport Commission (Joint Board)

- (iii) Accounting for Region and School Board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the Region of Niagara are not reflected in the municipal fund balances of these consolidated financial statements.

- (iv) Trust funds:

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Financial Activities and Changes in Fund Balances".

(b) Basis of accounting:

- (i) Revenues and expenditures are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
- (iii) Inventories:
Inventories are valued at average cost.

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(iv) Capital assets:

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are recorded as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.

(v) Deferred revenue:

Funds received for specific purposes are accounted for as deferred revenue until the Municipality discharges the obligation which led to the receipt of the funds.

(vi) Investment income:

Investment income earned on current surplus funds, capital funds, 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.

(vii) Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Operations of School Boards and the Region of Niagara:

Further to note 1(a)(iii), the taxation, other revenues, expenditures and overlevies of the school boards and the Region of Niagara are comprised of the following:

	School Boards		Region	
	2002	2001	2002	2001
Taxation and user charges	\$ 7,729,778	\$ 8,136,113	\$13,364,498	\$12,863,341
Requisitions	7,729,779	8,136,120	13,364,497	12,863,336
Overlevies (underlevies) for the year	(1)	(7)	1	5
Overlevies (underlevies), beginning of year	(3)	4	1	(4)
Overlevies (underlevies), end of year	\$ (4)	\$ (3)	\$ 2	\$ 1

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

3. Taxes receivable and revenues:

Property tax billings are prepared by the Ministry 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 ratepayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$846,409 (\$1,143,479 – 2001).

The Province of Ontario instituted a mandatory capping program through the provisions of Bill 79, which limited assessment increases to 10% in 1998, and an additional 5% in each of 1999 and 2000. Multi-residential, commercial and industrial property owners experiencing decreases were also capped at appropriate levels to fund the phasing-in of increases. The Province has enacted Bill 140, which serves to extend the capping provisions of Bill 79 indefinitely. The new legislation will limit assessment related increases in property tax bills to 5%.

4. Interfund receivables:

As a means of financing certain activities, funds are borrowed by the operating fund from several reserve funds. Both financing and repayments are reflected as interfund transfers and therefore are eliminated from the "Consolidated Statement of Financial Activities". Likewise interfund receivable and payable balances are not reflected on the "Consolidated Statement of Financial Position". The interfund receivable and payable balance as at December 31, 2002 was \$426,975 (\$939,335 – 2001).

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.

	2002	2001
Development charges	\$ 585,693	\$ 727,426
Park land	28,697	24,973
Tree planting	32,507	31,731
	<u>\$ 646,897</u>	<u>\$ 784,130</u>

6. Post-employment benefits:

	2002	2001
Accrued vacation pay	\$ 238,515	\$ 264,608
Accumulated sick leave	382,218	357,497
Post-employment benefits	510,234	473,458
	<u>\$ 1,130,967</u>	<u>\$ 1,095,563</u>

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

6. Post-employment benefits (continued):

Accrued vacation pay:

As at December 31, 2002, employees of the Municipality have accumulated vacation pay credits in the amount of \$238,515 (\$264,608 – 2001). Any unused credits may be carried forward to the next year.

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, 2002 of \$892,452 (\$830,955 – 2001) was determined by actuarial valuation using a discount rate of 6%. A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2002 is \$473,289 (\$446,840 – 2001).

Defined benefit plan information:

	2002	2001
Accrued benefit obligation, beginning of year	\$ 830,955	\$ 826,290
Expense for the year	98,698	101,227
Benefits paid during the year	(37,201)	(96,562)
Accrued benefit obligation, end of year	\$ 892,452	\$ 830,955

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 4% in 2001 and thereafter.

Salary levels – future general salary and wage levels were assumed to increase at 4.5% per annum.

Medical costs – medical costs were assumed to increase at 8.5% per year reducing to 4.5% per year over 15 years; 4.5% per year thereafter.

Dental costs – dental costs were assumed to increase at 4.5% per year.

The most recent actuarial valuation was performed as at December 31, 2000.

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

7. Landfill liability:

The City owns and monitors one closed landfill site. The liability for post-closure care has been recognized based upon monitoring costs included in the 2003 budget and inflation adjusted at 3% per annum. These costs were then discounted to December 31, 2002 using a discount rate of 7.2%. Post-closure care is estimated to be required for 26 years from 1986 (the date of the closure).

The liability for post-closure care as at December 31, 2002 is \$706,318 (2001 - \$730,513). Estimated expenditures for post-closure care are \$229,347 (2001 - \$633,649).

8. Net long-term liabilities:

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

	2002	2001
Total long-term liabilities incurred or assumed by the Municipality and outstanding at the end of the year amount to	\$ 120,210	\$ 128,114
In addition, the Municipality has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is	2,498,750	2,816,200
Net long-term liabilities, end of year	\$ 2,618,960	\$ 2,944,314

- (b) Of the net long-term liabilities reported in note (a) of this note, \$2,548,104 in principal payments are payable from 2003 to 2007.
- (c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Total charges for the year for net long-term liabilities, which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	2002	2001
Principal	\$ 325,354	\$ 449,831
Interest	210,372	251,231
	\$ 535,726	\$ 701,062

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

9. Municipal fund balances at the end of the year:

(a) Operating fund balance:

	2002	2001
For general reduction of taxation	\$ 32,593	\$ 19,247
For benefiting landowners, related to special charges and special rates:		
Business improvement area	15,402	18,124
Port Robinson sanitary sewer	36,096	36,096
Beaverdams sanitary sewer	25,822	24,414
Allanburg watermain	123,471	114,139
	<u>\$ 233,384</u>	<u>\$ 212,020</u>

(b) Capital fund balance:

	2002	2001
Acquisition of capital assets to be financed from taxation and user charges	\$(1,250,489)	\$ (243,688)
Acquisition of capital assets to be financed from the proceeds of long-term liabilities	(89,196)	(633,659)
Acquisition of capital assets to be recovered from proceeds of reserves and reserve funds	(305,891)	(240,480)
Acquisition of capital assets to be recovered from grants	(381,659)	-
Acquisition of capital assets to be recovered from mausoleum crypt sales	(655,361)	(773,121)
Funds available for the acquisition of capital assets	39,116	47,917
	<u>\$(2,643,480)</u>	<u>\$(1,843,031)</u>

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

9. Municipal fund balances at the end of the year (continued):

(c) Reserves and reserve fund balances:

	2002	2001
Reserves set aside by council for specific purposes:		
Municipal development	\$ 418,606	\$ 335,300
Working funds	490,000	480,000
Equipment replacement	920,525	1,070,433
Accumulated sick leave	473,290	446,840
Computer	85,503	90,079
Election	39,400	21,366
Winter control stabilization	96,605	83,385
Sewage capital	2,958,451	2,426,193
Water capital	1,136,671	1,279,006
Insurance deductible	147,875	162,939
Life insurance	5,000	5,000
Contingencies	14,309	4,927
Industrial development	499,551	358,158
Pay equity	144,871	216,886
Encumbrances	421,343	333,606
Total reserves	7,852,000	7,314,118
Reserve funds set aside by council for specific purposes:		
Arena building	54,184	27,735
Library expansion	23,785	23,433
Hydro proceeds	17,177,517	16,942,111
Mausoleum and cemetery improvements	191,539	195,926
Municipal land and building	212,476	173,216
Port Robinson transportation	11,425	11,153
Thorold pre-recreation	4,618	115,898
Thorold South Community Center building	1,793	1,748
Total reserve funds	17,677,337	17,491,220
	\$25,529,337	\$24,805,338

- (d) The Operating Fund surplus to the Municipality available for the general reduction of taxation or user charges in 2002 has been reduced by an amount of \$92,729 (\$78,206 – 2001); transferred to the Reserve for Industrial Development as authorized by Council. Had this transfer not been made the balance would have been \$125,322 (\$97,453 – 2001).

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

9. Municipal fund balances at the end of the year (continued):

- (e) The liability for post-closure care for the City's landfill site was not accrued in prior periods. This error has been corrected and prior period financial information has been restated. As a result, an amount of \$730,513 has been recorded as a liability. Amounts previously reported for operating fund expenditures and amounts to be recovered have been increased to \$440,511.

10. Trust funds:

Trust funds administered by the Municipality amounting to \$723,107 (\$666,870 – 2001) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

11. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 89 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

OMERS provided a temporary contribution holiday, with no corporate or employee pension contributions payable by the City or its employees. Contributions by the City will commence effective January 6, 2003. Contributions will be phased in, with successive equal annual rate increases, over two years gradually rising from 2.1% for employee earnings below the year's maximum pensionable earnings and 2.6% thereafter to 6.0% and 7.5% respectively by January 1, 2004.

Under the past service provisions of OMERS, the Municipality is obligated as at December 31, 2002 for an amount of \$120,210 (\$128,114 – 2001) and is currently reflected as part of net long-term liabilities on the "Consolidated Statement of Financial Position".

12. Contractual obligations and commitments:

Capital expenditures:

The estimated future capital expenditures based on projects in progress at December 31, 2002 is approximately \$998,025 (\$1,707,918 – 2001) after deducting the expenditures incurred as at December 31, 2002. These projects will be financed by grants, subsidies and long-term liabilities in future year.

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

12. Contractual obligations and commitments (continued):

Transit services:

The Municipality has a contract for transit services with the St. Catharines Transit Commission at an approximate cost of \$276,000 per year. The contract expires in June, 2003 and is to be reviewed annually. The commitment at December 31, 2002 is \$138,000.

Leases:

The Municipality is committed to minimum annual lease payments under various operating leases for office equipment and certain premises. The total commitment for these is \$85,000 at December 31, 2002.

Fundraising:

The Municipality has committed funds to various fundraising activities for 2003 and 2004 totalling \$100,000.

13. Contingent liabilities:

From time to time, the City is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts, including punitive or extraordinary damages. These claims may be covered by the City's insurance up to a maximum of \$15,000,000 per occurrence. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

14. Contributions to unconsolidated joint boards:

Further to note 1(a)(ii) the following contributions were made by the Municipality to:

	2002	2001
Niagara District Airport Commission	\$ 23,200	\$ 19,200

In the event of a sale of the Airport, the Municipality will share on a per-capita basis any distribution of assets. The Municipality's share would be approximately 8%.

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2002

15. Classification of expenditure by object:

The Schedule of Operating Fund Activities represents the expenditures by function, the following classifies those same expenditures by object:

	2002	2001
Salaries, wages and employee benefits	\$ 5,414,232	\$ 5,180,071
Operating materials and supplies	563,906	551,092
Contracted services	4,613,429	4,886,682
Rents and financial expenses	480,835	432,639
External transfers to others	270,752	163,380
Debt services	210,372	222,262
Total expenditures by object	\$11,553,526	\$11,436,126

16. Budget figures:

The approved operating budget for 2002 is reflected on the "Schedule of Operating Fund Activities". Those numbers have not been audited but are presented for information purposes. The budgets established for capital funds, reserve and reserve funds are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, it is not practical to present annualized budget information for these activities.



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AUDITORS' REPORT – TRUST FUNDS

To the Members of Council,
Inhabitants and Ratepayers of
The Corporation of the City of Thorold

We have audited the statement of financial position of the trust funds of The Corporation of the City of Thorold as at December 31, 2002 and statement of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the City as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

St. Catharines, Canada

April 11, 2003

THE CORPORATION OF THE CITY OF THOROLD

Statement of Financial Position – Trust Funds

Year ended December 31, 2002

	Total	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care
Assets				
Cash	\$ 335,307	\$ 166,040	\$ 155,707	\$ 13,560
Investments (note 2):				
Provincial	225,000	55,000	145,000	25,000
Municipal	147,498	83,671	53,836	9,991
Corporate	10,000	-	10,000	-
	382,498	138,671	208,836	34,991
Due from revenue fund	5,302	-	5,302	-
	\$ 723,107	\$ 304,711	\$ 369,845	\$ 48,551
Fund Balances				
	\$ 723,107	\$ 304,711	\$ 369,845	\$ 48,551

THE CORPORATION OF THE CITY OF THOROLD

Statement of Financial Activities and Changes in Fund Balances – Trust Funds

Year ended December 31, 2002

	Total	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care
Balance, beginning of year	\$ 666,870	\$ 295,262	\$ 326,557	\$ 45,051
Receipts:				
Marker fees	3,500	-	-	3,500
Sales of crypts/niches	43,288	-	43,288	-
Sale of plots	9,449	9,449	-	-
Interest	40,601	23,593	14,990	2,018
	96,838	33,042	58,278	5,518
Expenditures:				
Contribution to operating fund	40,601	23,593	14,990	2,018
Balance, end of year	\$ 723,107	\$ 304,711	\$ 369,845	\$ 48,551

THE CORPORATION OF THE CITY OF THOROLD

Notes to Financial Statements – Trust Funds

Year ended December 31, 2002

1. Schedule of accounting policies:

The financial statements of the Municipality's trust funds are the representations of management prepared in accordance with Canadian generally accepted accounting principles. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

Basis of accounting:

Capital receipts and income are reported on the accrual basis of accounting.

Expenditures are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. Investments:

Trust fund investments of \$382,498 (\$367,125 – 2001) have an estimated market value of \$388,626 (\$375,366 – 2001).



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AUDITORS' REPORT – SUPPLEMENTARY INFORMATION

To the Members of Council,
Inhabitants and Ratepayers of
The Corporation of the City of Thorold

We have audited and reported herein on the consolidated financial statements of the City of Thorold as at and for the year ended December 31, 2002.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Municipality taken as a whole. The current year's supplementary information included in the five year financial review is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

St. Catharines, Canada

April 11, 2003

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2002

	2002	2001	2000	1999	1998
Statistics:					
Population	17,692	17,769	17,682	17,846	17,846
Areas in acres	24,081	24,081	24,081	24,081	24,081
Number of full-time employees	77	77	75	72	72
Number of households	7,377	7,332	7,283	7,222	7,166
Assessment (see note below)					
Taxable (000's):					
Residential and farm	\$ 753,424	\$ 742,110	\$ 679,351	\$ 672,656	\$ 668,178
Commercial occupied	89,538	94,461	89,835	86,639	87,464
Industrial occupied	33,990	38,876	38,048	43,709	39,817
Large industrial	53,099	56,198	68,174	61,745	71,568
Multi-residential	20,600	19,593	18,872	18,769	19,332
Managed forests	33	27	13	50	7
Farmlands	15,907	15,316	13,561	12,764	10,465
	\$ 966,591	\$ 966,581	\$ 907,854	\$ 896,332	\$ 896,831
Per capita	\$ 54,634	\$ 54,397	\$ 51,343	\$ 50,226	\$ 50,254
Commercial and industrial as a percentage of taxable assessment	18.27%	19.61%	21.60%	21.43%	22.17%
Tax rates – see note below	%	%	%	%	%
Residential and farm:					
General municipal	0.495623	0.458880	0.437869	0.435492	0.466068
Region	0.753060	0.794243	0.789390	0.787192	0.758824
Schools	0.373000	0.373000	0.414000	0.414000	0.460000
	1.621683	1.626123	1.641259	1.636684	1.684892
Commercial occupied:					
General municipal	0.800282	0.740954	0.720907	0.716994	0.767334
Region	1.215968	1.282459	1.276456	1.272838	1.249380
Schools	1.905554	1.905554	2.123155	2.123155	2.123155
	3.921804	3.928967	4.120518	4.112987	4.139869
Industrial occupied:					
General municipal	1.548240	1.549440	1.592177	1.583537	1.694716
Region	2.483275	2.608914	2.784288	2.776293	2.759237
Schools	3.315625	3.706229	4.049696	4.244510	4.512322
	7.347140	7.864583	8.426161	8.604340	8.966275

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2002

	2002	2001	2000	1999	1998
Large industrial:					
General municipal	1.704868	1.706172	1.833793	1.823841	1.951893
Region	2.734495	2.872810	3.076704	2.071202	3.177957
Schools	3.650475	4.080527	4.534650	3.170395	5.197075
	8.089838	8.659509	9.445147	7.065438	10.326925
Multi-residential:					
General municipal	0.991244	0.971403	1.119542	1.113466	1.191643
Region	1.506120	1.681330	1.900266	1.965456	1.940162
Schools	0.373000	0.373000	0.414000	0.414000	0.460000
	2.870364	3.025733	3.433808	3.492922	3.591805
Managed forests:					
General municipal	0.123905	0.114720	0.109467	0.108873	0.116517
Region	0.188265	0.198560	0.197348	0.196798	0.189706
Schools	0.093250	0.093250	0.103500	0.103500	0.115000
	0.405420	0.406530	0.410315	0.409171	0.421223
Farmlands:					
General municipal	0.123905	0.114720	0.109467	0.108873	0.116517
Region	0.188265	0.198560	0.197348	0.196798	0.189706
Schools	0.093250	0.093250	0.103500	0.103500	0.115000
	0.405420	0.406530	0.410315	0.409171	0.421223

Note:

Tax rates in 1998 were calculated using Current Value Assessment (CVA). The transfers to CVA has resulted in the detail of the different property classes and a change from mill rates to tax rates.

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2002

	2002	2001	2000	1999	1998
Financial (000's) (note 1)					
Revenues:					
Taxation	\$ 7,694	\$ 6,763	\$ 6,910	\$ 6,895	\$ 5,876
Payment in lieu of taxes	303	773	797	778	586
Fees and service charges	4,714	4,547	4,267	4,698	4,174
Canada grants	101	92	98	94	79
Ontario grants	464	479	495	1,235	1,139
Other	2,165	1,748	1,657	1,330	865
	<u>\$ 15,441</u>	<u>\$ 14,402</u>	<u>\$ 14,224</u>	<u>\$ 15,030</u>	<u>\$ 12,719</u>
Taxation - Region	\$ 13,364	\$ 12,863	\$ 12,865	\$ 12,577	\$ 12,846
Taxation – School Boards	7,730	8,136	9,306	9,161	9,842
Net long-term liabilities	2,619	2,944	3,394	2,495	268
Charges for net long-term liabilities	536	701	407	69	78
Fund balance to be used to offset taxation or user charges	233	212	223	198	194
Unexpended capital financing (capital operations not yet permanently financed)	(2,643)	(1,843)	(1,103)	(1,291)	(3,950)
Reserves and reserve funds (note 2)	25,529	24,805	7,925	8,920	7,425
Tax arrears:					
Per capita (dollars)	96	213	181	173	144
Percentage of levy	6.41%	14.94%	12.16%	11.95%	9.58%

Note 1:

Certain financial information has been restated to conform with the current year's presentation.

Note 2:

Reserves and reserve funds do not include deferred revenue – obligatory reserve funds.