

Financial Statements of

**THE CORPORATION OF  
THE CITY OF THOROLD**

Year ended December 31, 2003

# THE CORPORATION OF THE CITY OF THOROLD

Financial Statements

December 31, 2003

---

## **Table of Contents**

Consolidated

Public Library Board

Business Improvement Area

Consolidated Financial Statements of

**THE CORPORATION OF  
THE CITY OF THOROLD**

Year ended December 31, 2003

# THE CORPORATION OF THE CITY OF THOROLD

Consolidated Financial Statements and Supplementary Information

December 31, 2003

---

## Table of Contents

Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities	3
Consolidated Statement of Changes in Financial Position	4
Consolidated Schedule of Operating Fund Activities	5
Consolidated Schedule of Capital Fund Activities	6
Consolidated Schedule of Reserves and Reserve Funds	7
Notes to Consolidated Financial Statements	8
Auditors' Report – Trust Funds	21
Statement of Financial Position – Trust Funds	22
Statement of Financial Activities and Changes in Fund Balances – Trust Funds	23
Notes to Financial Statements – Trust Funds	24
Auditors' Report – Supplementary Information	25
Five Year Financial Review	26



**KPMG LLP**  
**Chartered Accountants**

One St. Paul Street Suite 900  
PO Box 1294 Stn Main  
St. Catharines ON L2R 7A7

Telephone (905) 685-4811  
Telefax (905) 682-2008  
www.kpmg.ca

## **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, 2003 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, 2003 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 single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

St. Catharines, Canada  
March 19, 2004

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Financial Position

December 31, 2003, with comparative figures for 2002

	2003	2002
<b>Assets</b>		
Financial assets:		
Cash	\$ 13,869,984	\$ 15,717,927
Investments	9,722,679	8,278,132
Taxes receivable (note 4)		
Current year	959,016	939,275
Prior years	1,026,867	752,944
Accounts receivable (note 5)	298,773	381,712
User charges receivable	710,737	747,985
Other current assets	59,529	68,883
	<hr/> 26,647,585	<hr/> 26,886,858
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,458,300	3,215,307
Deferred revenue – obligatory reserve funds (note 6)	701,915	646,897
Other current liabilities	5,154	25,149
Post-employment benefits (note 7)	1,189,690	1,130,967
Landfill liability (note 8)	1,021,233	706,318
Net long-term liabilities (note 9)	2,266,696	2,618,960
	<hr/> 8,642,988	<hr/> 8,343,598
Net financial assets	<hr/> 18,004,597	<hr/> 18,543,260
Physical assets:		
Inventories	120,725	119,736
Total net assets	<hr/> \$ 18,125,322	<hr/> \$ 18,662,996
Municipal position:		
Operating fund (note 10(a))	\$ 132,904	\$ 233,384
Capital fund (note 10(b))	(3,687,126)	(2,643,480)
Reserves and reserve funds (note 10(c))	26,157,163	25,529,337
	<hr/> 22,602,941	<hr/> 23,119,241
Amounts to be recovered	(4,477,619)	(4,456,245)
Total municipal position	<hr/> \$ 18,125,322	<hr/> \$ 18,662,996

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Financial Activities

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
<b>Revenues:</b>		
Taxation and user charges:		
Taxation (note 4)	\$ 8,425,631	\$ 7,996,900
User fees and charges	4,783,366	4,847,113
	<u>13,208,997</u>	<u>12,844,013</u>
Grants:		
Government of Canada grants	91,609	101,210
Province of Ontario grants	452,691	463,526
Other municipal grants	46,467	88,244
	<u>590,767</u>	<u>652,980</u>
Other:		
Development levies earned	285,978	349,787
Interest and penalties	467,637	513,705
Investment income	995,793	851,838
Transfer from cemetery and mausoleum care and maintenance trust funds	35,236	30,610
Donations	57,823	16,756
Sundry	112,564	181,421
	<u>1,955,031</u>	<u>1,944,117</u>
<b>Total revenues</b>	<b>15,754,795</b>	<b>15,441,110</b>
<b>Expenditures:</b>		
General government	718,724	636,725
Protection to persons and property	3,269,102	2,658,644
Transportation services	2,589,304	2,142,461
Environmental services	5,395,460	5,064,837
Health services	592,150	727,228
Social and family services	41,531	40,783
Recreation and cultural services	1,955,363	2,309,085
Planning and development	1,653,212	1,524,673
Other	78,612	91,064
	<u>16,293,458</u>	<u>15,195,500</u>
<b>Net revenue (expenditures)</b>	<b>(538,663)</b>	<b>245,610</b>
<b>Amounts to be recovered:</b>		
Landfill liability	314,915	(24,195)
Debt principal repayments	(352,264)	(325,354)
Post-employment benefits	58,723	35,404
<b>Increase (decrease) in amounts to be recovered</b>	<b>21,374</b>	<b>(314,145)</b>
	<u>(517,289)</u>	<u>(68,335)</u>
<b>Increase in physical assets</b>	<b>989</b>	<b>13,449</b>
<b>Change in fund balances</b>	<b>\$ (516,300)</b>	<b>\$ (55,086)</b>

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Changes in Financial Position

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Operations:		
Net revenue (expenditures)	\$ (538,663)	\$ 245,610
Sources and uses of cash:		
Taxes receivable	(293,664)	2,089,303
Accounts receivable	82,939	455,365
User charges receivable	37,248	(17,436)
Other current assets	9,354	(53,339)
Accounts payable and accrued liabilities	242,993	(137,472)
Deferred revenue - obligatory reserve funds	55,018	(137,233)
Other current liabilities	(19,995)	19,995
Post-employment benefits	58,723	35,404
Landfill liability	314,915	(24,195)
	487,531	2,230,392
Net (decrease) increase in cash from operations	(51,132)	2,476,002
Investing:		
Investments	(1,444,547)	1,541,792
Financing:		
Long-term debt repaid	(352,264)	(325,354)
Increase (decrease) in cash	(1,847,943)	3,692,440
Cash, beginning of year	15,717,927	12,025,487
Cash, end of year	\$ 13,869,984	\$ 15,717,927

See accompanying notes to financial statements.



# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Operating Fund Activities

Year ended December 31, 2003, with comparative figures for 2002

	Budget	2003	2002
<b>Revenues:</b>			
Taxation and user charges:			
Taxation	\$ 8,110,892	\$ 8,425,631	\$ 7,996,900
User fees and charges	4,656,500	4,783,366	4,847,113
	12,767,392	13,208,997	12,844,013
Grants:			
Government of Canada grants	91,210	91,609	91,210
Province of Ontario grants	433,115	452,691	463,526
Other municipal grants	-	46,467	88,244
	524,325	590,767	642,980
Other:			
Interest and penalties	456,750	467,637	513,705
Investment income	190,000	334,859	245,304
Transfer from cemetery and mausoleum care and maintenance trust funds	32,000	35,236	30,610
Donations	-	335	300
Other	200	43,410	31,421
	678,950	881,477	821,340
<b>Total revenues</b>	<b>13,970,667</b>	<b>14,681,241</b>	<b>14,308,333</b>
<b>Expenditures:</b>			
General government	670,826	695,925	590,961
Protection to persons and property	2,168,369	2,239,894	2,045,496
Transportation services	1,967,468	1,969,444	1,892,028
Environmental services	4,204,475	4,312,567	4,084,071
Health services	537,339	570,209	632,797
Social and family services	40,537	41,531	40,783
Recreation and cultural services	1,781,974	1,833,620	1,843,231
Planning and development	331,471	340,674	333,095
Other	55,129	78,612	91,064
	11,757,588	12,082,476	11,553,526
<b>Net revenues</b>	<b>2,213,079</b>	<b>2,598,765</b>	<b>2,754,807</b>
<b>Financing and transfers:</b>			
Landfill liability	-	71,916	(24,195)
Debt principal repayments	(345,110)	(352,264)	(325,354)
Post-employment benefits	-	58,723	35,404
Increase in physical assets	-	989	13,449
Transfers to other funds	(1,855,969)	(2,478,609)	(2,432,747)
<b>Net financing and transfers</b>	<b>(2,201,079)</b>	<b>(2,699,245)</b>	<b>(2,733,443)</b>
<b>Change in operating fund</b>	<b>12,000</b>	<b>(100,480)</b>	<b>21,364</b>
<b>Operating fund, beginning of year</b>	<b>233,384</b>	<b>233,384</b>	<b>212,020</b>
<b>Operating fund, end of year</b>	<b>\$ 245,384</b>	<b>\$ 132,904</b>	<b>\$ 233,384</b>

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Capital Fund Activities

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Revenues:		
Grants:		
Government of Canada	\$ -	\$ 10,000
Other:		
Development charges earned	285,978	349,787
Donations	57,488	16,456
Other recoveries	69,154	150,000
	<u>412,620</u>	<u>516,243</u>
Total revenues	412,620	526,243
Expenditures:		
General government	22,799	45,764
Protection to persons and property	1,029,208	613,148
Transportation services	619,860	250,433
Environmental services	1,082,894	980,766
Health services	21,941	94,431
Recreation and cultural services	121,743	465,854
Planning and development	1,312,538	1,191,578
	<u>4,210,983</u>	<u>3,641,974</u>
Net expenditures	(3,798,363)	(3,115,731)
Financing and transfers:		
Landfill liability	243,000	-
Transfers from other funds	2,511,717	2,315,282
Net financing and transfers	<u>2,754,717</u>	<u>2,315,282</u>
Change in capital fund	(1,043,646)	(800,449)
Capital fund, beginning of year	(2,643,480)	(1,843,031)
Capital fund, end of year	<u>\$ (3,687,126)</u>	<u>\$ (2,643,480)</u>

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Reserves and Reserve Funds

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Revenues:		
Investment income	\$ 660,934	\$ 606,534
Financing and transfers:		
Transfers from (to) other funds	(33,108)	117,465
Change in reserve and reserve funds	627,826	723,999
Reserves and reserve funds, beginning of year	25,529,337	24,805,338
Reserves and reserve funds, end of year	\$ 26,157,163	\$ 25,529,337

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements

Year ended December 31, 2003

---

## 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".

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

---

## 1. Significant accounting policies (continued):

### (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) Investments:  
Investments are carried at cost.
- (iv) Inventories:  
Inventories are valued at average cost.
- (v) 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.
- (vi) Deferred revenue – obligatory reserve funds:  
Funds received for specific purposes are accounted for as deferred revenue – obligatory reserve funds until the Municipality discharges the obligation which led to the receipt of the funds.
- (vii) 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.
- (viii) 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.

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

## 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	
	2003	2002	2003	2002
Taxation and user charges	\$ 7,454,805	\$ 7,729,778	\$ 13,746,309	\$ 13,364,498
Requisitions	7,454,805	7,729,779	13,746,309	13,364,497
Overlevies (underlevies) for the year	-	(1)	-	1
Overlevies (underlevies), beginning of year	(4)	(3)	2	1
Overlevies (underlevies), end of year	\$ (4)	\$ (4)	\$ 2	\$ 2

## 3. Investments:

Investments reported on the consolidated statement of financial position have a market value of \$9,900,000.

## 4. 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 \$621,877 (\$846,409 – 2002).

The Province of Ontario instituted a mandatory capping program through the provisions of Bill 140 limits assessment related increases in property tax bills to 5%.

## 5. 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, 2003 was \$220,379 (\$426,975 – 2002).

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

## 6. 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.

	2003	2002
Development charges	\$ 635,343	\$ 585,693
Park land	33,491	28,697
Tree planting	33,081	32,507
	<u>\$ 701,915</u>	<u>\$ 646,897</u>

The deferred revenues, obligatory reserve funds reported on the consolidated statement of financial position, are made up of the following:

	2003	2002
Balance, beginning of year	\$ 646,897	\$ 784,130
Contributions from:		
Development Charges Act	314,150	209,936
Recreational land (the Planning Act)	3,860	5,977
Interest earned	22,986	21,641
Total revenue	<u>340,996</u>	<u>237,554</u>
Transfers to operating	(240,877)	(25,000)
Transfers to capital	(45,101)	(349,787)
Balance, end of year	<u>\$ 701,915</u>	<u>\$ 646,897</u>

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

## 7. Post-employment benefits:

	2003	2002
Accrued vacation pay	\$ 235,029	\$ 238,515
Accumulated sick leave	403,598	382,218
Post-employment benefits	551,063	510,234
	<u>\$ 1,189,690</u>	<u>\$ 1,130,967</u>

Accrued vacation pay:

As at December 31, 2003, employees of the Municipality have accumulated vacation pay credits in the amount of \$235,029 (\$238,515 – 2002). 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, 2003 of \$954,661 (\$892,452 – 2002) 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, 2003 is \$494,323 (\$473,289 – 2002).

	2003	2002
Accrued benefit obligation, beginning of year	\$ 892,452	\$ 830,955
Expense for the year	103,955	98,698
Benefits paid during the year	(41,746)	(37,201)
Accrued benefit obligation, end of year	<u>\$ 954,661</u>	<u>\$ 892,452</u>



# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

---

## **7. Post-employment benefits (continued):**

The main 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 3.3% 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.

## **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 2004 budget and inflation adjusted at 3% per annum. These costs were then discounted to December 31, 2003 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, 2003 is \$1,021,233 (2002 - \$706,318). Estimated expenditures for post-closure care are \$547,853 (2002 - \$229,347).

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

## 9. 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:

	2003	2002
Total long-term liabilities incurred or assumed by the Municipality and outstanding at the end of the year amount to	\$ 113,056	\$ 120,210
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	2,153,640	2,498,750
<b>Net long-term liabilities, end of year</b>	<b>\$ 2,266,696</b>	<b>\$ 2,618,960</b>

- (b) Of the net long-term liabilities reported in note (a) of this note, \$2,204,765 in principal payments are payable from 2004 to 2008.
- (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:

	2003	2002
Principal	\$ 352,264	\$ 325,354
Interest	187,728	210,372
	<b>\$ 539,992</b>	<b>\$ 535,726</b>

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

## 10. Municipal fund balances at the end of the year:

(a) Operating fund balance:

	2003	2002
For general reduction of taxation	\$ 54,458	\$ 32,593
For benefiting landowners, related to special charges and special rates:		
Business improvement area	10,612	15,402
Port Robinson sanitary sewer	-	36,096
Beaverdams sanitary sewer	17,696	25,822
Allanburg watermain	50,138	123,471
	<u>\$ 132,904</u>	<u>\$ 233,384</u>

(b) Capital fund balance:

	2003	2002
Acquisition of capital assets to be financed from taxation and user charges	\$ (1,233,992)	\$(1,250,489)
Acquisition of capital assets to be financed from the proceeds of long-term liabilities	-	(89,196)
Acquisition of capital assets to be recovered from proceeds of reserves and reserve funds	(2,043,996)	(305,891)
Acquisition of capital assets to be recovered from grants	-	(381,659)
Acquisition of capital assets to be recovered from mausoleum crypt sales	(531,606)	(655,361)
Funds available for the acquisition of capital assets	122,468	39,116
	<u>\$ (3,687,126)</u>	<u>\$(2,643,480)</u>

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

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

(c) Reserves and reserve fund balances:

	2003	2002
Reserves set aside by council for specific purposes:		
Municipal development	\$ 508,039	\$ 418,606
Working funds	500,000	490,000
Equipment replacement	1,151,152	920,525
Accumulated sick leave	494,323	473,290
Computer	88,317	85,503
Election	-	39,400
Winter control stabilization	46,605	96,605
Sewage capital	2,742,451	2,958,451
Water capital	1,159,271	1,136,671
Insurance deductible	191,091	147,875
Life insurance	5,000	5,000
Contingencies	39,309	14,309
Industrial development	689,127	499,551
Pay equity	147,615	144,871
Encumbrances	482,316	421,343
<b>Total reserves</b>	<b>8,244,616</b>	<b>7,852,000</b>
Reserve funds set aside by council for specific purposes:		
Arena building	116,342	54,184
Library expansion	24,323	23,785
Hydro proceeds	17,285,965	17,177,517
Mausoleum and cemetery improvements	196,465	191,539
Municipal land and building	262,247	212,476
Port Robinson transportation	11,761	11,425
Thorold pre-recreation	13,601	4,618
Thorold South Community Center building	1,843	1,793
<b>Total reserve funds</b>	<b>17,912,547</b>	<b>17,677,337</b>
	<b>\$ 26,157,163</b>	<b>\$ 25,529,337</b>

(d) The Operating Fund surplus to the Municipality available for the general reduction of taxation or user charges in 2003 has been reduced by an amount of \$23,796 (\$92,729 – 2002); transferred to the Reserve for Industrial Development as authorized by Council. Had this transfer not been made the balance would have been \$78,254 (\$125,322 – 2002).

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

---

## 11. Trust funds:

Trust funds administered by the Municipality amounting to \$782,710 (\$723,107 – 2002) have not been included in the “Consolidated Statement of Financial Position” nor have their operations been included in the “Consolidated Statement of Financial Activities”.

## 12. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 97 members of its staff and councillors. 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.

Effective August 1, 1998, OMERS provided a temporary contribution holiday, with no corporate or employee pension contributions payable by the Municipality or its employees until December 31, 2002. Contributions by the Municipality commenced effective January, 2003. Contributions are being phased in, with rates for 2003 at 2.1% for employees earning below the year’s maximum pensionable earnings and 2.6% on earnings above the year’s maximum pensionable earnings. Rates will increase to 6.0% and 8.8% respectively in 2004.

The amount contributed to OMERS for 2003 was \$82,000 (nil – 2002) for current service and is included as an expenditure on the consolidated statement of financial activities.

Under the past service provisions of OMERS, the Municipality is obligated as at December 31, 2003 for an amount of \$113,056 (\$120,210 – 2002) and is currently reflected as part of net long-term liabilities on the “Consolidated Statement of Financial Position”.

## 13. Contractual obligations and commitments:

Capital expenditures:

The estimated future capital expenditures based on projects in progress at December 31, 2003 is approximately \$734,600 (\$998,025 – 2002) after deducting the expenditures incurred as at December 31, 2003. 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, 2003

---

## 13. 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 \$288,000 per year. The contract expires in June, 2004 and is to be reviewed annually. The remaining commitment at December 31, 2003 is \$144,000.

### 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 \$64,363 at December 31, 2003.

### Physician recruitment:

The Municipality has committed funds to various physicians for 2004 to 2006 totalling \$82,500.

### Fundraising:

The Municipality has committed funds to various fundraising activities for 2004 and 2005 totalling \$42,700.

## 14. 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. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

## 15. Contributions to unconsolidated joint boards:

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

	2003	2002
Niagara District Airport Commission	\$ 19,200	\$ 23,200

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, 2003

---

## 16. Classification of expenditure by object:

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

	2003	2002
Salaries, wages and employee benefits	\$ 5,769,931	\$ 5,414,232
Operating materials and supplies	547,334	563,906
Contracted services	4,929,657	4,613,429
Rents and financial expenses	451,473	480,835
External transfers to others	196,353	270,752
Debt services	187,728	210,372
Total expenditures by object	\$ 12,082,476	\$ 11,553,526

## 17. Budget figures:

The approved operating budget for 2003 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.

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2003

## 18. Government transfers:

The Municipality recognizes the transfer of government funding as expenditures or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Consolidated Schedule of Operating Fund Activities are:

	2003	2002
Revenue:		
Ontario grants:		
Community re-investment fund	\$ 387,000	\$ 387,000
Recreation and cultural	64,158	73,431
Miscellaneous	1,533	3,095
	<u>452,691</u>	<u>463,526</u>
Federal grants:		
Transit	70,000	70,000
Library	-	10,000
Cemeteries	21,609	21,210
	<u>91,609</u>	<u>101,210</u>
<b>Total revenues</b>	<b>\$ 544,300</b>	<b>\$ 564,736</b>
Expenditures:		
Charitable and non-profit organizations	\$ 79,028	\$ 78,516
University	42,700	42,700
Chamber of Commerce	27,925	25,000
Airport	19,200	23,200
Physician recruitment	27,500	101,336
<b>Total expenditures</b>	<b>\$ 196,353</b>	<b>\$ 270,752</b>

## 19. Comparative figures:

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





**KPMG LLP**  
**Chartered Accountants**  
One St. Paul Street Suite 900  
PO Box 1294 Stn Main  
St. Catharines ON L2R 7A7

Telephone (905) 685-4811  
Telefax (905) 682-2008  
www.kpmg.ca

## **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, 2003 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, 2003 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  
March 19, 2004

# THE CORPORATION OF THE CITY OF THOROLD

## Statement of Financial Position – Trust Funds

Year ended December 31, 2003

	Total	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care
<b>Assets</b>				
Cash	\$ 617,673	\$ 215,149	\$ 367,838	\$ 34,686
Investments (note 2):				
Provincial	175,000	30,000	135,000	10,000
Municipal	99,730	59,787	29,952	9,991
Corporate	10,000	-	10,000	-
Federal	49,530	24,765	24,765	-
	334,260	114,552	199,717	19,991
	\$ 951,933	\$ 329,701	\$ 567,555	\$ 54,677

## Liabilities and Fund Balances

Due to operating fund	\$ 169,223	\$ 14,137	\$ 152,410	\$ 2,676
Fund balances	782,710	315,564	415,145	52,001
	\$ 951,933	\$ 329,701	\$ 567,555	\$ 54,677

# THE CORPORATION OF THE CITY OF THOROLD

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

Year ended December 31, 2003

	Total	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care
Balance, beginning of year	\$ 723,107	\$ 304,711	\$ 369,845	\$ 48,551
Receipts:				
Marker fees	3,450	-	-	3,450
Sales of crypts/niches	45,300	-	45,300	-
Sale of plots	10,853	10,853	-	-
Interest	35,236	14,137	18,423	2,676
	94,839	24,990	63,723	6,126
Expenditures:				
Contribution to operating fund	35,236	14,137	18,423	2,676
Balance, end of year	\$ 782,710	\$ 315,564	\$ 415,145	\$ 52,001

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Financial Statements – Trust Funds

Year ended December 31, 2003

---

## 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 \$334,260 (\$382,498 – 2002) have an estimated market value of \$339,810 (\$388,626 – 2002).



**KPMG LLP**  
**Chartered Accountants**  
One St. Paul Street Suite 900  
PO Box 1294 Stn Main  
St. Catharines ON L2R 7A7

Telephone (905) 685-4811  
Telefax (905) 682-2008  
www.kpmg.ca

## **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, 2003.

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  
March 19, 2004

# THE CORPORATION OF THE CITY OF THOROLD

## Five Year Financial Review

Year ended December 31, 2003

	2003	2002	2001	2000	1999
<b>Statistics:</b>					
Population	17,307	17,692	17,769	17,682	17,846
Areas in acres	25,361	25,362	25,361	25,361	25,361
Number of full-time employees	77	77	77	75	72
Number of households	7,483	7,377	7,332	7,283	7,222
<b>Assessment (see note below)</b>					
Taxable (000's):					
Residential and farm	\$ 803,169	\$ 753,424	\$ 742,110	\$ 679,351	\$ 672,656
Commercial occupied	96,517	89,538	94,461	89,835	86,639
Commercial vacant	2,514	2,572	-	-	-
Industrial occupied	39,052	33,990	38,876	38,048	43,709
Industrial vacant	5,311	5,658	-	-	-
Large industrial	50,078	53,099	56,198	68,174	61,745
Large industrial vacant	2,294	2,040	-	-	-
Multi-residential	21,863	20,600	19,593	18,872	18,769
Managed forests	56	33	27	13	50
Farmlands	18,605	15,907	15,316	13,561	12,764
Farmlands awaiting development	1,470	-	-	-	-
	<b>\$ 1,040,929</b>	<b>\$ 976,861</b>	<b>\$ 966,581</b>	<b>\$ 907,854</b>	<b>\$ 896,332</b>
Per capita	\$ 60,145	\$ 55,215	\$ 54,397	\$ 51,343	\$ 50,226
Commercial and industrial as a percentage of taxable assessment	18.81%	19.13%	19.61%	21.60%	21.43%
Tax rates – see note below	%	%	%	%	%
<b>Residential and farm:</b>					
General municipal	0.478636	0.495623	0.458880	0.437869	0.435492
Region	0.735423	0.753060	0.737297	0.730966	0.730966
Waste management	0.064496	0.066706	0.056946	0.058424	0.056226
Schools	0.335000	0.373000	0.373000	0.414000	0.414000
USA Tax	0.119856	0.128187	0.128387	0.125992	0.129522
	<b>1.733411</b>	<b>1.816576</b>	<b>1.754510</b>	<b>1.767251</b>	<b>1.766206</b>
<b>Commercial occupied:</b>					
General municipal	0.772853	0.800282	0.740954	0.720907	0.716994
Region	1.187490	1.215968	1.190511	1.180266	1.180268
Waste management	0.104142	0.107710	0.091948	0.096190	0.092570
Schools	1.802873	1.905554	1.905554	2.123155	2.123155
USA	0.193532	0.206984	0.207307	0.207434	0.213245
	<b>4.060890</b>	<b>4.236498</b>	<b>4.136274</b>	<b>4.327952</b>	<b>4.326232</b>
<b>Commercial vacant:</b>					
General municipal	0.540997	0.560197	0.518667	0.504635	0.501896
Region	0.831243	0.851177	0.833359	0.826186	0.826188
Waste management	0.072899	0.075397	0.064364	0.067333	0.064799
Schools	1.262011	1.333888	1.333888	1.486209	1.486209
USA	0.135472	0.144888	0.145115	0.145204	0.149271
	<b>2.842622</b>	<b>2.965547</b>	<b>2.895393</b>	<b>3.029567</b>	<b>3.028363</b>

# THE CORPORATION OF THE CITY OF THOROLD

## Five Year Financial Review

Year ended December 31, 2003

	2003	2002	2001	2000	1999
<b>Industrial occupied:</b>					
General municipal	1.543957	1.548240	1.549440	1.592177	1.583537
Region	2.296029	2.483275	2.408559	2.571845	2.571846
Waste management	0.214404	0.224452	0.200355	0.212443	0.204447
Schools	3.035952	3.315625	3.706229	4.049696	4.244551
USA	0.398437	0.431324	0.451718	0.458133	0.470967
	<b>7.488779</b>	<b>8.002916</b>	<b>8.316301</b>	<b>8.884294</b>	<b>9.075348</b>
<b>Industrial vacant:</b>					
General municipal	1.003572	1.006356	1.007136	1.034915	1.029299
Region	1.492418	1.614129	1.565563	1.671699	1.671700
Waste management	0.139363	0.145894	0.130231	0.138088	0.132891
Schools	1.973369	2.155156	2.409049	2.632303	2.758957
USA	0.258984	0.280360	0.293617	0.297787	0.306129
	<b>4.867706</b>	<b>5.201895</b>	<b>5.405596</b>	<b>5.774792</b>	<b>5.898976</b>
<b>Large industrial:</b>					
General municipal	1.700150	1.704868	1.706172	1.833793	1.823841
Region	2.528305	2.734495	2.652192	2.832023	2.950993
Waste management	0.236094	0.247159	0.220618	0.244681	0.235473
Schools	3.343084	3.650475	4.080527	4.534650	4.877533
USA	0.438745	0.474958	0.497411	0.527656	0.542437
	<b>8.246378</b>	<b>8.811955</b>	<b>9.156920</b>	<b>9.972803</b>	<b>10.430277</b>
<b>Large industrial vacant:</b>					
General municipal	1.105097	1.108164	1.109011	1.191966	1.185497
Region	1.643397	1.777422	1.723925	1.840815	1.918145
Waste management	0.153461	0.160653	0.143402	0.159043	0.153057
Schools	2.173005	2.372809	2.652343	2.947523	3.170395
USA	0.285184	0.308723	0.323317	0.342976	0.352584
	<b>5.360144</b>	<b>5.727771</b>	<b>5.951998</b>	<b>6.482323</b>	<b>6.779678</b>
<b>Pipeline:</b>					
General municipal	0.638548	0.661209	0.612191	0.591735	0.588524
Region	0.981127	1.004658	0.983627	0.975151	0.979512
Waste management	0.086044	0.088993	0.075970	0.078955	0.075983
Schools	1.554359	1.644132	1.644132	1.752400	1.752400
USA	0.159900	0.171014	0.171282	0.170266	0.175036
	<b>3.419978</b>	<b>3.570006</b>	<b>3.487202</b>	<b>3.568507</b>	<b>3.571455</b>
<b>Multi-residential:</b>					
General municipal	0.957272	0.991244	0.971403	1.119542	1.113466
Region	1.470848	1.506120	1.560783	1.750886	1.821698
Waste management	0.128992	0.133412	0.120547	0.149380	0.143758
Schools	0.335000	0.373000	0.373000	0.414000	0.414000
USA	0.239712	0.256374	0.271783	0.322137	0.331161
	<b>3.131824</b>	<b>3.260150</b>	<b>3.297516</b>	<b>3.755945</b>	<b>3.824083</b>

# THE CORPORATION OF THE CITY OF THOROLD

## Five Year Financial Review

Year ended December 31, 2003

	2003	2002	2001	2000	1999
<b>Farmlands and managed forests:</b>					
General municipal	0.119659	0.123905	0.114720	0.109467	0.108873
Region	0.183856	0.188265	0.184324	0.182742	0.182742
Waste management	0.016124	0.016677	0.014236	0.014606	0.014056
Schools	0.083750	0.093250	0.093250	0.103500	0.103500
USA	0.029964	0.032047	0.032097	0.031498	0.032380
	0.433353	0.454144	0.438627	0.441813	0.441551
<b>Farmlands:</b>					
General municipal	0.119659	0.123905	0.114720	0.109467	0.108873
Region	0.183856	0.188265	0.184324	0.182742	0.182742
Waste management	0.016124	0.016677	0.014236	0.014606	0.014056
Schools	0.083750	0.093250	0.093250	0.103500	0.103500
USA	0.029964	0.032047	0.032097	0.031498	0.032380
	0.433353	0.454144	0.438627	0.441813	0.441551
<b>Farmland awaiting development:</b>					
General municipal	0.358977	-	-	-	-
Region	0.551568	-	-	-	-
Waste Management	0.048372	-	-	-	-
Schools	0.251250	-	-	-	-
USA	0.089892	-	-	-	-
	1.300059	-	-	-	-



# THE CORPORATION OF THE CITY OF THOROLD

## Five Year Financial Review

Year ended December 31, 2003

	2003	2002	2001	2000	1999
Financial (000's) (note 1)					
Revenues:					
Taxation	\$ 8,132	\$ 7,694	\$ 6,763	\$ 6,910	\$ 6,895
Payment in lieu of taxes	294	303	773	797	778
Fees and service charges	4,783	4,847	4,547	4,267	4,698
Canada grants	92	101	92	98	94
Ontario grants	453	464	479	495	1,235
Other	2,001	2,032	1,748	1,657	1,330
	<u>\$ 15,755</u>	<u>\$ 15,441</u>	<u>\$ 14,402</u>	<u>\$ 14,224</u>	<u>\$ 15,030</u>
Taxation - Region	\$ 13,746	\$ 13,364	\$ 12,863	\$ 12,865	\$ 12,577
Taxation – School Boards	7,455	7,730	8,136	9,306	9,161
Net long-term liabilities	2,267	2,619	2,944	3,394	2,495
Charges for net long-term liabilities	540	536	701	407	69
Fund balance to be used to offset taxation or user charges	133	233	212	223	198
Unexpended capital financing (capital operations not yet permanently financed)	(3,687)	(2,643)	(1,843)	(1,103)	(1,291)
Reserves and reserve funds (note 2)	26,157	25,529	24,805	7,925	8,920
Tax arrears:					
Per capita (dollars)	115	96	213	181	173
Percentage of levy	7.83%	6.41%	14.94%	12.16%	11.95%

### 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.