

Financial Statements of

**THE CORPORATION OF
THE CITY OF THOROLD**

Year ended December 31, 2004

THE CORPORATION OF THE CITY OF THOROLD

Financial Statements

December 31, 2004

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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, 2004

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Financial Statements and Supplementary Information

December 31, 2004

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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, 2004 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, 2004 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. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Accountants

St. Catharines, Canada
March 31, 2005

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Financial Position

December 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Financial assets:		
Cash	\$ 11,213,559	\$ 13,869,984
Investments	11,231,115	9,722,679
Taxes receivable (note 4)		
Current year	1,312,450	959,016
Prior years	506,546	1,026,867
Accounts receivable (note 5)	1,206,868	298,773
User charges receivable	865,867	710,737
	<hr/> 26,336,405	<hr/> 26,588,056
Liabilities		
Accounts payable and accrued liabilities	3,048,439	3,458,300
Deferred revenue – obligatory reserve funds (note 6)	655,476	701,915
Other current liabilities	5,154	5,154
Post-employment benefits (note 7)	1,326,580	1,189,690
Landfill liability (note 8)	1,195,262	1,021,233
Net long-term liabilities (note 9)	590,170	2,266,696
	<hr/> 6,821,081	<hr/> 8,642,988
Net financial assets	<hr/> 19,515,324	<hr/> 17,945,068
Physical assets:		
Inventory and prepaid expenses	130,519	180,254
Total net assets	<hr/> \$ 19,645,843	<hr/> \$ 18,125,322
Municipal Position		
Fund balances end of year:		
Operating fund (note 10(a))	\$ 117,409	\$ 132,904
Capital fund (note 10(b))	(2,194,679)	(3,687,126)
Reserves and reserve funds (note 10(c))	24,835,125	26,157,163
	<hr/> 22,757,855	<hr/> 22,602,941
Amounts to be recovered	(3,112,012)	(4,477,619)
Total municipal position	<hr/> \$ 19,645,843	<hr/> \$ 18,125,322

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Financial Activities

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Taxation and user charges:		
Taxation (note 4)	\$ 8,542,767	\$ 8,425,631
User fees and charges	6,135,531	4,783,366
	<u>14,678,298</u>	<u>13,208,997</u>
Grants:		
Government of Canada grants	91,525	91,609
Province of Ontario grants	1,187,293	452,691
Other municipal grants	45,194	46,467
	<u>1,324,012</u>	<u>590,767</u>
Other:		
Development levies earned	549,038	285,978
Interest and penalties	471,735	467,637
Investment income	874,372	995,793
Transfer from cemetery and mausoleum care and maintenance trust funds	26,458	35,236
Donations	54,766	57,823
Sundry	9,309	112,564
	<u>1,985,678</u>	<u>1,955,031</u>
Total revenues	17,987,988	15,754,795
Expenditures:		
General government	798,449	709,370
Protection to persons and property	2,662,322	3,269,102
Transportation services	2,798,838	2,589,304
Environmental services	5,846,859	5,395,460
Health services	658,187	592,150
Social and family services	38,770	41,531
Recreation and cultural services	2,075,001	1,955,363
Planning and development	1,475,291	1,653,212
Other	64,015	78,612
	<u>16,417,732</u>	<u>16,284,105</u>
Net revenue (expenditures)	1,570,256	(529,310)
Amounts to be recovered:		
Landfill liability	174,029	314,916
Debt principal repayments	(1,676,526)	(352,264)
Post-employment benefits	136,890	58,723
Increase (decrease) in amounts to be recovered	(1,365,607)	21,375
	<u>204,649</u>	<u>(507,935)</u>
Decrease in physical assets	(49,735)	(8,365)
Change in fund balances	\$ 154,914	\$ (516,300)

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Operations:		
Net revenue (expenditures)	\$ 1,570,256	\$ (529,310)
Sources and uses of cash:		
Taxes receivable	166,887	(293,664)
Accounts receivable	(208,095)	82,939
User charges receivable	(155,130)	37,248
Accounts payable and accrued liabilities	(409,861)	242,993
Deferred revenue - obligatory reserve funds	(46,439)	55,018
Other current liabilities	-	(19,995)
Post-employment benefits	136,890	58,723
Landfill liability	174,029	314,915
	(1,041,719)	478,178
Net increase (decrease) in cash from operations	528,537	(51,132)
Investing:		
Investments	(1,508,436)	(1,444,547)
Financing:		
Long-term debt repaid	(1,676,526)	(352,264)
Decrease in cash	(2,656,425)	(1,847,943)
Cash, beginning of year	13,869,984	15,717,927
Cash, end of year	\$ 11,213,559	\$ 13,869,984

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Operating Fund Activities

Year ended December 31, 2004, with comparative figures for 2003

	Budget	2004	2003
Revenues:			
Taxation and user charges:			
Taxation	\$ 8,557,563	\$ 8,542,767	\$ 8,425,631
User fees and charges	5,001,739	5,335,507	4,783,366
	13,559,302	13,878,274	13,208,997
Grants:			
Government of Canada grants	99,927	91,525	91,609
Province of Ontario grants	433,292	462,184	452,691
Other municipal grants	49,000	45,194	46,467
	582,219	598,903	590,767
Other:			
Interest and penalties	405,500	471,735	467,637
Investment income	245,000	200,433	334,859
Transfer from cemetery and mausoleum care and maintenance trust funds	32,000	26,458	35,236
Donations	200	7,670	335
Other	200	9,309	43,410
	682,900	715,605	881,477
Total revenues	14,824,421	15,192,782	14,681,241
Expenditures:			
General government	658,490	667,882	686,571
Protection to persons and property	2,381,363	2,360,663	2,239,894
Transportation services	2,098,321	2,118,756	1,969,444
Environmental services	4,552,021	4,735,804	4,312,567
Health services	565,044	632,121	570,209
Social and family services	43,214	38,770	41,531
Recreation and cultural services	1,848,945	1,962,178	1,833,620
Planning and development	361,864	360,910	340,674
Other	-	64,015	78,612
	12,509,262	12,941,099	12,073,122
Net revenues	2,315,159	2,251,683	2,608,119
Financing and transfers:			
Landfill liability	-	(30,214)	71,916
Debt principal repayments	(377,770)	(1,676,526)	(352,264)
Post-employment benefits	-	136,890	58,723
Decrease in physical assets	-	(49,735)	(8,365)
Transfers to other funds	(1,965,384)	(647,593)	(2,478,609)
Net financing and transfers	(2,343,154)	(2,267,178)	(2,708,599)
Change in operating fund	(27,995)	(15,495)	(100,480)
Operating fund, beginning of year	132,904	132,904	233,384
Operating fund, end of year	104,909	\$ 117,409	\$ 132,904

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Capital Fund Activities

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Province of Ontario grants	\$ 725,109	\$ -
User charges	800,024	-
Development levies earned	549,038	285,978
Donations	47,096	57,488
Other recoveries	-	69,154
Total revenues	2,121,267	412,620
Expenditures:		
General government	130,567	22,799
Protection to persons and property	301,659	1,029,208
Transportation services	680,082	619,860
Environmental services	1,111,055	1,082,894
Health services	26,066	21,941
Recreation and cultural services	112,823	121,743
Planning and development	1,114,381	1,312,538
	3,476,633	4,210,983
Net expenditures	(1,355,366)	(3,798,363)
Financing and transfers:		
Landfill liability	204,243	243,000
Transfers from other funds	2,643,570	2,511,717
Net financing and transfers	2,847,813	2,754,717
Change in capital fund	1,492,447	(1,043,646)
Capital fund, beginning of year	(3,687,126)	(2,643,480)
Capital fund, end of year	\$ (2,194,679)	\$ (3,687,126)

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Reserves and Reserve Funds

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Investment income	\$ 673,939	\$ 660,934
Financing and transfers:		
Transfers to other funds	(1,995,977)	(33,108)
Change in reserve and reserve funds	(1,322,038)	627,826
Reserves and reserve funds, beginning of year	26,157,163	25,529,337
Reserves and reserve funds, end of year	\$ 24,835,125	\$ 26,157,163

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements

Year ended December 31, 2004

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 with the exception of providing budget figures (note 17). Significant accounting policies adopted by the City are as follows:

(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, 2004

1. Significant accounting policies (continued):

(b) Basis of accounting:

- (i) Revenues and expenditures are reported on the accrual basis of accounting.

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

- (ii) Investments:

Investments are carried at cost.

- (iii) Inventory:

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

- (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) 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.

- (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 and forms part of the deferred revenue – obligatory reserve funds balance.

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

1. Significant accounting policies (continued):

(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.

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	
	2004	2003	2004	2003
Taxation and user charges	\$ 7,190,648	\$ 7,454,805	14,693,877	\$ 13,746,309
Requisitions	7,190,648	7,454,805	14,693,877	13,746,309
Overlevies (underlevies) for the year	-	-	-	-
Overlevies (underlevies), beginning of year	(4)	(4)	2	2
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 \$11,529,000.

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

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 \$509,265 (\$621,877 – 2003).

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, 2004 was \$660,357 (\$220,379 – 2003).

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

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.

	2004	2003
Development charges	\$ 535,077	\$ 635,343
Park land	59,675	33,491
Tree planting	33,805	33,081
Gasoline tax	26,919	-
	<u>\$ 655,476</u>	<u>\$ 701,915</u>

The deferred revenues, obligatory reserve funds reported on the “Consolidated Statement of Financial Position”, are made up of the following:

	2004	2003
Balance, beginning of year	\$ 701,915	\$ 646,897
Contributions from:		
Development Charges Act	424,685	314,150
Recreational land (the Planning Act)	31,245	3,860
Gasoline tax	26,919	-
Interest earned	19,750	22,986
Total revenue	<u>502,599</u>	<u>340,996</u>
Transfers to operating	(444,270)	(240,877)
Transfers to capital	(104,768)	(45,101)
Balance, end of year	<u>\$ 655,476</u>	<u>\$ 701,915</u>

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

7. Post-employment benefits:

	2004	2003
Accrued vacation pay	\$ 242,920	\$ 235,029
Accumulated sick leave	489,933	403,598
Post-employment benefits	593,727	551,063
	<u>\$ 1,326,580</u>	<u>\$ 1,189,690</u>

Accrued vacation pay:

As at December 31, 2004, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 242,920 (\$235,029 – 2003). 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, 2004 of \$1,083,660 (\$954,661 – 2003) 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, 2004 is \$546,604 (\$494,323 – 2003).

	2004	2003
Accrued benefit obligation, beginning of year	\$ 954,661	\$ 892,452
Expense for the year	141,999	103,955
Benefits paid during the year	(13,000)	(41,746)
Actuarial loss	133,181	-
Accrued benefit obligation, end of year	1,216,841	954,661
Unamortized actuarial loss	(133,181)	-
Liability for benefits	<u>\$ 1,083,660</u>	<u>\$ 954,661</u>

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

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 2004 and thereafter.

Salary levels – future general salary and wage levels were assumed to increase at 4% per annum.

Medical costs – medical costs were assumed to increase at 10% per year reducing to 5% per year over 15 years; 5% per year thereafter.

Dental costs – dental costs were assumed to increase at 5% per year.

The most recent actuarial valuation was performed as at December 31, 2004.

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, 2004 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, 2004 is \$1,195,262 (2003 - \$1,021,233). Estimated expenditures for post-closure care are \$449,029 (2003 - \$547,853).

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

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:

	2004	2003
Total long-term liabilities incurred or assumed by the Municipality and outstanding at the end of the year amount to	\$ 104,300	\$ 113,056
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	485,870	2,153,640
Net long-term liabilities, end of year	\$ 590,170	\$ 2,266,696

- (b) Of the net long-term liabilities reported in note (a) of this note, \$540,964 in principal payments are payable from 2005 to 2009.
- (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:

	2004	2003
Principal	\$ 1,676,526	\$ 352,264
Interest	138,596	187,728
	\$ 1,815,122	\$ 539,992

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

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

(a) Operating fund balance:

	2004	2003
For general reduction of taxation	\$ 79,537	\$ 54,458
For benefiting landowners, related to special charges and special rates:		
Business improvement area	6,163	10,612
Beaverdams sanitary sewer	8,903	17,696
Allanburg watermain	22,806	50,138
	\$ 117,409	\$ 132,904

(b) Capital fund balance:

	2004	2003
Acquisition of capital assets to be financed from taxation and user charges	\$ (420,965)	\$(1,233,992)
Acquisition of capital assets to be recovered from proceeds of reserves and reserve funds	(1,802,332)	(2,043,996)
Acquisition of capital assets to be recovered from mausoleum crypt sales	(472,057)	(531,606)
Funds available for the acquisition of capital assets	500,675	122,468
	\$ (2,194,679)	\$(3,687,126)

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

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

(c) Reserves and reserve fund balances:

	2004	2003
Reserves set aside by Council for specific purposes:		
Municipal development	\$ 568,680	\$ 508,039
Working funds	510,000	500,000
Equipment replacement	1,159,648	1,151,152
Accumulated sick leave	546,604	494,323
Computer	86,467	88,317
Election	30,064	-
Winter control stabilization	-	46,605
Sewage capital	1,067,053	2,742,451
Water capital	1,360,683	1,159,271
Insurance deductible	201,091	191,091
Life insurance	-	5,000
Contingencies	39,309	39,309
Industrial development	784,540	689,127
Pay equity	150,360	147,615
Encumbrances	509,777	482,316
Total reserves	7,014,276	8,244,616
Reserve funds set aside by Council for specific purposes:		
Arena building	188,757	116,342
Library expansion	24,771	24,323
Hydro proceeds	17,152,479	17,285,965
Mausoleum and cemetery improvements	189,679	196,465
Municipal land and building	223,243	262,247
Port Robinson transportation	12,800	11,761
Thorold pre-recreation	27,236	13,601
Thorold South Community Center building	1,884	1,843
Total reserve funds	17,820,849	17,912,547
	\$ 24,835,125	\$ 26,157,163

(d) The Operating Fund surplus to the Municipality available for the general reduction of taxation or user charges in 2004 has been reduced by an amount of \$31,396 (\$23,796 – 2003); transferred to the Reserve for Industrial Development as authorized by Council. Had this transfer not been made the balance would have been \$110,933 (\$78,254 – 2003).

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2004

11. Trust funds:

Trust funds administered by the Municipality amounting to \$824,170 (\$782,710 – 2003) 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 78 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.

Contribution rates for 2004 were 6.0% for employees earning below the year’s maximum pensionable earnings and 8.8% on earnings above the year’s maximum pensionable earnings. Rates will remain constant in 2005.

The amount contributed to OMERS for 2004 was \$277,025 (\$82,000 – 2003) 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, 2004 for an amount of \$104,300 (\$113,056 – 2003) 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, 2004 is approximately \$150,300 (\$734,600 – 2003) after deducting the expenditures incurred as at December 31, 2004. 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, 2004

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 \$239,474 per year. The contract expires in June, 2005 and is to be reviewed annually. The remaining commitment at December 31, 2004 is \$119,737.

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 \$51,519 at December 31, 2004.

Physician recruitment:

The Municipality has committed funds to various physicians for 2005 to 2007 totalling \$85,000.

Fundraising:

The Municipality has committed funds to various fundraising activities for 2005 totalling \$20,000.

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:

	2004	2003
Niagara District Airport Commission	\$ 19,200	\$ 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, 2004

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:

	2004	2003
Salaries, wages and employee benefits	\$ 6,140,199	\$ 5,769,931
Operating materials and supplies	584,261	537,980
Contracted services	5,403,569	4,929,657
Rents and financial expenses	520,396	451,473
External transfers to others	154,078	196,353
Debt services	138,596	187,728
Total expenditures by object	\$ 12,941,099	\$ 12,073,122

17. Budget figures:

The approved operating budget for 2004 is reflected on the Consolidated Statement 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, 2004

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:

	2004	2003
Revenue:		
Ontario grants:		
Community re-investment fund	\$ 387,000	\$ 387,000
Downtown revitalization	700,000	-
Recreation and cultural	73,151	64,158
Allanport drainage	25,109	-
Miscellaneous	2,033	1,533
	<u>1,187,293</u>	<u>452,691</u>
Federal grants:		
Transit	70,000	70,000
Cemeteries	21,525	21,609
	<u>91,525</u>	<u>91,609</u>
Total revenues	\$ 1,278,818	\$ 544,300
Expenditures:		
Charitable and non-profit organizations	\$ 64,678	\$ 79,028
University	22,700	42,700
Chamber of Commerce	-	27,925
Airport	19,200	19,200
Physician recruitment	47,500	27,500
Total expenditures	\$ 154,078	\$ 196,353

19. Comparative figures:

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



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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, 2004 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Chartered Accountants

St. Catharines, Canada
March 31, 2005

THE CORPORATION OF THE CITY OF THOROLD

Statement of Financial Position – Trust Funds

Year ended December 31, 2004

	Total	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care
Assets				
Cash	\$ 404,946	\$ 147,230	\$ 221,245	\$ 36,471
Due from operating fund	5,073	-	5,073	-
Investments (note 2):				
Provincial	65,000	-	65,000	-
Municipal	229,686	124,765	94,930	9,991
Corporate	10,000	-	10,000	-
Federal	109,465	49,738	49,738	9989
	414,151	174,503	219,668	19,980
	\$ 824,170	\$ 321,733	\$ 445,986	\$ 56,451

Liabilities and Fund Balances

Fund balances	\$ 824,170	\$ 321,733	\$ 445,986	\$ 56,451
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THE CORPORATION OF THE CITY OF THOROLD

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

Year ended December 31, 2004

	Total	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care
Balance, beginning of year	\$ 782,710	\$ 315,564	\$ 415,145	\$ 52,001
Receipts:				
Marker fees	4,450	-	-	4,450
Sales of crypts/niches	30,841	-	30,841	-
Sale of plots	6,169	6,169	-	-
Interest	26,451	11,092	13,478	1,881
	67,911	17,261	44,319	6,331
Expenditures:				
Contribution to operating fund	26,451	11,092	13,478	1,881
Balance, end of year	\$ 824,170	\$ 321,733	\$ 445,986	\$ 56,451

THE CORPORATION OF THE CITY OF THOROLD

Notes to Financial Statements – Trust Funds

Year ended December 31, 2004

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 judgments.

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 \$414,151 (\$334,260 – 2003) have an estimated market value of \$423,531 (\$339,810 – 2003).



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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, 2004.

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. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Accountants

St. Catharines, Canada
March 31, 2005

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2004

	2004	2003	2002	2001	2000
Statistics:					
Population	\$ 18,048	17,307	17,692	17,769	17,682
Areas in acres	25,361	25,361	25,362	25,361	25,361
Number of full-time employees	78	77	77	77	75
Number of households	7,443	7,483	7,377	7,332	7,283
Assessment (see note below)					
Taxable (000's):					
Residential and farm	\$ 890,263	\$ 803,169	\$ 753,424	\$ 742,110	\$ 679,351
Commercial occupied	101,099	96,517	89,538	94,461	89,835
Commercial vacant	3,808	2,514	2,572	-	-
Industrial occupied	34,798	39,052	33,990	38,876	38,048
Industrial vacant	5,300	5,311	5,658	-	-
Large industrial	48,513	50,078	53,099	56,198	68,174
Large industrial vacant	1,939	2,294	2,040	-	-
Multi-residential	21,757	21,863	20,600	19,593	18,872
Managed forests	151	56	33	27	13
Farmlands	19,487	18,605	15,907	15,316	13,561
Farmlands awaiting development	1,517	1,470	-	-	-
	\$ 1,128,632	\$1,040,929	\$ 976,861	\$ 966,581	\$ 907,854
Per capita	\$ 64,574	\$ 60,145	\$ 55,215	\$ 54,397	\$ 51,343
Commercial and industrial as a percentage of taxable assessment	17.32%	18.81%	19.13%	19.61%	21.60%
Tax rates – see note below	%	%	%	%	%
Residential and farm:					
General municipal	0.476766	0.478636	0.495623	0.458880	0.437869
Region	0.719737	0.735423	0.753060	0.737297	0.730966
Waste management	0.072379	0.064496	0.066706	0.056946	0.058424
Schools	0.296000	0.335000	0.373000	0.373000	0.414000
USA	0.113010	0.119856	0.128187	0.128387	0.125992
	1.677892	1.733411	1.816576	1.754510	1.767251
Commercial occupied:					
General municipal	0.792432	0.772853	0.800282	0.740954	0.72090
Region	1.196275	1.187490	1.215968	1.190511	1.18026
Waste management	0.120301	0.104142	0.107710	0.091948	0.09619
Schools	1.741881	1.802873	1.905554	1.905554	2.12315
USA	0.187833	0.193532	0.206984	0.207307	0.20743
	4.038722	4.060890	4.236498	4.136274	4.32795
Commercial vacant:					
General municipal	0.554702	0.540997	0.560197	0.518667	0.50463
Region	0.837392	0.831243	0.851177	0.833359	0.82618
Waste management	0.084211	0.072899	0.075397	0.064364	0.06733
Schools	1.219317	1.262011	1.333888	1.333888	1.48620
USA	0.131483	0.135472	0.144888	0.145115	0.14520
	2.827105	2.842622	2.965547	2.895393	3.02956

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2004

	2004	2003	2002	2001	2000
Industrial occupied:					
General municipal	1.484818	1.543957	1.548240	1.549440	1.592177
Region	2.196715	2.296029	2.483275	2.408559	2.571845
Waste management	0.231888	0.214404	0.224452	0.200355	0.212443
Schools	3.012552	3.035952	3.315625	3.706229	4.049696
USA	0.362060	0.398437	0.431324	0.451718	0.458133
	7.288033	7.488779	8.002916	8.316301	8.884294
Industrial vacant:					
General municipal	0.965132	1.003572	1.006356	1.007136	1.034915
Region	1.427865	1.492418	1.614129	1.565563	1.671699
Waste management	0.150727	0.139363	0.145894	0.130231	0.138088
Schools	1.958159	1.973369	2.155156	2.409049	2.632303
USA	0.235339	0.258984	0.280360	0.293617	0.297787
	4.737222	4.867706	5.201895	5.405596	5.774792
Large industrial:					
General municipal	1.635024	1.700150	1.704868	1.706172	1.833793
Region	2.418937	2.528305	2.734495	2.652192	2.832023
Waste management	0.255346	0.236094	0.247159	0.220618	0.244681
Schools	3.317306	3.343084	3.650475	4.080527	4.534650
USA	0.398687	0.438745	0.474958	0.497411	0.527656
	8.025300	8.246378	8.811955	9.156920	9.972803
Large industrial vacant:					
General municipal	1.062766	1.105097	1.108164	1.109011	1.191966
Region	1.572309	1.643397	1.777422	1.723925	1.840815
Waste management	0.165975	0.153461	0.160653	0.143402	0.159043
Schools	2.156249	2.173005	2.372809	2.652343	2.947523
USA	0.259146	0.285184	0.308723	0.323317	0.342976
	5.216445	5.360144	5.727771	5.951998	6.482323
Pipeline:					
General municipal	0.677961	0.638548	0.661209	0.612191	0.591735
Region	1.023466	0.981127	1.004658	0.983627	0.975151
Waste management	0.102923	0.086044	0.088993	0.075970	0.078955
Schools	1.541532	1.554359	1.644132	1.644132	1.752400
USA	0.160700	0.159900	0.171014	0.171282	0.170266
	3.506582	3.419978	3.570006	3.487202	3.568507
Multi-residential:					
General municipal	1.000731	0.957272	0.991244	0.971403	1.119542
Region	1.510727	1.470848	1.506120	1.560783	1.750886
Waste management	0.151924	0.128992	0.133412	0.120547	0.149380
Schools	0.296000	0.335000	0.373000	0.373000	0.414000
USA	0.237207	0.239712	0.256374	0.271783	0.322137
	3.196589	3.131824	3.260150	3.297516	3.755945

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2004

	2004	2003	2002	2001	2000
Farmlands and managed forests:					
General municipal	0.119191	0.119659	0.123905	0.114720	0.109467
Region	0.179934	0.183856	0.188265	0.184324	0.182742
Waste management	0.018095	0.016124	0.016677	0.014236	0.014606
Schools	0.074000	0.083750	0.093250	0.093250	0.103500
USA	0.028252	0.029964	0.032047	0.032097	0.031498
	0.419472	0.433353	0.454144	0.438627	0.441813
Farmlands:					
General municipal	0.357574	0.119659	0.123905	0.114720	0.109467
Region	0.539803	0.183856	0.188265	0.184324	0.182742
Waste management	0.054284	0.016124	0.016677	0.014236	0.014606
Schools	0.222000	0.083750	0.093250	0.093250	0.103500
USA	0.028252	0.029964	0.032047	0.032097	0.031498
	1.201913	0.433353	0.454144	0.438627	0.441813
Farmland awaiting development:					
General municipal	0.357574	0.358977			
Region	0.539803	0.551568			
Waste Management	0.054284	0.048372			
Schools	0.222000	0.251250			
USA	0.084757	0.089892			
	1.258418	1.300059			

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2004

	2004	2003	2002	2001	2000
Financial (000's) (note 1)					
Revenues:					
Taxation	\$ 8,381	\$ 8,249	\$ 7,694	\$ 6,763	\$ 6,910
Payment in lieu of taxes	162	177	303	773	797
Fees and service charges	6,135	4,783	4,847	4,547	4,267
Canada grants	92	92	101	92	98
Ontario grants	1,187	453	464	479	495
Other	2,031	2,001	2,032	1,748	1,657
	<u>\$ 17,988</u>	<u>\$ 15,755</u>	<u>\$ 15,441</u>	<u>\$ 14,402</u>	<u>\$ 14,224</u>
Taxation - Region	\$ 14,694	\$ 13,746	\$ 13,364	\$ 12,863	\$ 12,865
Taxation – School Boards	7,191	7,455	7,730	8,136	9,306
Net long-term liabilities	590	2,267	2,619	2,944	3,394
Charges for net long-term liabilities	1,815	540	536	701	407
Fund balance to be used to offset taxation or user charges	117	133	233	212	223
Unexpended capital financing (capital operations not yet permanently financed)	(2,195)	(3,687)	(2,643)	(1,843)	(1,103)
Reserves and reserve funds (note 2)	24,835	26,157	25,529	24,805	7,925
Tax arrears:					
Per capita (dollars)	104	115	96	213	181
Percentage of levy	6.78%	7.51%	6.41%	14.94%	12.16%

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.