

Financial Report

Corporation of the City of Thorold

2017

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Independent auditor's report

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Thorold, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Thorold as at December 31, 2017, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Port Colborne, Canada
July 3, 2018

Chartered Professional Accountants
Licensed Public Accountants

Corporation of the City of Thorold

Consolidated Statement of Financial Position

As at December 31

2017

2016

Financial assets

Cash and cash equivalents	\$ 29,377,519	\$ 20,964,653
Portfolio investments (Note 2)	13,136,819	14,395,461
Taxes receivable (Note 3)		
Current year	1,583,195	1,793,112
Prior years	2,072,788	1,936,101
User charges receivable	1,321,738	1,271,670
Other receivables	<u>1,494,308</u>	<u>1,387,683</u>
	<u>48,986,367</u>	<u>41,748,680</u>

Liabilities

Accounts payable and accrued liabilities	7,163,331	5,030,482
Deferred revenue – obligatory reserve funds (Note 4)	5,917,300	3,304,385
Deferred revenue – other (Note 5)	1,677,197	1,603,376
Employment benefit obligations (Note 6)	2,067,623	2,243,606
Landfill liability (Note 7)	6,708,409	5,691,178
Contaminated sites liability (Note 8)	114,700	114,700
Long term debt (Note 9)	<u>1,176,174</u>	<u>1,282,921</u>
	<u>24,824,734</u>	<u>19,270,648</u>

Net financial assets

24,161,633 22,478,032

Non-financial assets

Tangible capital assets (Note 10)	98,618,384	98,009,855
Inventory and prepaid expenses	<u>162,451</u>	<u>136,419</u>

Accumulated surplus (Note 11)

\$ 122,942,468 \$ 120,624,306

Commitments and contingencies (Notes 22 and 23)

Approved by

Chief Administrative Officer

Director of Finance

See accompanying notes and schedules to the consolidated financial statements

Corporation of the City of Thorold

Consolidated Statement of Operations

For the Year Ended December 31, 2017

	Budget 2017 (Note 26)	Actual 2017	Actual 2016
Revenue			
Taxation (Note 14)	\$ 15,529,628	\$ 15,792,140	\$ 15,050,638
User fees and charges (Note 16)	9,365,296	9,463,870	8,859,759
Government transfers (Note 17)	643,006	629,916	972,843
Other (Note 19)	1,737,056	1,541,651	1,466,098
	<u>27,274,986</u>	<u>27,427,577</u>	<u>26,349,338</u>
Expenses			
General government	1,735,757	1,525,060	1,487,094
Protection to persons and property	4,824,864	4,811,504	4,587,204
Transportation services	5,137,184	4,948,064	5,068,683
Environmental services	7,686,036	9,466,888	8,295,220
Health services	1,252,940	1,195,564	1,092,700
Social and family services	242,949	255,799	266,311
Recreation and culture services	3,304,911	3,321,881	3,370,686
Planning and development	936,400	654,544	958,018
	<u>25,121,041</u>	<u>26,179,304</u>	<u>25,125,916</u>
Net revenues	<u>2,153,945</u>	<u>1,248,273</u>	<u>1,223,422</u>
Other			
Revenue related to tangible capital assets			
User fees and charges (Note 16)	1,793,250	133,168	1,273,912
Government transfers (Note 17)	3,999,084	626,216	982,910
Other (Note 19)	352,200	280,530	356,350
Gain on disposal of tangible capital assets	-	29,975	169,893
	<u>6,144,534</u>	<u>1,069,889</u>	<u>2,783,065</u>
Annual surplus	8,298,479	2,318,162	4,006,487
Accumulated surplus (Note 11)			
Beginning of year	<u>120,624,306</u>	<u>120,624,306</u>	<u>116,617,819</u>
End of year	<u>\$ 128,922,785</u>	<u>\$ 122,942,468</u>	<u>\$ 120,624,306</u>

See accompanying notes and schedules to the consolidated financial statements

Corporation of the City of Thorold
Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2017

	Budget 2017 (Note 26)	Actual 2017	Actual 2016
Annual surplus	\$ 8,298,479	\$ 2,318,162	\$ 4,006,487
Amortization of tangible capital assets	3,942,156	3,942,156	3,933,046
Acquisition of tangible capital assets	(18,035,660)	(4,534,186)	(4,554,192)
Contributed tangible capital assets	-	(16,500)	(75,500)
Proceeds on disposal of tangible capital assets	-	29,976	219,831
Gain on disposal of tangible capital assets	-	(29,975)	(169,893)
	(5,795,025)	1,709,633	3,359,779
Acquisition of inventory and prepaid expenses	-	(26,032)	(10,884)
Increase (decrease) in net financial assets	(5,795,025)	1,683,601	3,348,895
Net financial assets			
Beginning of year	<u>22,478,032</u>	<u>22,478,032</u>	<u>19,129,136</u>
End of year	<u>\$ 16,683,007</u>	<u>\$ 24,161,633</u>	<u>\$ 22,478,032</u>

See accompanying notes and schedules to the consolidated financial statements

Corporation of the City of Thorold

Consolidated Statement of Cash Flows

For the Year Ended December 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating activities		
Annual surplus	\$ 2,318,162	\$ 4,006,487
Non-cash items		
Amortization of tangible capital assets	3,942,156	3,933,046
Contributed tangible capital assets	(16,500)	(75,500)
Gain on disposal of tangible capital assets	(29,975)	(169,893)
Changes in:		
Taxes receivable	73,230	183,809
User charges receivable	(50,068)	(47,199)
Other receivables	(106,625)	(110,679)
Accounts payable and accrued liabilities	2,132,849	(108,986)
Deferred revenue – obligatory reserve funds	2,612,915	344,095
Deferred revenue – other	73,821	254,754
Employment benefit obligations	(175,983)	(142,998)
Landfill liability	1,017,231	313,328
Inventory and prepaid expenses	(26,032)	(10,884)
	<u>11,765,181</u>	<u>8,369,380</u>
Capital activities		
Proceeds on disposal of tangible capital assets	29,976	219,831
Acquisition of tangible capital assets, net of construction in process capitalized	<u>(4,534,186)</u>	<u>(4,554,192)</u>
	<u>(4,504,210)</u>	<u>(4,334,361)</u>
Investing activities		
Decrease (increase) in portfolio investments	<u>1,258,642</u>	<u>(1,429,433)</u>
Financing activities		
Repayment of long term debt	<u>(106,747)</u>	<u>(467,646)</u>
Net increase in cash and cash equivalents	8,412,866	2,137,940
Cash and cash equivalents		
Beginning of year	<u>20,964,653</u>	<u>18,826,713</u>
End of year	<u>\$ 29,377,519</u>	<u>\$ 20,964,653</u>

See accompanying notes and schedules to the consolidated financial statements

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Significant accounting policies

Management responsibility

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

The significant accounting policies used are as follows:

(a) Reporting entity

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

Thorold Public Library Board
Thorold Business Improvement Area

Interdepartmental and organizational transactions and balances are eliminated.

- (ii) Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statements of Financial Position and Operations (Pages 37 and 38).

(b) Basis of accounting

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

(c) Cash and cash equivalents

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

(d) Portfolio investments

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

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Significant accounting policies (continued)

(e) Deferred revenue

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

(f) Employee future benefits

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

(g) Contaminated sites liability

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

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

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

(h) Tangible capital assets

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

The Municipality capitalizes interest as part of the costs of its capital assets.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

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

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

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

Amortization is based on the following classifications and useful lives:

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

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

(i) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality. The Municipality is not involved in the construction.

(j) Inventory

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

(k) Reserves for future expenses

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

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Significant accounting policies (continued)

(l) Revenue recognition

i) Taxation

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

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

ii) User charges

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

iii) Government transfers

Government transfers are recognized in the consolidated 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.

iv) Other

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

v) Investment income

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

(m) Local improvements

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

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Significant accounting policies (continued)

(n) Region of Niagara and school board transactions

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

(o) Use of estimates

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

2. Portfolio investments	<u>2017</u>	<u>2016</u>
Guaranteed investment certificates	\$ 1,463,924	\$ 3,468,293
Federal, provincial and municipal bonds	<u>11,672,895</u>	<u>10,927,168</u>
	<u>\$ 13,136,819</u>	<u>\$ 14,395,461</u>

Portfolio investments carry an effective interest rate ranging from 1.90% to 4.90% and maturity dates ranging from January, 2018 to June, 2027. Interest is receivable on an annual basis. Portfolio investments reported on the Consolidated Statement of Financial Position have a market value of \$ 13,561,263 (2016 - \$ 15,146,485).

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

3. Taxes receivable

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$ 1,403,650 (2016 - \$ 1,360,642). The Province of Ontario instituted a mandatory capping program through the provisions of Bill 140 which limits assessment related increases in property tax bills.

4. Deferred revenue – obligatory reserve funds

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

	<u>2017</u>	<u>2016</u>
Parkland	\$ 129,164	\$ 137,124
Building code	545,789	416,769
Ontario Sport & Recreation Community grant	7,250	22,616
Tree planting	4,975	4,921
Gas tax	565,629	281,674
Development charges	<u>4,664,493</u>	<u>2,441,281</u>
	<u>\$ 5,917,300</u>	<u>\$ 3,304,385</u>

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	<u>\$ 3,304,385</u>	<u>\$ 2,960,290</u>
Contributions from Development Charges Act	2,965,165	1,883,921
Interest earned	49,436	35,501
Federal gas tax grant received	554,811	545,160
Provincial gas tax grant received	242,664	179,646
Infrastructure grants received	215,793	116,878
Other revenue	<u>136,388</u>	<u>103,443</u>
	<u>4,164,257</u>	<u>2,864,549</u>
Utilized for		
Operations	(929,639)	(374,888)
Tangible capital asset acquisitions	<u>(621,703)</u>	<u>(2,145,566)</u>
	<u>(1,551,342)</u>	<u>(2,520,454)</u>
Balance, end of year	<u>\$ 5,917,300</u>	<u>\$ 3,304,385</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

5. Deferred revenue – other	<u>2017</u>	<u>2016</u>
Prepayment of taxes	\$ 1,659,830	\$ 1,582,722
Other	<u>17,367</u>	<u>20,654</u>
	<u>\$ 1,677,197</u>	<u>\$ 1,603,376</u>

6. Employment benefit obligations	<u>2017</u>	<u>2016</u>
Accrued vacation pay	<u>\$ 415,723</u>	<u>\$ 493,550</u>
Accumulated sick leave	671,900	720,054
Post-employment benefits	<u>980,000</u>	<u>1,030,002</u>
	<u>1,651,900</u>	<u>1,750,056</u>
	<u>\$ 2,067,623</u>	<u>\$ 2,243,606</u>

Accrued vacation pay

As at December 31, 2017, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 415,723 (2016 - \$ 493,550). 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, 2017 of \$ 1,651,900 (2016 - \$ 1,750,056) was determined by actuarial valuation using a discount rate of 3.5% (2016 – 4%). A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2017 is \$ 893,839 (2016 - \$ 828,808).

	<u>2017</u>	<u>2016</u>
Accrued benefit obligation:		
Beginning of year	\$ 1,750,056	\$ 1,914,630
Benefit expense	81,900	78,700
Interest accrued	50,800	70,800
Benefits paid	(222,900)	(287,374)
Amortization of past service cost	17,000	-
Amortization of actuarial gain	(25,000)	(26,700)
Actuarial adjustment	<u>44</u>	<u>-</u>
End of year	<u>\$ 1,651,900</u>	<u>\$ 1,750,056</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

6. Employment benefit obligations (continued)

Funded status:		
Deficit	\$ 1,658,600	\$ 1,298,756
Unamortized net actuarial (loss) gain	<u>(6,700)</u>	<u>451,300</u>
Employee benefit plan liability	<u>\$ 1,651,900</u>	<u>\$ 1,750,056</u>

The most recent actuarial valuation was performed as at December 31, 2017. 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 2.5% per annum.

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

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

Medical costs – medical costs were assumed to be 7% per annum for 2017 grading down 0.5% per annum to a rate of 4% per annum.

7. 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 2017 budget and inflation adjusted at 1.9% (2016 - 1.5%) per annum. These costs were then discounted to December 31, 2017 using a discount rate of 4% (2016 - 4%). Post-closure care is estimated to be required for an indefinite period and will be funded by future tax levies.

The liability for post-closure care as at December 31, 2017 is \$ 6,708,409 (2016 - \$ 5,691,178). Additional expenses for post-closure care recorded in 2017 were in the amount of \$ 1,136,736 (2016 - \$ 439,822) and actual expenses paid during the year were \$ 119,504 (2016 - \$ 126,494).

8. Contaminated sites liability

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

A contaminated sites liability of \$ 114,700 (2016 - \$ 114,700) has been recorded based on estimated future remediation costs in 2104 of between \$ 900,000 and \$ 1,200,000 using a present value technique at a discount rate of 4.25%.

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

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

9. Long term debt 2017 2016

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

\$ 1,176,174 \$ 1,282,921

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

<u>Debenture Number</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>2017</u>	<u>2016</u>
60-2006	City Hall	5.354%	2026	\$ 348,041	\$ 377,460
129-2011	City Hall	3.43%	2026	<u>828,133</u>	<u>905,461</u>
				<u>\$ 1,176,174</u>	<u>\$ 1,282,921</u>

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

2018	\$ 111,017
2019	115,468
2020	120,105
2021	124,938
2022	129,975

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

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

	<u>2017</u>	<u>2016</u>
Principal	\$ 106,746	\$ 467,647
Interest	<u>49,358</u>	<u>63,388</u>
	<u>\$ 156,104</u>	<u>\$ 531,035</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

10. Tangible capital assets

The net book values of the tangible capital assets are as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 2,196,810	\$ 2,196,811
Land improvements	3,421,600	3,597,826
Buildings	13,447,173	12,099,817
Machinery and equipment	1,832,925	1,616,407
Vehicles	<u>1,387,450</u>	<u>1,530,483</u>
	<u>22,285,958</u>	<u>21,041,344</u>
Infrastructure		
Transportation	27,413,610	25,739,218
Storm sewers	6,635,498	6,622,137
Sanitary sewers	25,835,869	25,876,436
Infrastructure water	<u>15,500,664</u>	<u>14,949,196</u>
	<u>75,385,641</u>	<u>73,186,987</u>
Construction in process	<u>946,785</u>	<u>3,781,524</u>
	<u>\$ 98,618,384</u>	<u>\$ 98,009,855</u>

See Pages 27 and 28 for more detail.

11. Accumulated surplus

	<u>2017</u>	<u>2016</u>
Operating deficit	\$ (6,580,665)	\$ (5,213,332)
Investment in tangible capital assets	98,618,384	98,009,855
Reserves and reserve funds (Note 12)	40,971,655	37,160,188
Unfunded liabilities (Note 13)	<u>(10,066,906)</u>	<u>(9,332,405)</u>
	<u>\$ 122,942,468</u>	<u>\$ 120,624,306</u>

The 2017 operating deficit of the Municipality available for the general reduction of taxation or user charges has been decreased by an amount of \$ 309,829; transferred from the reserve for industrial development and the reserve for municipal development as authorized by Council. Had this transfer not been made the operating deficit would have been \$ 6,890,494. The 2016 operating deficit was decreased by \$ 281,438; transferred from the reserve for industrial development. Had this transfer not been made the 2016 operating deficit would have been \$ 5,494,770.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

12. Reserves and reserve funds	<u>2017</u>	<u>2016</u>
Reserves set aside by Council for specific purposes:		
Municipal development	\$ 1,162,069	\$ 895,162
Working funds (uncollectible taxes)	510,000	510,000
Equipment replacement	3,005,391	2,465,109
Accumulated sick leave	893,839	828,808
Computer	134,350	106,776
Contingencies	267,259	207,259
Election	77,192	35,792
Sewage capital	4,510,919	3,529,595
Water capital	5,476,452	4,767,025
Insurance deductible	234,377	236,252
Industrial development	1,072,640	997,190
Pay equity	38,966	54,823
Winter control	163,668	113,668
Encumbrances	<u>619,833</u>	<u>564,877</u>
Total reserves	<u>18,166,955</u>	<u>15,312,336</u>
Reserve funds set aside by Council for specific purposes:		
Capital assets	927,257	783,668
Transportation asset replacement	2,156,891	1,359,234
Hospital expansion	15,569	11,139
Transit	-	71,810
Arena building	422,106	376,048
Library expansion	30,122	29,848
Hydro proceeds	16,991,666	17,005,594
Mausoleum and cemetery improvements	546,856	534,348
Municipal land and building	763,235	731,223
Niagara Falls bridge	784,897	776,294
Parking	10,230	9,853
Port Robinson transportation	148,352	146,726
Thorold pre-recreation (Mel Swart Park)	3,336	7,926
Thorold South Community Centre building	2,375	2,349
Darlene Ryan Port Robinson Community Centre	<u>1,808</u>	<u>1,792</u>
Total reserve funds	<u>22,804,700</u>	<u>21,847,852</u>
	<u>\$ 40,971,655</u>	<u>\$ 37,160,188</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

12. Reserves and reserve funds (continued)

The reserves and reserve funds are made up of the following:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	<u>\$ 37,160,188</u>	<u>\$ 34,496,764</u>
Contributions from		
Investment income	552,491	523,313
Government transfers	-	65,060
User charges	55,310	97,355
Other revenue	<u>23,574</u>	<u>183,570</u>
	<u>631,375</u>	<u>869,298</u>
Provided from operations	4,446,369	601,013
Provided for tangible capital asset acquisitions	<u>(1,266,277)</u>	<u>1,193,113</u>
	<u>3,180,092</u>	<u>1,794,126</u>
Balance, end of year	<u>\$ 40,971,655</u>	<u>\$ 37,160,188</u>

13. Unfunded liabilities

	<u>2017</u>	<u>2016</u>
Employment benefit obligations	\$ 2,067,623	\$ 2,243,606
Landfill liability	6,708,409	5,691,178
Contaminated sites	114,700	114,700
Long term debt	<u>1,176,174</u>	<u>1,282,921</u>
	<u>\$ 10,066,906</u>	<u>\$ 9,332,405</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

14. Taxation	Budget <u>2017</u> (Note 26)	Actual <u>2017</u>	Actual <u>2016</u>
Real property		\$ 35,609,907	\$ 34,859,792
From other governments			
Payments in lieu of taxes		<u>1,133,041</u>	<u>1,134,658</u>
		<u>36,742,948</u>	<u>35,994,450</u>
Less: taxation collected on behalf of (Note 15)			
Region of Niagara		14,975,173	14,687,747
School boards		<u>5,975,635</u>	<u>6,256,065</u>
		<u>20,950,808</u>	<u>20,943,812</u>
Net taxes available for municipal purposes		<u>\$ 15,792,140</u>	<u>\$ 15,050,638</u>
Residential, multi-residential and farm	\$ 12,029,104	\$ 12,348,067	\$ 11,409,024
Commercial and industrial	<u>3,500,524</u>	<u>3,444,073</u>	<u>3,641,614</u>
Net taxes available for municipal purposes	<u>\$ 15,529,628</u>	<u>\$ 15,792,140</u>	<u>\$ 15,050,638</u>

15. Collections for the Region of Niagara and school boards

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

	<u>2017</u>	<u>2016</u>
Region of Niagara	\$ 14,975,173	\$ 14,687,747
School boards	<u>5,975,635</u>	<u>6,256,065</u>
	<u>\$ 20,950,808</u>	<u>\$ 20,943,812</u>

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

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

16. User fees and charges	Budget 2017 (Note 26)	Actual 2017	Actual 2016
Operating			
Fees and service charges	\$ 1,192,069	\$ 957,152	\$ 1,089,386
Water charges	3,483,483	3,477,587	3,490,965
Sewage charges	3,842,992	3,807,766	3,849,261
Licences and permits	716,121	538,937	380,495
Development charges	<u>130,631</u>	<u>682,428</u>	<u>49,652</u>
	<u>9,365,296</u>	<u>9,463,870</u>	<u>8,859,759</u>
Capital			
Development charges	<u>1,793,250</u>	<u>133,168</u>	<u>1,273,912</u>
	<u>\$ 11,158,546</u>	<u>\$ 9,597,038</u>	<u>\$ 10,133,671</u>
<hr/>			
17. Government transfers	Budget 2017 (Note 26)	Actual 2017	Actual 2016
Operating			
Province of Ontario	\$ 549,816	\$ 516,107	\$ 736,923
Government of Canada	25,440	31,444	29,068
Municipal	<u>67,750</u>	<u>82,365</u>	<u>206,852</u>
	<u>643,006</u>	<u>629,916</u>	<u>972,843</u>
Capital			
Province of Ontario	3,134,084	216,900	117,671
Government of Canada	865,000	397,635	865,239
Municipal	<u>-</u>	<u>11,681</u>	<u>-</u>
	<u>3,999,084</u>	<u>626,216</u>	<u>982,910</u>
	<u>\$ 4,642,090</u>	<u>\$ 1,256,132</u>	<u>\$ 1,955,753</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

18. Government transfers

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

	<u>2017</u>	<u>2016</u>
Revenue		
Provincial		
Ontario Municipal Partnership Fund	\$ 111,100	\$ 130,700
Ontario Community Infrastructure Fund	216,900	117,671
Hydro One	38,182	226,184
Recreation and cultural	47,240	35,428
Transit – Provincial Gas Tax	247,210	278,980
Miscellaneous	<u>72,375</u>	<u>65,631</u>
	<u>733,007</u>	<u>854,594</u>
Federal		
Transit	126,000	65,000
Cemeteries	21,315	21,315
Gas tax	271,635	800,239
Recreation and cultural	<u>10,129</u>	<u>7,753</u>
	<u>429,079</u>	<u>894,307</u>
Municipal		
Regional Municipality of Niagara		
Provincial Offences Act	6,536	21,637
Capital grants	11,681	148,788
Port Robinson transportation service	66,500	33,250
Miscellaneous	<u>9,329</u>	<u>3,177</u>
	<u>94,046</u>	<u>206,852</u>
	<u>\$ 1,256,132</u>	<u>\$ 1,955,753</u>
Expenses		
Charitable and non-profit organizations	<u>\$ 53,930</u>	<u>\$ 42,430</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

19. Other	Budget 2017 (Note 26)	Actual 2017	Actual 2016
Operating			
Penalties and interest on taxes	\$ 627,000	\$ 594,370	\$ 645,683
Fines	200,725	106,777	73,551
Investment income	251,000	169,804	112,620
Investment income – reserves and reserve funds	556,596	552,491	523,313
Rental income	74,535	77,452	72,396
Donations	1,200	14,957	11,198
Transfer from the Corporation of the City of Thorold - Trust Funds	<u>26,000</u>	<u>25,800</u>	<u>27,337</u>
	<u>1,737,056</u>	<u>1,541,651</u>	<u>1,466,098</u>
Capital			
Donations	15,000	31,500	90,500
Other	<u>337,200</u>	<u>249,030</u>	<u>265,850</u>
	<u>352,200</u>	<u>280,530</u>	<u>356,350</u>
	<u>\$ 2,089,256</u>	<u>\$ 1,822,181</u>	<u>\$ 1,822,448</u>

20. Pension agreement

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

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan surplus of \$ 600 million (2016 - \$ 2.3 billion deficit) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2017 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Consolidated Statement of Operations. Employer contributions to OMERS for 2017 current and past service was \$ 705,040 (2016 - \$711,223) and were matched by employee contributions in a similar amount.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

21. Corporation of the City of Thorold – Trust Funds

Trust Funds administered by the Municipality amounting to \$ 1,311,439 (2016 - \$ 1,285,387) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

22. Commitments

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2017 is approximately \$ 5,995,898 (2016 - \$ 3,695,135). These projects will be financed by grants, subsidies and long term liabilities in future years.

Transit services

The Municipality has a contract for transit services with the St. Catharines Transit. The Municipality's charges for the year are determined using the forecasted expenses less the actual revenues generated for the previous year. The fee is also impacted by any service changes made, but in a typical year the fee increases between 3% and 5%. The contract expires on December 31, 2018.

Leases

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

2018	\$ 36,515
2019	20,657
2020	455
2021	455
2022	455

Tax increment based grants

The Municipality has commitments for tax increment based grants with various expiry dates up to 2027. There are currently five signed agreements with a term spanning ten years each. At December 31, 2017, the total amount remaining to be paid from these agreements is \$ 248,237 with the total commitment for each of the next five years as follows:

2018	\$ 36,325
2019	36,325
2020	36,325
2021	36,325
2022	36,325

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

22. Commitments (continued)

Hospital

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

23. Contingencies

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

24. Measurement uncertainty

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

25. Comparative figures

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

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

26. Budget

The budget by-law adopted by Council on February 7, 2017 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian Public Sector Accounting Standards (PSAS). The budget was prepared on a modified accrual basis while PSAS requires a full accrual basis. As a result, the budget figures presented in the Consolidated Statements of Operations and Changes in Net Financial Assets represent the budget approved by Council with the following adjustments:

Approved budgeted annual surplus – City	\$	-
Approved budgeted annual surplus – Library		-
Add: Principal repayments of long term debt		116,750
Reserves and reserve funds interest revenue		556,596
Reserves and reserve funds other revenue		162,016
Acquisition of tangible capital assets		18,035,660
Less: Amortization of tangible capital assets		(3,942,156)
Transfers from reserves and reserve funds - net		(5,471,387)
Debenture proceeds		<u>(1,159,000)</u>
Budgeted surplus reported on the Consolidated Statement of Operations	\$	<u>8,298,479</u>

27. Segmented information

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

General government

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

Protection to persons and property

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

Transportation services

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

Environmental services

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

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

27. Segmented information (continued)

Health services

Health services department is responsible for cemetery operations.

Social and family services

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

Recreation and culture services

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

Planning and development

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

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

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

Corporation of the City of Thorold Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2017

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure (Note 10)</u>	<u>Construction in Progress</u>	<u>2017</u>
Cost								
Beginning of year	\$ 2,196,811	\$ 10,014,954	\$ 20,025,722	\$ 4,410,819	\$ 4,878,474	\$ 113,413,824	\$ 3,781,524	\$ 158,722,128
Add additions	-	195,897	1,935,826	581,109	139,171	4,533,422	1,977,604	9,363,029
Less disposals during the year	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(257,020)</u>	<u>(20,917)</u>	<u>(162,525)</u>	<u>(4,812,343)</u>	<u>(5,252,806)</u>
End of year	<u>2,196,810</u>	<u>10,210,851</u>	<u>21,961,548</u>	<u>4,734,908</u>	<u>4,996,728</u>	<u>117,784,721</u>	<u>946,785</u>	<u>162,832,351</u>
Accumulated amortization								
Beginning of year	-	6,417,128	7,925,905	2,794,412	3,347,991	40,226,837	-	60,712,273
Add amortization during the year	-	372,123	588,470	364,591	282,204	2,334,768	-	3,942,156
Less amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(257,020)</u>	<u>(20,917)</u>	<u>(162,525)</u>	<u>-</u>	<u>(440,462)</u>
End of year	<u>-</u>	<u>6,789,251</u>	<u>8,514,375</u>	<u>2,901,983</u>	<u>3,609,278</u>	<u>42,399,080</u>	<u>-</u>	<u>64,213,967</u>
Net book value	<u>\$ 2,196,810</u>	<u>\$ 3,421,600</u>	<u>\$ 13,447,173</u>	<u>\$ 1,832,925</u>	<u>\$ 1,387,450</u>	<u>\$ 75,385,641</u>	<u>\$ 946,785</u>	<u>\$ 98,618,384</u>

Contributed tangible capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$ 16,500.

Corporation of the City of Thorold Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2016

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure (Note 10)</u>	<u>Construction in Progress</u>	<u>2016</u>
Cost								
Beginning of year	\$ 2,232,141	\$ 9,732,867	\$ 19,991,379	\$ 4,141,135	\$ 4,837,951	\$ 112,264,709	\$ 1,268,486	\$ 154,468,668
Add additions	-	282,087	34,343	410,723	40,523	1,348,977	3,815,397	5,932,050
Less disposals during the year	<u>(35,330)</u>	<u>-</u>	<u>-</u>	<u>(141,039)</u>	<u>-</u>	<u>(199,862)</u>	<u>(1,302,359)</u>	<u>(1,678,590)</u>
End of year	<u>2,196,811</u>	<u>10,014,954</u>	<u>20,025,722</u>	<u>4,410,819</u>	<u>4,878,474</u>	<u>113,413,824</u>	<u>3,781,524</u>	<u>158,722,128</u>
Accumulated amortization								
Beginning of year	-	5,973,973	7,337,159	2,558,778	3,079,764	38,155,847	-	57,105,521
Add amortization during the year	-	443,155	588,746	376,673	268,227	2,256,245	-	3,933,046
Less amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,039)</u>	<u>-</u>	<u>(185,255)</u>	<u>-</u>	<u>(326,294)</u>
End of year	<u>-</u>	<u>6,417,128</u>	<u>7,925,905</u>	<u>2,794,412</u>	<u>3,347,991</u>	<u>40,226,837</u>	<u>-</u>	<u>60,712,273</u>
Net book value	<u>\$ 2,196,811</u>	<u>\$ 3,597,826</u>	<u>\$ 12,099,817</u>	<u>\$ 1,616,407</u>	<u>\$ 1,530,483</u>	<u>\$ 73,186,987</u>	<u>\$ 3,781,524</u>	<u>\$ 98,009,855</u>

Contributed tangible capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$ 75,500.

Corporation of the City of Thorold Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2017

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2017
Revenues									
Taxation	\$ 2,851,897	\$ 3,771,757	\$ 3,853,289	\$ 1,419,745	\$ 907,547	\$ 224,256	\$ 2,143,407	\$ 620,242	\$ 15,792,140
User charges	97,953	519,284	184,106	7,885,206	135,220	19,220	540,029	216,020	9,597,038
Government transfers	25,914	147,311	942,855	11,681	21,315	42,700	64,356	-	1,256,132
Other	1,382,626	522	129,818	-	33,425	4,544	268,196	3,050	1,822,181
Gain on disposal of tangible capital assets	29,975	-	-	-	-	-	-	-	29,975
	4,388,365	4,438,874	5,110,068	9,316,632	1,097,507	290,720	3,015,988	839,312	28,497,466
Expenses									
Salaries and benefits	999,823	3,784,962	1,648,645	1,048,139	591,919	38,537	1,676,594	455,971	10,244,590
Operating materials and supplies	243,774	429,608	774,548	191,931	195,679	74,462	840,262	97,969	2,848,233
Contracted services	33,811	328,205	905,550	6,607,097	(1,896)	1,061	93,953	104,805	8,072,586
Rent and financial expenses	12,698	21,467	19,944	47,117	6,463	588	42,843	(18,959)	132,161
External transfers to others	-	-	-	524,853	298,000	-	53,930	13,437	890,220
Amortization	185,596	247,262	1,599,377	1,047,751	105,399	141,151	614,299	1,321	3,942,156
Debt service	49,358	-	-	-	-	-	-	-	49,358
	1,525,060	4,811,504	4,948,064	9,466,888	1,195,564	255,799	3,321,881	654,544	26,179,304
Annual surplus (deficit)	\$ 2,863,305	\$ (372,630)	\$ 162,004	\$ (150,256)	\$ (98,057)	\$ 34,921	\$ (305,893)	\$ 184,768	\$ 2,318,162

Corporation of the City of Thorold Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2016

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2016
Revenues									
Taxation	\$ 2,629,803	\$ 3,774,050	\$ 3,504,990	\$ 1,403,967	\$ 865,189	\$ 243,392	\$ 2,108,136	\$ 521,111	\$ 15,050,638
User charges	148,779	370,648	1,151,484	7,460,478	183,974	-	548,688	269,620	10,133,671
Government transfers	29,816	172,417	1,494,686	148,788	21,315	45,550	43,181	-	1,955,753
Other	1,409,497	1,529	92,807	-	35,224	3,571	279,803	17	1,822,448
Gain on disposal of tangible capital assets	169,893	-	-	-	-	-	-	-	169,893
	4,387,788	4,318,644	6,243,967	9,013,233	1,105,702	292,513	2,979,808	790,748	29,132,403
Expenses									
Salaries and benefits	928,435	3,644,584	1,599,719	1,037,558	566,951	43,365	1,620,958	492,477	9,934,047
Operating materials and supplies	246,103	405,569	770,769	184,177	130,934	60,272	853,349	166,544	2,817,717
Contracted services	57,944	249,895	1,122,379	5,906,673	(3,430)	121	89,650	162,995	7,586,227
Rent and financial expenses	25,759	33,356	40,862	77,511	8,674	21,402	57,280	101,897	366,741
External transfers to others	-	-	-	54,253	298,000	-	42,430	30,067	424,750
Amortization	165,465	253,800	1,534,954	1,035,048	91,571	141,151	707,019	4,038	3,933,046
Debt service	63,388	-	-	-	-	-	-	-	63,388
	1,487,094	4,587,204	5,068,683	8,295,220	1,092,700	266,311	3,370,686	958,018	25,125,916
Annual surplus (deficit)	\$ 2,900,694	\$ (268,560)	\$ 1,175,284	\$ 718,013	\$ 13,002	\$ 26,202	\$ (390,878)	\$ (167,270)	\$ 4,006,487

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2017

	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
General government			
Revenue			
Taxation	\$ 2,803,951	\$ 2,851,897	\$ 2,629,803
User charges	80,321	97,953	148,779
Government transfers	17,500	25,914	29,816
Other	1,485,814	1,382,626	1,409,497
Gain on disposal of tangible capital assets	-	29,975	169,893
	<u>4,387,586</u>	<u>4,388,365</u>	<u>4,387,788</u>
Expenses			
Salaries and benefits	963,205	999,823	928,435
Operating materials and supplies	310,795	243,774	246,103
Contracted services	46,492	33,811	57,944
Rent and financial expenses	95,578	12,698	25,759
External transfers to others	83,871	-	-
Amortization	185,596	185,596	165,465
Debt service	50,220	49,358	63,388
	<u>1,735,757</u>	<u>1,525,060</u>	<u>1,487,094</u>
Annual surplus	<u>\$ 2,651,829</u>	<u>\$ 2,863,305</u>	<u>\$ 2,900,694</u>
Protection to persons and property			
Revenue			
Taxation	\$ 3,708,345	\$ 3,771,757	\$ 3,774,050
User charges	700,821	519,284	370,648
Government transfers	168,100	147,311	172,417
Other	150,725	522	1,529
	<u>4,727,991</u>	<u>4,438,874</u>	<u>4,318,644</u>
Expenses			
Salaries and benefits	3,862,898	3,784,962	3,644,584
Operating materials and supplies	473,231	429,608	405,569
Contracted services	226,714	328,205	249,895
Rent and financial expenses	14,759	21,467	33,356
Amortization	247,262	247,262	253,800
	<u>4,824,864</u>	<u>4,811,504</u>	<u>4,587,204</u>
Annual deficit	<u>\$ (96,873)</u>	<u>\$ (372,630)</u>	<u>\$ (268,560)</u>

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2017

	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Transportation services			
Revenue			
Taxation	\$ 3,788,506	\$ 3,853,289	\$ 3,504,990
User charges	1,659,703	184,106	1,151,484
Government transfers	4,338,034	942,855	1,494,686
Other	<u>72,027</u>	<u>129,818</u>	<u>92,807</u>
	<u>9,858,270</u>	<u>5,110,068</u>	<u>6,243,967</u>
Expenses			
Salaries and benefits	1,830,898	1,648,645	1,599,719
Operating materials and supplies, net of internal transfers	(132,204)	774,548	770,769
Contracted services	1,591,907	905,550	1,122,379
Rent and financial expenses	20,515	19,944	40,862
External transfers to others	226,691	-	-
Amortization	<u>1,599,377</u>	<u>1,599,377</u>	<u>1,534,954</u>
	<u>5,137,184</u>	<u>4,948,064</u>	<u>5,068,683</u>
Annual surplus	<u>\$ 4,721,086</u>	<u>\$ 162,004</u>	<u>\$ 1,175,284</u>
Environmental services			
Revenue			
Taxation	\$ 1,393,860	\$ 1,419,745	\$ 1,403,967
User charges	7,624,698	7,885,206	7,460,478
Government transfers	-	11,681	148,788
Other	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,018,558</u>	<u>9,316,632</u>	<u>9,013,233</u>
Expenses			
Salaries and benefits	1,108,110	1,048,139	1,037,558
Operating materials and supplies	42,180	191,931	184,177
Contracted services	5,379,392	6,607,097	5,906,673
Rent and financial expenses	21,759	47,117	77,511
External transfers to others	86,844	524,853	54,253
Amortization	<u>1,047,751</u>	<u>1,047,751</u>	<u>1,035,048</u>
	<u>7,686,036</u>	<u>9,466,888</u>	<u>8,295,220</u>
Annual (deficit) surplus	<u>\$ 1,332,522</u>	<u>\$ (150,256)</u>	<u>\$ 718,013</u>

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2017

	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Health services			
Revenue			
Taxation	\$ 897,294	\$ 907,547	\$ 865,189
User charges	98,047	135,220	183,974
Government transfers	22,440	21,315	21,315
Other	<u>30,767</u>	<u>33,425</u>	<u>35,224</u>
	<u>1,048,548</u>	<u>1,097,507</u>	<u>1,105,702</u>
Expenses			
Salaries and benefits	620,155	591,919	566,951
Operating materials and supplies	261,678	195,679	130,934
Contracted services, net of internal transfers	(37,163)	(1,896)	(3,430)
Rent and financial expenses	4,871	6,463	8,674
External transfers to others	298,000	298,000	298,000
Amortization	<u>105,399</u>	<u>105,399</u>	<u>91,571</u>
	<u>1,252,940</u>	<u>1,195,564</u>	<u>1,092,700</u>
Annual (deficit) surplus	<u>\$ (204,392)</u>	<u>\$ (98,057)</u>	<u>\$ 13,002</u>
<hr/>			
Social and family services			
Revenue			
Taxation	\$ 220,486	\$ 224,256	\$ 243,392
User charges	-	19,220	-
Government transfers	38,000	42,700	45,550
Other	<u>7,500</u>	<u>4,544</u>	<u>3,571</u>
	<u>265,986</u>	<u>290,720</u>	<u>292,513</u>
Expenses			
Salaries and benefits	41,647	38,537	43,365
Operating materials and supplies	59,580	74,462	60,272
Contracted services, net of internal transfers	(17)	1,061	121
Rent and financial expenses	588	588	21,402
Amortization	<u>141,151</u>	<u>141,151</u>	<u>141,151</u>
	<u>242,949</u>	<u>255,799</u>	<u>266,311</u>
Annual surplus	<u>\$ 23,037</u>	<u>\$ 34,921</u>	<u>\$ 26,202</u>

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2017

	<u>Budget</u> <u>2017</u>	<u>Actual</u> <u>2017</u>	<u>Actual</u> <u>2016</u>
Recreation and culture services			
Revenue			
Taxation	\$ 2,107,372	\$ 2,143,407	\$ 2,108,136
User charges	786,277	540,029	548,688
Government transfers	58,016	64,356	43,181
Other	<u>342,423</u>	<u>268,196</u>	<u>279,803</u>
	<u>3,294,088</u>	<u>3,015,988</u>	<u>2,979,808</u>
Expenses			
Salaries and benefits	1,654,859	1,676,594	1,620,958
Operating materials and supplies	945,578	840,262	853,349
Contracted services	7,369	93,953	89,650
Rent and financial expenses	35,163	42,843	57,280
External transfers to others	47,643	53,930	42,430
Amortization	<u>614,299</u>	<u>614,299</u>	<u>707,019</u>
	<u>3,304,911</u>	<u>3,321,881</u>	<u>3,370,686</u>
Annual deficit	<u>\$ (10,823)</u>	<u>\$ (305,893)</u>	<u>\$ (390,878)</u>
<hr/>			
Planning and development			
Revenue			
Taxation	\$ 609,814	\$ 620,242	\$ 521,111
User charges	208,680	216,020	269,620
Other	<u>-</u>	<u>3,050</u>	<u>17</u>
	<u>818,494</u>	<u>839,312</u>	<u>790,748</u>
Expenses			
Salaries and benefits	544,011	455,971	492,477
Operating materials and supplies	145,321	97,969	166,544
Contracted services	94,708	104,805	162,995
Rent and financial expenses, net of internal transfers	131,039	(18,959)	101,897
External transfers to others	20,000	13,437	30,067
Amortization	<u>1,321</u>	<u>1,321</u>	<u>4,038</u>
	<u>936,400</u>	<u>654,544</u>	<u>958,018</u>
Annual surplus (deficit)	<u>\$ (117,906)</u>	<u>\$ 184,768</u>	<u>\$ (167,270)</u>

Independent auditor's report

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

We have audited the accompanying consolidated financial statements of the Trust Funds of the Corporation of the City of Thorold, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management based on the financial reporting provisions prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Corporation of the City of Thorold as at December 31, 2017, and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Ministry of Municipal Affairs and Housing.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist the Trust Funds of the Corporation of the City of Thorold to comply with the reporting provisions of the Ministry of Municipal Affairs and Housing. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the City of Thorold and should not be used by parties other than the City.



Port Colborne, Canada
July 3, 2018

Chartered Professional Accountants
Licensed Public Accountants

**Corporation of the City of Thorold
Trust Funds
Consolidated Statement of Financial Position**

As at December 31, 2017

	<u>Cemetery Care and Maintenance</u>	<u>Mausoleum Care and Maintenance</u>	<u>Monument and Marker Care</u>	<u>Total 2017</u>	<u>Total 2016</u>
Financial assets					
Cash and cash equivalents	\$ 243,865	\$ 458,007	\$ 95,651	\$ 797,523	\$ 774,925
Accounts receivable	-	13,916	-	13,916	10,461
Portfolio investments (Note 2)	<u>200,000</u>	<u>300,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Net financial assets and accumulated surplus	<u>\$ 443,865</u>	<u>\$ 771,923</u>	<u>\$ 95,651</u>	<u>\$ 1,311,439</u>	<u>\$ 1,285,386</u>

See accompanying notes to the consolidated financial statements

Corporation of the City of Thorold
Trust Funds
Consolidated Statement of Operations

For the Year Ended December 31, 2017

	Cemetery Care and Maintenance	Mausoleum Care and Maintenance	Monument and Marker Care	Total 2017	Total 2016
Revenue					
Marker fees	\$ -	\$ -	\$ 2,500	\$ 2,500	\$ 2,350
Sales of crypts and niches	-	17,463	-	17,463	31,627
Sale of plots	6,090	-	-	6,090	8,472
Interest	<u>9,431</u>	<u>15,208</u>	<u>1,161</u>	<u>25,800</u>	<u>27,337</u>
	15,521	32,671	3,661	51,853	69,786
Expenses					
Interest earned distributed to the City of Thorold	<u>9,431</u>	<u>15,208</u>	<u>1,161</u>	<u>25,800</u>	<u>27,337</u>
Annual surplus	6,090	17,463	2,500	26,053	42,449
Accumulated surplus					
Beginning of year	<u>437,775</u>	<u>754,460</u>	<u>93,151</u>	<u>1,285,386</u>	<u>1,242,937</u>
End of year	<u>\$ 443,865</u>	<u>\$ 771,923</u>	<u>\$ 95,651</u>	<u>\$ 1,311,439</u>	<u>\$ 1,285,386</u>

See accompanying notes to the consolidated financial statements

Corporation of the City of Thorold

Trust Funds

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. Accounting policies

The consolidated financial statements of the Corporation of the City of Thorold - Trust Funds are prepared by management in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since 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 estimates have been made using careful judgments.

Significant aspects of the accounting policies adopted are as follows:

(a) Basis of accounting

Sources of revenue and expenses are reported on the cash basis of accounting. The cash basis of accounting records revenues in the period they are received and expenses in the period they are paid.

(b) Cash and cash equivalents

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

(c) Portfolio investments

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

2. Portfolio investments

Portfolio investments consist of Canadian provincial bonds and bank guaranteed investment certificates with interest rates of 3.2% maturing June, 2018. Portfolio investments of \$ 500,000 (2016 - \$ 500,000) have an estimated market value of \$ 502,550 (2016 - \$ 510,500).

Financial Report

Thorold Public Library Board

December 31, 2017

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Independent auditor's report

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

We have audited the accompanying financial statements of the **Thorold Public Library Board**, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net debt and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The Thorold Public Library Board derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Thorold Public Library Board. Therefore, we were not able to determine whether any adjustments might be necessary to donations and other revenue and annual surplus (deficit) for the years ended December 31, 2017 and 2016, net debt as at December 31, 2017 and 2016, and accumulated surplus as at January 1, 2017 and 2016 and December 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Thorold Public Library Board as at December 31, 2017, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Port Colborne, Canada
May 14, 2018

Chartered Professional Accountants
Licensed Public Accountants

Thorold Public Library Board Statement of Financial Position

As at December 31	2017	2016
Financial assets		
Cash and cash equivalents	\$ 147,788	\$ 147,897
Receivables	5,917	5,262
Due from City of Thorold	<u>23,827</u>	<u>6,255</u>
	<u>177,532</u>	<u>159,414</u>
Liabilities		
Payables and accruals	11,832	11,655
Loan payable to City of Thorold (Note 4)	50,000	60,000
Future employment benefits (Note 5)	103,801	97,945
Deferred revenue	<u>12,213</u>	<u>2,500</u>
	<u>177,846</u>	<u>172,100</u>
Net debt	<u>(314)</u>	<u>(12,686)</u>
Non-financial assets		
Tangible capital assets (Page 14)	391,026	407,804
Prepays	<u>2,585</u>	<u>2,964</u>
	<u>393,611</u>	<u>410,768</u>
Accumulated surplus (Note 6)	<u>\$ 393,297</u>	<u>\$ 398,082</u>

On behalf of the Board

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Statement of Operations

For the Year Ended December 31, 2017

	Budget <u>2017</u> (Note 3)	Actual <u>2017</u>	Actual <u>2016</u>
Revenue			
Municipal contribution	\$ 575,000	\$ 575,919	\$ 565,747
Government transfers (Note 8)	35,400	46,044	36,681
Other (Note 9)	<u>17,800</u>	<u>19,361</u>	<u>21,060</u>
	<u>628,200</u>	<u>641,324</u>	<u>623,488</u>
Expenses			
Administration	18,700	23,227	20,583
Amortization	75,289	75,289	76,146
Electronic services, periodicals and newspapers	9,500	13,866	15,433
Insurance	3,600	2,619	2,961
Programs	3,000	9,977	2,016
Repairs and maintenance	32,600	29,850	32,153
Salaries, wages and benefits (Note 10)	448,000	469,922	426,880
Service contracts	23,000	25,671	21,836
Supplies	6,800	6,821	4,798
Utilities	<u>24,500</u>	<u>21,367</u>	<u>24,181</u>
	<u>644,989</u>	<u>678,609</u>	<u>626,987</u>
	<u>(16,789)</u>	<u>(37,285)</u>	<u>(3,499)</u>
Other			
Revenue related to capital			
Municipal contribution	10,000	10,000	4,000
Development charges	21,000	21,000	21,000
Contributed capital assets	<u>-</u>	<u>1,500</u>	<u>-</u>
	<u>31,000</u>	<u>32,500</u>	<u>25,000</u>
Annual (deficit) surplus	14,211	(4,785)	21,501
Accumulated surplus (Note 6)			
Beginning of year	<u>398,082</u>	<u>398,082</u>	<u>376,581</u>
End of year	<u>\$ 412,293</u>	<u>\$ 393,297</u>	<u>\$ 398,082</u>

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Statement of Changes in Net Debt

For the Year Ended December 31, 2017

	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Annual (deficit) surplus	\$ 14,211	\$ (4,785)	\$ 21,501
Amortization of tangible capital assets	75,289	75,289	76,146
Acquisition of tangible capital assets	(68,500)	(58,511)	(55,732)
Acquisition of prepaids	<u>-</u>	<u>379</u>	<u>4</u>
	<u>6,789</u>	<u>17,157</u>	<u>20,418</u>
Increase in net financial assets	21,000	12,372	41,919
Net (debt) financial assets			
Beginning of year	<u>(12,686)</u>	<u>(12,686)</u>	<u>(54,605)</u>
End of year	<u>\$ 8,314</u>	<u>\$ (314)</u>	<u>\$ (12,686)</u>

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Statement of Cash Flows

For the Year Ended December 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating		
Annual (deficit) surplus	\$ (4,785)	\$ 21,501
Non-cash items		
Amortization	75,289	76,146
(Increase) decrease in receivables	(655)	1,656
(Increase) decrease in due from City of Thorold	(17,572)	1,594
Increase (decrease) in payables and accruals	177	(8,035)
Increase (decrease) in future employment benefits	5,856	(45,056)
Increase in deferred revenue	9,713	-
Decrease in prepaids	379	4
	<u>68,402</u>	<u>47,810</u>
Financing		
Loan repayment to City of Thorold	<u>(10,000)</u>	<u>(10,000)</u>
Investing		
Acquisition of tangible capital assets	<u>(58,511)</u>	<u>(55,732)</u>
Net decrease in cash and cash equivalents	(109)	(17,922)
Cash and cash equivalents		
Beginning of year	<u>147,897</u>	<u>165,819</u>
End of year	<u>\$ 147,788</u>	<u>\$ 147,897</u>
Cash and cash equivalents consist of		
Cash on hand	\$ 200	\$ 200
Cash held in banks	33,643	29,404
Guaranteed investment certificates	<u>113,945</u>	<u>118,293</u>
	<u>\$ 147,788</u>	<u>\$ 147,897</u>

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2017

1. Purpose of the Library Board

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

2. Significant accounting policies

Management responsibility

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

The significant accounting policies used are as follows:

(a) Basis of accounting

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

(b) Reporting entity

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

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and investments that mature within three months.

(d) Portfolio investments

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

(e) Tangible capital assets

(i) Determination of costs

Tangible capital assets are recorded to reflect the cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2017

2. Significant accounting policies (continued)

(e) Tangible capital assets (continued)

(ii) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing Library services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Books	7 years
DVDs	3 years
Office equipment	5 years
Furniture and equipment	10 years
Computer equipment	4 years
Building improvements	20 years

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

(f) Leases

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

(g) Revenue recognition

Government transfers, which include municipal contributions and provincial and federal grants, are recognized in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria or stipulations have been met and reasonable estimates of the amounts can be made.

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

(h) Reserves for future expenses

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

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2017

2. Significant accounting policies (continued)

(i) Use of estimates

The preparation of financial statements in conformity with Canadian 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Library may undertake in the future. Significant accounting estimates include allowance for doubtful accounts. Actual results could differ from those estimates.

3. Budget

The budget approved by the Library includes expenditures for tangible capital assets, but does not include amortization of tangible capital assets. The following is a reconciliation of the approved budget to that reported on the Statement of Operations.

	<u>2017</u>
Approved budgeted annual surplus	\$ -
Add: transfers to reserves – net	11,000
Add: debt reduction	10,000
Add: tangible capital asset expenditures	68,500
Less: amortization of tangible capital assets	<u>(75,289)</u>
Budgeted annual surplus reported on the Statement of Operations	<u>\$ 14,211</u>

4. Loan payable to City of Thorold

The City of Thorold provided the Library with an interest-free loan of \$ 100,000 to be repaid over ten years, due in 2022. The amount repaid in 2017 was \$ 10,000 (2016 - \$ 10,000).

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2017

5. Future employment benefits	<u>2017</u>	<u>2016</u>
Accrued vacation pay	\$ 14,401	\$ 14,290
Accumulated sick leave	73,100	64,655
Other post-employment	<u>16,300</u>	<u>19,000</u>
	<u>\$ 103,801</u>	<u>\$ 97,945</u>

(a) Accrued vacation pay

As at December 31, 2017, employees of the Library have accumulated vacation pay credits in the amount of \$ 14,401 (2016 - \$ 14,290). Any unused credits up to five days may be carried forward to future years.

(b) Accumulated sick leave and post-employment benefits

Under the Library sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Library's employment.

Employees eligible to retire under the OMERS early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five, and life insurance benefits to the date of the employee's death. The Library pays the total premiums for such benefits.

The accrued benefit liability for accumulated sick leave and other post-employment benefits was determined by actuarial valuation using a discount rate of 3.5%. A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2017 is \$ 47,053 (2016 - \$ 40,756).

Defined benefit plan information:	<u>2017</u>	<u>2016</u>
Projected benefit obligation:		
Beginning of year	\$ 83,655	\$ 126,100
Accrual for service	5,100	4,900
Past service costs due to plan amendment	1,600	-
Accrued interest	3,300	3,600
Benefits paid	(7,600)	(54,245)
Amortization	3,300	3,300
Actuarial adjustment	<u>45</u>	<u>-</u>
End of year	<u>\$ 89,400</u>	<u>\$ 83,655</u>
Funded status:		
Deficit	\$ 116,900	\$ 79,355
Unamortized net actuarial loss	<u>(27,500)</u>	<u>4,300</u>
Employee benefit plan liability	<u>\$ 89,400</u>	<u>\$ 83,655</u>

Thorold Public Library Board Notes to the Financial Statements

For the Year Ended December 31, 2017

5. Future employment benefits (continued)

The accrued benefit obligation consists of the following:	<u>2017</u>	<u>2016</u>
Accumulated sick leave	\$ 73,100	\$ 64,655
Other post-employment	<u>16,300</u>	<u>19,000</u>
	<u>\$ 89,400</u>	<u>\$ 83,655</u>

The most recent actuarial valuation was performed as at December 31, 2017. 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 2.5% in 2017 and thereafter.

Salary levels – Future general salary and wage levels were assumed to increase at 3% per annum.

Health care costs – Health costs were assumed to be 6% in 2017 grading down at 0.5% per year to a rate of 4% in 2021 and future years.

Dental costs – Dental costs were assumed to be 4% per year.

6. Accumulated surplus	<u>2017</u>	<u>2016</u>
Operating surplus	\$ 59,486	\$ 42,320
Unfunded liabilities	(153,801)	(157,945)
Reserves (Note 7)	96,586	105,903
Investment in tangible capital assets	<u>391,026</u>	<u>407,804</u>
	<u>\$ 393,297</u>	<u>\$ 398,082</u>

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2017

7. Reserves	<u>2017</u>	<u>2016</u>
Reserves set aside for specific purposes		
Sick pay reserve	\$ 47,053	\$ 40,756
Pay equity reserve	<u>22,240</u>	<u>38,097</u>
	69,293	78,853
Reserve funds set aside for specific purposes		
Expansion fund	<u>27,293</u>	<u>27,050</u>
	<u>\$ 96,586</u>	<u>\$ 105,903</u>
Balance, beginning of year	\$ 105,903	\$ 114,055
Interest income	683	999
Funds contributed to operations	<u>(10,000)</u>	<u>(9,151)</u>
Balance, end of year	<u>\$ 96,586</u>	<u>\$ 105,903</u>

8. Government transfers	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Operating			
Province of Ontario			
Unconditional grant	\$ 29,700	\$ 29,684	\$ 29,684
Pay equity grant	2,700	2,744	2,744
SOLS – Capacity Building Grant	-	2,500	2,500
Government of Canada			
HRDC summer student grant	3,000	4,129	1,753
Region of Niagara			
Healthy kids grant	-	<u>6,987</u>	-
	<u>\$ 35,400</u>	<u>\$ 46,044</u>	<u>\$ 36,681</u>

9. Other revenue	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Operating			
Fines and fees	\$ 10,200	\$ 9,740	\$ 10,206
Interest	1,000	65	118
Interest - reserves	-	683	999
Miscellaneous	<u>6,600</u>	<u>8,873</u>	<u>9,737</u>
	<u>\$ 17,800</u>	<u>\$ 19,361</u>	<u>\$ 21,060</u>

Thorold Public Library Board Notes to the Financial Statements

For the Year Ended December 31, 2017

10. Salaries, wages and benefits	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Salaries and wages	\$ 355,000	\$ 374,840	\$ 340,096
Benefits	<u>93,000</u>	<u>95,082</u>	<u>86,784</u>
	<u>\$ 448,000</u>	<u>\$ 469,922</u>	<u>\$ 426,880</u>

11. Pension agreements

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

Since OMERS is a multi-employer pension plan, the Library does not recognize any share of the pension plan surplus \$ 600 million (2016 - \$ 2.3 billion deficit) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2017 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2017 current and past service was \$ 33,153 (2016 - \$ 26,620) and were matched by employee contributions in a similar amount.

Thorold Public Library Board

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2017

	<u>Books</u>	<u>DVDs</u>	<u>Office Equipment</u>	<u>Furniture and Equipment</u>	<u>Computer</u>	<u>Building Improvements</u>	<u>2017</u>	<u>2016</u>
Cost								
Beginning of year	\$ 377,363	\$ 10,476	\$ 7,824	\$ 14,758	\$ 13,851	\$ 256,596	\$ 680,868	\$ 685,849
Add additions during the year	51,808	3,495	-	-	-	3,208	58,511	55,732
Less disposals during the year	<u>(53,106)</u>	<u>(3,517)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,623)</u>	<u>(60,713)</u>
End of year	<u>376,065</u>	<u>10,454</u>	<u>7,824</u>	<u>14,758</u>	<u>13,851</u>	<u>259,804</u>	<u>682,756</u>	<u>680,868</u>
Accumulated amortization								
Beginning of year	163,183	3,509	7,824	10,319	5,680	82,549	273,064	257,631
Add amortization during the year	53,909	3,492	-	1,476	3,462	12,950	75,289	76,146
Less amortization on disposals	<u>(53,106)</u>	<u>(3,517)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,623)</u>	<u>(60,713)</u>
End of year	<u>163,986</u>	<u>3,484</u>	<u>7,824</u>	<u>11,795</u>	<u>9,142</u>	<u>95,499</u>	<u>291,730</u>	<u>273,064</u>
Net book value	<u>\$ 212,079</u>	<u>\$ 6,970</u>	<u>\$ -</u>	<u>\$ 2,963</u>	<u>\$ 4,709</u>	<u>\$ 164,305</u>	<u>\$ 391,026</u>	<u>\$ 407,804</u>

Financial Report

Thorold Business Improvement Area

2017

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Independent auditor's report

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

We have audited the accompanying financial statements of the **Thorold Business Improvement Area**, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and changes in net financial assets for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Thorold Business Improvement Area as at December 31, 2017, and the results of its operations and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Port Colborne, Canada
May 9, 2018



Chartered Professional Accountants
Licensed Public Accountants

Thorold Business Improvement Area Statement of Financial Position

As at December 31	2017	2016
Assets		
Due from City of Thorold	<u>\$ 38,956</u>	<u>\$ 29,403</u>
Net financial assets	38,956	29,403
Non-financial assets		
Tangible capital assets (Note 3)	<u>-</u>	<u>-</u>
Accumulated surplus (Note 4)	<u>\$ 38,956</u>	<u>\$ 29,403</u>

On behalf of the Board

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Statement of Operations

For the Year Ended December 31, 2017

	Budget 2017 (Note 5)	<u>2017</u>	<u>2016</u>
Revenues			
Requisition from City of Thorold			
Tax levy	\$ 40,000	\$ 40,000	\$ 40,000
Other revenue	-	400	3,650
Supplementals and tax write-offs, net	<u>-</u>	<u>3,976</u>	<u>349</u>
	<u>40,000</u>	<u>44,376</u>	<u>43,999</u>
Expenses			
Administration	11,230	13,309	10,439
Advertising and promotion	15,570	18,408	22,498
Amortization	-	-	3,871
Maintenance	<u>5,700</u>	<u>3,106</u>	<u>5,659</u>
	<u>32,500</u>	<u>34,823</u>	<u>42,467</u>
Annual surplus	7,500	9,553	1,532
Accumulated surplus			
Beginning of year	<u>29,403</u>	<u>29,403</u>	<u>27,871</u>
End of year	<u>\$ 36,903</u>	<u>\$ 38,956</u>	<u>\$ 29,403</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2017

	Budget 2017 (Note 5)	2017	2016
Annual surplus	\$ 7,500	\$ 9,553	\$ 1,532
Amortization of tangible capital assets	_____ -	_____ -	_____ 3,871
Increase in net financial assets	7,500	9,553	5,403
Net financial assets			
Beginning of year	_____ 29,403	_____ 29,403	_____ 24,000
End of year	_____ \$ 36,903	_____ \$ 38,956	_____ \$ 29,403

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2017

1. Purpose of the Business Improvement Area

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

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

2. Summary of significant accounting policies

Management responsibility

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

The significant accounting policies used are as follows:

Basis of accounting

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

Reporting entity

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

Tangible capital assets

(i) Determination of costs

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

(ii) Amortization

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

Decorations

5 years

Thorold Business Improvement Area Notes to the Financial Statements

For the year ended December 31, 2017

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Tangible capital assets	<u>2017</u>	<u>2016</u>
Decorations		
Cost, beginning of year	\$ 28,176	\$ 28,176
Add additions during the year	-	-
Less disposals during the year	<u>-</u>	<u>-</u>
Cost, end of year	<u>28,176</u>	<u>28,176</u>
Accumulated amortization, beginning of year	28,176	24,305
Add amortization during the year	<u>-</u>	<u>3,871</u>
Accumulated amortization, end of year	<u>28,176</u>	<u>28,176</u>
Net book value	<u>\$ -</u>	<u>\$ -</u>

4. Accumulated surplus	<u>2017</u>	<u>2016</u>
Operating surplus	\$ 38,956	\$ 29,403
Investment in tangible capital assets	<u>-</u>	<u>-</u>
	<u>\$ 38,956</u>	<u>\$ 29,403</u>

Thorold Business Improvement Area Notes to the Financial Statements

For the year ended December 31, 2017

5. Budget

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

	<u>2017</u>
Approved budgeted annual surplus (deficit)	\$ -
Add: acquisition of tangible capital assets	7,500
Less: amortization of tangible capital assets	<u>-</u>
Budgeted annual surplus (deficit) reported on the statement of operations	<u>\$ 7,500</u>

6. Statement of cash flows

A statement of cash flows has not been presented as management believes it would not provide additional meaningful information. Information about operations, financing and investments are readily apparent from the financial statements.