



Grant Thornton

Financial Report

Corporation of the City of Thorold

2012

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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, 2012, 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, 2012, 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.

Emphasis of matter

We draw attention to Note 2 to the financial statements which describes the correction in the current period of an error in the prior period.

Grant Thornton LLP

Port Colborne, Canada
July 16, 2013

Chartered Accountants
Licensed Public Accountants

Corporation of the City of Thorold
Consolidated Statement of Financial Position

As at December 31, 2012

	<u>2012</u>	<u>2011</u> (As restated) (Note 2)
Financial assets		
Cash and cash equivalents	\$ 14,473,431	\$ 14,869,369
Portfolio investments (Note 3)	10,370,869	11,318,585
Taxes receivable (Note 4)		
Current year	413,655	596,615
Prior years	1,855,238	1,922,806
User charges receivable	1,395,517	1,204,618
Other receivables	<u>955,257</u>	<u>856,390</u>
	<u>29,463,967</u>	<u>30,768,383</u>
Liabilities		
Accounts payable and accrued liabilities	4,070,292	4,360,304
Deferred revenue – obligatory reserve funds (Note 5)	1,083,319	394,017
Deferred revenue – other	6,925	6,925
Post-employment benefits (Note 6)	2,254,326	2,203,246
Landfill liability (Note 7)	4,402,236	4,412,575
Long term debt (Note 8)	<u>2,109,310</u>	<u>2,234,058</u>
	<u>13,926,408</u>	<u>13,611,125</u>
Net financial assets	15,537,559	17,157,258
Non-financial assets		
Tangible capital assets (Note 9)	95,732,531	93,567,149
Inventory and prepaid expenses	<u>138,609</u>	<u>126,427</u>
Accumulated surplus (Note 10)	<u>\$ 111,408,699</u>	<u>\$ 110,850,834</u>

Commitments and contingencies (Notes 20 and 21)

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, 2012

	Budget 2012 (Note 26)	Actual 2012	Actual 2011 (As restated) (Note 2)
Revenue			
Taxation (Note 13)	\$ 12,020,069	\$ 12,095,792	\$ 11,100,237
User fees and charges (Note 15)	7,111,711	7,415,261	7,075,877
Grants (Note 16)	846,778	968,090	1,006,134
Other (Note 17)	<u>1,350,634</u>	<u>1,345,894</u>	<u>1,340,361</u>
	<u>21,329,192</u>	<u>21,825,037</u>	<u>20,522,609</u>
Expenses			
General government	1,375,231	1,286,023	1,229,933
Protection to persons and property	4,074,611	4,168,441	3,909,565
Transportation services	4,541,701	4,937,712	4,279,791
Environmental services	7,080,870	7,175,941	8,483,912
Health services	1,099,594	1,029,157	1,902,794
Social and family services	143,575	45,251	44,537
Recreation and culture services	2,961,425	3,203,062	3,237,473
Planning and development	<u>720,262</u>	<u>747,449</u>	<u>608,467</u>
	<u>21,997,269</u>	<u>22,593,036</u>	<u>23,696,472</u>
Net expenses	<u>(668,077)</u>	<u>(767,999)</u>	<u>(3,173,863)</u>
Other			
Revenue related to tangible capital assets			
User fees and charges (Note 15)	215,500	197,197	219,930
Grants (Note 16)	690,238	716,758	4,061,985
Other (Note 17)	183,850	288,481	150,757
Gain on disposal of tangible capital assets	<u>-</u>	<u>123,428</u>	<u>12,717</u>
	<u>1,089,588</u>	<u>1,325,864</u>	<u>4,445,389</u>
Annual surplus	421,511	<u>557,865</u>	<u>1,271,526</u>
Accumulated surplus (Note 10)			
Beginning of year			
As previously reported		111,217,081	109,567,224
Prior period adjustments (Note 2)		<u>(366,247)</u>	<u>12,084</u>
As restated	<u>110,850,834</u>	<u>110,850,834</u>	<u>109,579,308</u>
End of year	<u>\$ 111,272,345</u>	<u>\$ 111,408,699</u>	<u>\$ 110,850,834</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, 2012

	Budget <u>2012</u> (Note 26)	Actual <u>2012</u>	Actual <u>2011</u> (As restated) (Note 2)
Annual surplus	\$ 421,511	\$ 557,865	\$ 1,271,526
Amortization of tangible capital assets	3,589,820	3,589,820	3,505,822
Acquisition of tangible capital assets	(15,115,109)	(5,798,778)	(4,749,849)
Proceeds on disposal of tangible capital assets	-	167,004	36,887
Gain on disposal of tangible capital assets	-	(123,428)	(12,717)
	(11,103,778)	(1,607,517)	51,669
Acquisition of inventory and prepaid expenses	-	(12,182)	(12,285)
Increase (decrease) in net financial assets	(11,103,778)	(1,619,699)	39,384
Net financial assets			
Beginning of year	<u>17,157,258</u>	<u>17,157,258</u>	<u>17,117,874</u>
End of year	<u>\$ 6,053,480</u>	<u>\$ 15,537,559</u>	<u>\$ 17,157,258</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, 2012

	<u>2012</u>	<u>2011</u> (As restated) (Note 2)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 557,865	\$ 1,271,526
Non-cash items		
Amortization of tangible capital assets	3,589,820	3,505,822
Gain on disposal of tangible capital assets	(123,428)	(12,717)
Changes in:		
Taxes receivable	250,528	(358,065)
User charges receivable	(190,899)	(22,928)
Other receivables	(98,867)	2,677,045
Accounts payable and accrued liabilities	(290,012)	(2,552,236)
Deferred revenue – obligatory reserve funds	689,302	(5,459)
Deferred revenue – other	-	1,772
Post-employment benefits	51,080	124,985
Landfill liability	(10,339)	1,132,772
Inventory and prepaid expenses	(12,182)	(12,285)
	<u>4,412,868</u>	<u>5,750,232</u>
Capital activities		
Proceeds on disposal of tangible capital assets	167,004	36,887
Acquisition of tangible capital assets, net of construction in process capitalized	(5,798,778)	(4,749,849)
	<u>(5,631,774)</u>	<u>(4,712,962)</u>
Investing activities		
Decrease in portfolio investments	<u>947,716</u>	<u>1,286,930</u>
Financing activities		
Proceeds from issuance of long term debt	-	800,000
Repayment of long term debt	(124,748)	(78,203)
	<u>(124,748)</u>	<u>721,797</u>
Net increase (decrease) in cash and cash equivalents	(395,938)	3,045,997
Cash and cash equivalents		
Beginning of year	<u>14,869,369</u>	<u>11,823,372</u>
End of year	<u>\$ 14,473,431</u>	<u>\$ 14,869,369</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, 2012

1. Significant accounting policies

The consolidated financial statements of the Corporation of the City of Thorold ("the Municipality") are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipality 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 statement of financial position and operations (Pages 38 and 39).

(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.

(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.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

1. Significant accounting policies (continued)

(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) 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.

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.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

1. Significant accounting policies (continued)

(g) Tangible capital assets (continued)

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.

(h) 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.

(i) Inventory

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

(j) 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.

(k) 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.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

1. Significant accounting policies (continued)

(k) Revenue recognition (continued)

i) Taxation (continued)

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.

(l) 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.

(m) 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 financial statements.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

1. Significant accounting policies (continued)

(n) Use of estimates

The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Prior period adjustments

In 2012 management became aware of an error in the recording of tangible capital assets in 2011. An amount of \$ 383,411 was capitalized as construction in progress in 2011 when it should have been recorded as an expense and therefore tangible capital assets and the investment in tangible capital assets were overstated and expenses and annual surplus were understated. In addition, accumulated surpluses of local boards were reported as accounts payable in 2011 and prior years when they should have been reported as part of accumulated surplus with the revenues and expenses of the local boards being part of the revenues and expenses of the Municipality. In 2011, revenues and annual surplus were understated by \$ 5,080 and payables were overstated by \$ 12,084. The correction of these errors has been presented by retrospectively restating the comparative figures as follows:

	<u>Increase (decrease)</u>
Accounts payable and accrued liabilities	\$ (17,164)
Tangible capital assets	(383,411)
Other revenues	5,080
Environmental services expense	383,411
Annual surplus	(378,331)
Accumulated surplus	(366,247)

3. Portfolio investments

	<u>2012</u>	<u>2011</u>
Guaranteed investment certificates	\$ 1,198,246	\$ 1,945,788
Federal, provincial and municipal bonds	<u>9,172,623</u>	<u>9,372,797</u>
	<u>\$ 10,370,869</u>	<u>\$ 11,318,585</u>

Portfolio investments carry an effective interest rate ranging from 1.40% to 6.02% and maturity dates ranging from March, 2013 to July, 2022. Interest is receivable on an annual basis. Portfolio investments reported on the consolidated statement of financial position have a market value of \$ 10,884,126 (2011 - \$ 11,594,105).

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

4. Taxes receivable

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$ 544,667 (2011 - \$ 406,105). The Province of Ontario instituted a mandatory capping program through the provisions of Bill 140 which limits assessment related increases in property tax bills.

The Municipality has been in discussions with the Ministry of Finance with respect to the reduction in taxable-assessed lands associated with Hydro One/Ontario Power Generation. This reduction resulted in a loss of Payment-in-Lieu of Taxes revenue for 2011 of \$ 208,000. In addition, assessment appeals have been filed for the taxation years 2008 to 2010. The Ministry of Finance will be mailing payments to the City in 2013 for the full amount of the reduction.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

5. Deferred revenue – obligatory reserve funds

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

	<u>2012</u>	<u>2011</u>
Parkland	\$ 92,055	\$ 103,914
Building code	87,881	-
Tree planting	4,708	4,650
Gas tax	516,073	516,456
Development charges	<u>382,602</u>	<u>(231,003)</u>
	<u>\$ 1,083,319</u>	<u>\$ 394,017</u>

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

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	<u>\$ 394,017</u>	<u>\$ 399,476</u>
Contributions from		
Development Charges Act	729,610	299,086
Interest earned	9,442	7,705
Gas tax grants received		
Federal	559,021	559,021
Provincial	246,450	247,698
Other revenue	<u>87,881</u>	<u>5,300</u>
Total revenue	<u>1,632,404</u>	<u>1,118,810</u>
Utilized for		
Operations	(301,286)	(292,861)
Tangible capital asset acquisitions	(634,816)	(824,408)
Library operations	<u>(7,000)</u>	<u>(7,000)</u>
	<u>(943,102)</u>	<u>(1,124,269)</u>
Balance, end of year	<u>\$ 1,083,319</u>	<u>\$ 394,017</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

6. Post-employment benefits	<u>2012</u>	<u>2011</u>
Accrued vacation pay	\$ <u>426,726</u>	\$ <u>389,146</u>
Accumulated sick leave	<u>856,000</u>	857,800
Post-employment benefits	<u>971,600</u>	<u>956,300</u>
	<u>1,827,600</u>	<u>1,814,100</u>
	<u>\$ 2,254,326</u>	<u>\$ 2,203,246</u>

Accrued vacation pay

As at December 31, 2012, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 426,726 (2011 - \$389,146). 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, 2012 of \$ 1,827,600 (2011 - \$1,814,100) was determined by actuarial valuation using a discount rate of 5%. A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2012 is \$ 709,776 (2011 - \$ 656,373).

	<u>2012</u>	<u>2011</u>
Accrued benefit obligation:		
Beginning of year	\$ 1,288,500	\$ 1,892,980
Benefit expense	80,800	95,900
Interest accrued	66,100	94,800
Benefits adjustment	-	21,320
Benefits paid	(95,400)	(94,100)
Actuarial adjustment	<u>-</u>	<u>(722,400)</u>
End of year	<u>\$ 1,340,000</u>	<u>\$ 1,288,500</u>
Funded status:		
Employment benefit plan liabilities	\$ 1,340,000	\$ 1,288,500
Unamortized net actuarial gain	<u>487,600</u>	<u>525,600</u>
Employee benefit plan liability	<u>\$ 1,827,600</u>	<u>\$ 1,814,100</u>
The accrued benefit obligation consists of the following:		
Accumulated sick leave	\$ 856,000	\$ 857,800
Other post-employment	<u>971,600</u>	<u>956,300</u>
	<u>\$ 1,827,600</u>	<u>\$ 1,814,100</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

6. Post-employment benefits (continued)

The most recent actuarial valuation was performed as at December 31, 2011. 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 3% per annum.

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

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

Medical costs – medical costs were assumed to increase to 7.5% per annum for 2011 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 2012 budget and inflation adjusted at 0.8% per annum. These costs were then discounted to December 31, 2012 using a discount rate of 4.17%. 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, 2012 is \$ 4,402,236 (2011 - \$ 4,412,575). Additional expenses for post-closure care recorded in 2012 were in the amount of \$ 158,667 (2011 - \$ 1,298,053).

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

8. Long term debt	<u>2012</u>	<u>2011</u>
(a) Total long term debt incurred or assumed by the Municipality and outstanding at the end of the year amount to	\$ 4,792	\$ 20,716

In addition, 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

	<u>2,104,518</u>	<u>2,213,342</u>
Net long term debt, end of year	<u>\$ 2,109,310</u>	<u>\$ 2,234,058</u>

(b) The long term debt in (a) are at interest rates ranging from 3.43% to 5.35%.

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

2012	\$ 118,098
2013	117,934
2014	122,711
2015	467,647
2016	106,746

(d) The long term debt in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service 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>2012</u>	<u>2011</u>
Principal	\$ 124,748	\$ 78,203
Interest	<u>93,401</u>	<u>67,382</u>
	<u>\$ 218,149</u>	<u>\$ 145,585</u>

Corporation of the City of Thorold
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

9. Tangible capital assets

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

	<u>2012</u>	<u>2011</u> (As restated) (Note 2)
Land	\$ 2,215,282	\$ 2,236,957
Land improvements	4,860,170	5,261,712
Buildings	8,461,818	8,667,924
Machinery and equipment	1,853,827	1,915,783
Vehicles	<u>2,327,408</u>	<u>2,109,032</u>
	<u>19,718,505</u>	<u>20,191,408</u>
Infrastructure		
Transportation	25,928,264	24,271,690
Storm sewers	7,421,798	7,621,713
Sanitary sewers	23,556,433	22,015,331
Infrastructure water	<u>15,186,152</u>	<u>15,467,134</u>
	<u>72,092,647</u>	<u>69,375,868</u>
Construction in process	<u>3,921,379</u>	<u>3,999,873</u>
	<u>\$ 95,732,531</u>	<u>\$ 93,567,149</u>

See pages 28 and 29 for more detail.

10. Accumulated surplus

	<u>2012</u>	<u>2011</u> (As restated) (Note 2)
Operating deficit	\$ (3,213,851)	\$ (361,391)
Investment in tangible capital assets	95,732,531	93,567,149
Reserves and reserve funds (Note 11)	27,655,891	26,494,955
Unfunded liabilities (Note 12)	<u>(8,765,872)</u>	<u>(8,849,879)</u>
	<u>\$ 111,408,699</u>	<u>\$ 110,850,834</u>

The 2012 operating deficit of the Municipality available for the general reduction of taxation or user charges has been decreased by an amount of \$ 133,076; transferred from the reserve for industrial development as authorized by Council. Had this transfer not been made the operating deficit would have been \$ 3,346,927. The 2011 operating deficit was increased by \$ 79,747; transferred to the reserve for industrial development. Had this transfer not been made the 2011 operating deficit would have been \$ 281,644.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

11. Reserves and reserve funds	<u>2012</u>	<u>2011</u>
Reserves set aside by Council for specific purposes:		
Municipal development	\$ 551,993	\$ 493,932
Working funds (uncollectible taxes)	510,000	510,000
Equipment replacement	909,943	916,489
Accumulated sick leave	709,776	656,373
Computer	90,050	81,743
Contingencies	11,150	-
Election	34,664	21,305
Grant stabilization	34,243	34,243
Sewage capital	2,297,377	2,230,697
Water capital	2,506,500	2,113,221
Insurance deductible	249,747	238,223
Industrial development	685,144	569,878
Pay equity	129,592	129,139
Winter control	45,393	20,393
Encumbrances	<u>361,354</u>	<u>373,669</u>
Total reserves	<u>9,126,926</u>	<u>8,389,305</u>
Reserve funds set aside by Council for specific purposes:		
Beaverdams church	9,354	-
Capital assets	118,592	14,554
Hospital expansion	-	363
Transit	138,333	138,333
Arena building	306,675	286,737
Library expansion	28,520	28,144
Hydro proceeds	17,061,208	17,075,609
Mausoleum and cemetery improvements	333,779	258,986
Municipal land and building	379,953	210,067
Port Robinson transportation	100,027	40,521
Thorold pre-recreation (Mel Swart Park)	50,277	50,118
Thorold South Community Centre building	<u>2,247</u>	<u>2,219</u>
Total reserve funds	<u>18,528,965</u>	<u>18,105,651</u>
	<u>\$ 27,655,891</u>	<u>\$ 26,494,956</u>

Corporation of the City of Thorold
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

11. Reserves and reserve funds (continued)

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

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	<u>\$ 26,494,956</u>	<u>\$ 27,917,352</u>
Contributions from		
Investment income	535,346	536,605
User charges	78,269	111,384
Other revenue	<u>191,802</u>	<u>68,759</u>
	<u>805,417</u>	<u>716,748</u>
Provided from (utilized for) operations	931,787	(363,851)
Provided from deferred revenue	-	7,963
Utilized for tangible capital asset acquisitions	<u>(576,269)</u>	<u>(1,783,256)</u>
	<u>355,518</u>	<u>(2,139,144)</u>
Balance, end of year	<u>\$ 27,655,891</u>	<u>\$ 26,494,956</u>

12. Unfunded liabilities

	<u>2012</u>	<u>2011</u>
Post-employment benefits	\$ 2,254,326	\$ 2,203,246
Landfill liability	4,402,236	4,412,575
Long term debt	<u>2,109,310</u>	<u>2,234,058</u>
	<u>\$ 8,765,872</u>	<u>\$ 8,849,879</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

13. Taxation	Budget 2012 (Note 26)	Actual 2012	Actual 2011
Real property		\$ 30,781,547	\$ 29,617,874
From other governments			
Payments in lieu of taxes		<u>831,312</u>	<u>785,988</u>
		<u>31,612,859</u>	<u>30,403,862</u>
Less: taxation collected on behalf of (Note 14)			
Region of Niagara		13,211,302	12,775,735
School boards		<u>6,305,765</u>	<u>6,527,890</u>
		<u>19,517,067</u>	<u>19,303,625</u>
Net taxes available for municipal purposes		<u>\$ 12,095,792</u>	<u>\$ 11,100,237</u>
Residential, multi-residential and farm	\$ 8,901,530	\$ 8,938,953	\$ 8,087,001
Commercial and industrial	<u>3,118,539</u>	<u>3,156,839</u>	<u>3,013,236</u>
Net taxes available for municipal purposes	<u>\$ 12,020,069</u>	<u>\$ 12,095,792</u>	<u>\$ 11,100,237</u>

14. 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>2012</u>	<u>2011</u>
Region of Niagara	\$ 13,211,302	\$ 12,775,735
School boards	<u>6,305,765</u>	<u>6,527,890</u>
	<u>\$ 19,517,067</u>	<u>\$ 19,303,625</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, 2012

15. User fees and charges	Budget <u>2012</u> (Note 26)	Actual <u>2012</u>	Actual <u>2011</u>
Operating			
Fees and service charges	\$ 704,715	\$ 984,432	\$ 959,311
Water charges	3,104,381	3,098,248	2,976,979
Sewage charges	2,981,300	2,987,518	2,866,781
Licences and permits	314,315	330,501	240,959
Development charges	<u>7,000</u>	<u>14,562</u>	<u>31,847</u>
	<u>7,111,711</u>	<u>7,415,261</u>	<u>7,075,877</u>
Capital			
Fees and service charges	-	95,913	56,257
Development charges	<u>215,500</u>	<u>101,284</u>	<u>163,673</u>
	<u>215,500</u>	<u>197,197</u>	<u>219,930</u>
	<u>\$ 7,327,211</u>	<u>\$ 7,612,458</u>	<u>\$ 7,295,807</u>
16. Grants			
	Budget <u>2012</u> (Note 26)	Actual <u>2012</u>	Actual <u>2011</u>
Operating			
Province of Ontario	\$ 618,100	\$ 674,271	\$ 701,681
Government of Canada	153,678	168,980	151,445
Municipal	<u>75,000</u>	<u>124,839</u>	<u>153,008</u>
	<u>846,778</u>	<u>968,090</u>	<u>1,006,134</u>
Capital			
Province of Ontario	-	3,187	3,110,475
Government of Canada	690,238	545,374	833,075
Municipal	<u>-</u>	<u>168,197</u>	<u>118,435</u>
	<u>690,238</u>	<u>716,758</u>	<u>4,061,985</u>
	<u>\$ 1,537,016</u>	<u>\$ 1,684,848</u>	<u>\$ 5,068,119</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

17. Other	Budget <u>2012</u> (Note 26)	Actual <u>2012</u>	Actual <u>2011</u>
Operating			
Penalties and interest on taxes	\$ 561,500	\$ 532,854	\$ 564,093
Fines	85,450	34,908	46,094
Investment income	81,024	129,066	90,938
Investment income – reserves and reserve funds	535,625	535,346	536,605
Rental income	67,035	63,341	48,354
Donations	-	20,357	29,648
Transfer from the Corporation of the City of Thorold - Trust Funds	20,000	30,022	15,106
Other	-	-	9,523
	<u>1,350,634</u>	<u>1,345,894</u>	<u>1,340,361</u>
Capital			
Donations	-	33,759	4,000
Other	<u>183,850</u>	<u>254,722</u>	<u>146,757</u>
	<u>183,850</u>	<u>288,481</u>	<u>150,757</u>
	<u>\$ 1,534,484</u>	<u>\$ 1,634,375</u>	<u>\$ 1,491,118</u>

18. Pension agreement

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

Contributions to OMERS are made at rates ranging from 8.3% to 13.9% depending on the proposed retirement age and the level of earnings. As a result \$ 599,813 (2011 - \$ 499,039) was contributed to OMERS for current service, of which \$ 299,907 (2011 - \$ 249,520) represents the employees' portion.

Under the past service provisions of OMERS, the Municipality is obligated as at December 31, 2012 for the amount of \$ 4,792 (2011 - \$ 20,716) and is currently reflected as part of net long term liabilities on the consolidated statement of financial position.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

19. Corporation of the City of Thorold – Trust Funds

Trust Funds administered by the Municipality amounting to \$ 1,162,086 (2011 - \$ 1,125,726) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

20. Commitments

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2012 is approximately \$ 7,609,765 (2011 - \$ 7,216,274). 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 Commission at an approximate cost of \$ 556,738 per year. The contract expires on June 30, 2013 and is to be reviewed annually. The remaining commitment at December 31, 2012 was \$ 278,369 (2011 - \$ 249,690).

Leases

The Municipality has commitments for operating leases for office equipment and certain premises with various expiry dates up to 2027. The approximate total commitment for each of the next five years is as follows:

2013	\$ 2,655
2014	2,655
2015	2,655
2016	2,655
2017	2,459

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.

21. Contingencies

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

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

22. 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>2012</u>	<u>2011</u>
Revenue		
Ontario grants		
Ontario Municipal Partnership Fund	\$ 250,900	\$ 278,700
Ontario Power Generation	-	2,932,000
Build Canada Funding	-	5,298
Recreation and cultural	100,450	135,109
Infrastructure	-	173,178
Transit – Provincial Gas Tax	291,587	256,405
Miscellaneous	<u>34,521</u>	<u>31,466</u>
	<u>677,458</u>	<u>3,812,156</u>
Federal grants		
Transit	114,281	127,582
Cemeteries	21,252	21,777
Build Canada Funding	-	5,298
Infrastructure	-	173,178
New Horizons	25,000	-
War 1812	28,500	-
Gas tax	522,511	656,685
Recreation and cultural	<u>2,810</u>	<u>-</u>
	<u>714,354</u>	<u>984,520</u>
Municipal grants		
Regional Municipality of Niagara		
Provincial Offences Act	64,467	62,878
Capital grants	168,197	118,435
Downtown facade program	30,000	12,625
Miscellaneous	<u>30,372</u>	<u>77,505</u>
	<u>293,036</u>	<u>271,443</u>
	<u>\$ 1,684,848</u>	<u>\$ 5,068,119</u>
Expenses		
Charitable and non-profit organizations	<u>\$ 44,765</u>	<u>\$ 43,350</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

23. 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.

24. Financial instruments

The Municipality's financial instruments consist of cash and cash equivalents, portfolio investments, taxes receivable, user charges receivable, other receivables, accounts payable and long term debt. It is management's opinion that the Municipality is not exposed to significant market, interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximates their carrying value as the instruments are either current in nature or bear interest at market rates.

25. Comparative figures

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

26. Budget

The budget by-law adopted by Council on March 28, 2012 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 require a full accrual basis. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the budget approved by Council with the following adjustments:

Approved budgeted annual surplus (deficit) – City	\$	-
Approved budgeted annual surplus – Library		10,000
Add: Reserve and reserve fund interest revenue		535,625
Acquisition of tangible capital assets		15,115,109
Capital revenues		(14,643,759)
Transfers to reserves and reserve funds - net		527,553
Principal repayments of long term debt		108,824
Less: Amortization of tangible capital assets		<u>(1,231,841)</u>
Budgeted surplus reported on the consolidated statement of operations	\$	<u>421,511</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

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.

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.

Corporation of the City of Thorold
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

27. Segmented information (continued)

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, 2012

Cost	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Infrastructure (Note 9)	Construction in Progress	2012
Beginning of year	\$ 2,236,957	\$ 9,278,617	\$ 14,583,581	\$ 4,031,394	\$ 4,561,000	\$ 103,638,074	\$ 3,999,873	\$ 142,329,496
Add additions	-	92,336	141,230	309,668	480,149	4,853,889	4,226,071	10,103,343
Less disposals during the year	(21,675)	-	(17,226)	(160,215)	(278,623)	(569,556)	(4,304,565)	(5,351,860)
End of year	<u>2,215,282</u>	<u>9,370,953</u>	<u>14,707,585</u>	<u>4,180,847</u>	<u>4,762,526</u>	<u>107,922,407</u>	<u>3,921,379</u>	<u>147,080,979</u>
Accumulated amortization								
Beginning of year	-	4,016,905	5,915,657	2,115,611	2,451,968	34,262,206	-	48,762,347
Add amortization during the year	-	493,878	340,877	371,624	261,773	2,121,668	-	3,589,820
Less amortization on disposals	-	-	(10,767)	(160,215)	(278,623)	(554,114)	-	(1,003,719)
End of year	<u>-</u>	<u>4,510,783</u>	<u>6,245,767</u>	<u>2,327,020</u>	<u>2,435,118</u>	<u>35,829,760</u>	<u>-</u>	<u>51,348,448</u>
Net book value	<u>\$ 2,215,282</u>	<u>\$ 4,860,170</u>	<u>\$ 8,461,818</u>	<u>\$ 1,853,827</u>	<u>\$ 2,327,408</u>	<u>\$ 72,092,647</u>	<u>\$ 3,921,379</u>	<u>\$ 95,732,531</u>

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

For the Year Ended December 31, 2011
(As restated – Note 2)

Cost	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure (Note 9)</u>	<u>Construction in Progress</u>	<u>2011</u>
Beginning of year	\$ 2,251,089	\$ 9,113,251	\$ 14,533,201	\$ 4,241,684	\$ 4,555,268	\$ 97,890,039	\$ 6,015,095	\$ 138,599,627
Add additions	-	204,949	50,380	287,394	85,570	6,136,778	1,354,583	8,119,654
Less disposals during the year	(14,132)	(39,583)	-	(497,684)	(79,838)	(388,743)	(3,369,805)	(4,389,785)
End of year	<u>2,236,957</u>	<u>9,278,617</u>	<u>14,583,581</u>	<u>4,031,394</u>	<u>4,561,000</u>	<u>103,638,074</u>	<u>3,999,873</u>	<u>142,329,496</u>
Accumulated amortization								
Beginning of year	-	3,565,198	5,576,165	2,211,545	2,285,410	32,614,017	-	46,252,335
Add amortization during the year	-	491,290	339,492	401,750	246,396	2,026,894	-	3,505,822
Less amortization on disposals	-	(39,583)	-	(497,684)	(79,838)	(378,705)	-	(995,810)
End of year	-	<u>4,016,905</u>	<u>5,915,657</u>	<u>2,115,611</u>	<u>2,451,968</u>	<u>34,262,206</u>	-	<u>48,762,347</u>
Net book value	<u>\$ 2,236,957</u>	<u>\$ 5,261,712</u>	<u>\$ 8,667,924</u>	<u>\$ 1,915,783</u>	<u>\$ 2,109,032</u>	<u>\$ 69,375,868</u>	<u>\$ 3,999,873</u>	<u>\$ 93,567,149</u>

Corporation of the City of Thorold Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2012

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2012
Revenues									
Taxation	\$ 2,063,799	\$ 3,218,614	\$ 2,503,850	\$ 1,324,555	\$ 839,295	\$ 95,489	\$ 1,660,733	\$ 389,457	\$ 12,095,792
User charges	83,967	325,704	122,404	6,203,013	154,046	-	576,671	146,653	7,612,458
Grants	281,225	100,012	902,316	192,911	22,686	33,075	97,251	55,372	1,684,848
Other	1,250,146	46,908	32,620	-	34,467	22,532	247,602	100	1,634,375
Gain (loss) on disposal of tangible capital assets	145,328	-	(6,460)	(15,440)	-	-	-	-	123,428
	<u>3,824,465</u>	<u>3,691,238</u>	<u>3,554,730</u>	<u>7,705,039</u>	<u>1,050,494</u>	<u>151,096</u>	<u>2,582,257</u>	<u>591,582</u>	<u>23,150,901</u>
Expenses									
Salaries and benefits	817,234	3,181,353	1,655,637	848,009	496,342	31,643	1,634,119	377,523	9,041,860
Operating materials and supplies	223,290	408,862	874,534	160,993	141,530	13,439	745,449	109,827	2,677,924
Contracted services	10,032	265,552	929,922	5,240,648	(2,189)	143	118,230	177,182	6,739,520
Rent and financial expenses	17,895	6,095	13,768	3,595	1,379	26	2,490	1,898	47,146
External transfers to others	-	-	-	-	298,000	-	44,765	60,600	403,365
Amortization	124,171	306,579	1,463,851	922,696	94,095	-	658,009	20,419	3,589,820
Debt service	93,401	-	-	-	-	-	-	-	93,401
	<u>1,286,023</u>	<u>4,168,441</u>	<u>4,937,712</u>	<u>7,175,941</u>	<u>1,029,157</u>	<u>45,251</u>	<u>3,203,062</u>	<u>747,449</u>	<u>22,593,036</u>
Annual surplus (deficit)	<u>\$ 2,538,442</u>	<u>\$ (477,203)</u>	<u>\$ (1,382,982)</u>	<u>\$ 529,098</u>	<u>\$ 21,337</u>	<u>\$ 105,845</u>	<u>\$ (620,805)</u>	<u>\$ (155,867)</u>	<u>\$ 557,865</u>

Corporation of the City of Thorold Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2011
(As restated – Note 2)

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	
Revenues									2011
Taxation	\$ 1,954,825	\$ 3,139,915	\$ 2,398,191	\$ 1,147,559	\$ 480,061	\$ 15,936	\$ 1,578,584	\$ 343,764	\$ 11,058,835
User charges	144,851	284,140	33,312	5,992,228	206,634	-	559,263	116,781	7,337,209
Grants	280,787	91,988	3,927,872	570,381	27,225	32,298	97,363	40,205	5,068,119
Other	1,225,569	46,094	19,170	-	30,335	4,000	165,950	-	1,491,118
Gain (loss) on disposal of tangible capital assets	22,256	-	-	(9,539)	-	-	-	-	12,717
	<u>3,628,288</u>	<u>3,562,137</u>	<u>6,378,545</u>	<u>7,700,629</u>	<u>744,255</u>	<u>52,234</u>	<u>2,401,160</u>	<u>500,750</u>	<u>24,967,998</u>
Expenses									
Salaries and benefits	744,711	3,010,435	1,588,053	820,792	455,195	30,701	1,625,019	352,734	8,627,640
Operating materials and supplies	241,277	312,791	835,091	150,285	162,162	13,517	746,615	119,760	2,581,498
Contracted services	27,320	242,206	570,559	6,480,990	(86)	98	106,740	95,024	7,522,851
Rent and financial expenses	(30,248)	27,127	32,585	43,279	10,790	221	18,131	4,806	106,691
External transfers to others	-	-	-	-	1,206,860	-	43,350	34,378	1,284,588
Amortization	179,492	317,006	1,253,503	988,566	67,873	-	697,617	1,765	3,505,822
Debt service	67,382	-	-	-	-	-	-	-	67,382
	<u>1,229,934</u>	<u>3,909,565</u>	<u>4,279,791</u>	<u>8,483,912</u>	<u>1,902,794</u>	<u>44,537</u>	<u>3,237,472</u>	<u>608,467</u>	<u>23,696,472</u>
Annual surplus (deficit)	<u>\$ 2,398,354</u>	<u>\$ (347,428)</u>	<u>\$ 2,098,754</u>	<u>\$ (783,283)</u>	<u>\$ (1,158,539)</u>	<u>\$ 7,697</u>	<u>\$ (836,312)</u>	<u>\$ (107,717)</u>	<u>\$ 1,271,526</u>

Corporation of the City of Thorold
Consolidated Schedule of Segment Disclosure with Budget
Information

For the Year Ended December 31, 2012

	Budget 2012	Actual 2012	Actual 2011
General government			
Revenue			
Taxation	\$ 2,208,691	\$ 2,063,799	\$ 1,954,825
User charges	77,660	83,967	144,851
Grants	250,900	281,225	280,787
Other	1,244,784	1,250,146	1,225,569
Gain on disposal of tangible capital assets	-	145,328	22,256
	<u>3,782,035</u>	<u>3,824,465</u>	<u>3,628,288</u>
Expenses			
Salaries and benefits	802,717	817,234	744,711
Operating materials and supplies	173,827	223,290	241,277
Contracted services	65,353	10,032	27,320
Rent and financial expenses	39,475	17,895	(30,248)
Amortization	124,171	124,171	179,492
Debt service	169,688	93,401	67,382
	<u>1,375,231</u>	<u>1,286,023</u>	<u>1,229,934</u>
Annual surplus	<u>\$ 2,406,804</u>	<u>\$ 2,538,442</u>	<u>\$ 2,398,354</u>
Protection to persons and property			
Revenue			
Taxation	\$ 3,726,252	\$ 3,218,614	\$ 3,139,915
User charges	284,540	325,704	284,140
Grants	86,000	100,012	91,988
Other	85,450	46,908	46,094
	<u>4,182,242</u>	<u>3,691,238</u>	<u>3,562,137</u>
Expenses			
Salaries and benefits	3,183,426	3,181,353	3,010,435
Operating materials and supplies	413,264	408,862	312,791
Contracted services	166,122	265,552	242,206
Rent and financial expenses	5,220	6,095	27,127
Amortization	306,579	306,579	317,006
	<u>4,074,611</u>	<u>4,168,441</u>	<u>3,909,565</u>
Annual surplus (deficit)	<u>\$ 107,631</u>	<u>\$ (477,203)</u>	<u>\$ (347,428)</u>

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2012

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u> (As restated) (Note 2)
Transportation services			
Revenue			
Taxation	\$ 2,898,756	\$ 2,503,850	\$ 2,398,191
User charges	133,160	122,404	33,312
Grants	969,534	902,316	3,927,872
Other	-	32,620	19,170
Loss on disposal of tangible capital assets	-	(6,460)	-
	<u>4,001,450</u>	<u>3,554,730</u>	<u>6,378,545</u>
Expenses			
Salaries and benefits	1,535,665	1,655,637	1,588,053
Operating materials and supplies	264,036	874,534	835,091
Contracted services	1,265,952	929,922	570,559
Rent and financial expenses	12,197	13,768	32,585
Amortization	1,463,851	1,463,851	1,253,503
	<u>4,541,701</u>	<u>4,937,712</u>	<u>4,279,791</u>
Annual surplus (deficit)	<u>\$ (540,251)</u>	<u>\$ (1,382,982)</u>	<u>\$ 2,098,754</u>
Environmental services			
Revenue			
Taxation	\$ 74,468	\$ 1,324,555	\$ 1,147,559
User charges	6,085,681	6,203,013	5,992,228
Grants	103,082	192,911	570,381
Loss on disposal of tangible capital assets	-	(15,440)	(9,539)
	<u>6,263,231</u>	<u>7,705,039</u>	<u>7,700,629</u>
Expenses			
Salaries and benefits	899,291	848,009	820,792
Operating materials and supplies	119,778	160,993	150,285
Contracted services	5,135,510	5,240,648	6,480,990
Rent and financial expenses	3,595	3,595	43,279
Amortization	922,696	922,696	988,566
	<u>7,080,870</u>	<u>7,175,941</u>	<u>8,483,912</u>
Annual surplus (deficit)	<u>\$ (817,639)</u>	<u>\$ 529,098</u>	<u>\$ (783,283)</u>

Corporation of the City of Thorold
Consolidated Schedule of Segment Disclosure with Budget
Information

For the Year Ended December 31, 2012

	Budget 2012	Actual 2012	Actual 2011
Health services			
Revenue			
Taxation	\$ 627,808	\$ 839,295	\$ 480,061
User charges	84,600	154,046	206,634
Grants	22,000	22,686	27,225
Other	<u>20,000</u>	<u>34,467</u>	<u>30,335</u>
	<u>754,408</u>	<u>1,050,494</u>	<u>744,255</u>
Expenses			
Salaries and benefits	597,637	496,342	455,195
Operating materials and supplies	133,380	141,530	162,162
Contracted services	(24,647)	(2,189)	(86)
Rent and financial expenses	1,566	1,379	10,790
External transfers to others	297,563	298,000	1,206,860
Amortization	<u>94,095</u>	<u>94,095</u>	<u>67,873</u>
	<u>1,099,594</u>	<u>1,029,157</u>	<u>1,902,794</u>
Annual surplus (deficit)	<u>\$ (345,186)</u>	<u>\$ 21,337</u>	<u>\$ (1,158,539)</u>
Social and family services			
Revenue			
Taxation	\$ 110,549	\$ 95,489	\$ 15,936
Grants	31,000	33,075	32,298
Other	<u>-</u>	<u>22,532</u>	<u>4,000</u>
	<u>141,549</u>	<u>151,096</u>	<u>52,234</u>
Expenses			
Salaries and benefits	35,529	31,643	30,701
Operating materials and supplies	107,877	13,439	13,517
Contracted services	143	143	98
Rent and financial expenses	<u>26</u>	<u>26</u>	<u>221</u>
	<u>143,575</u>	<u>45,251</u>	<u>44,537</u>
Annual surplus (deficit)	<u>\$ (2,026)</u>	<u>\$ 105,845</u>	<u>\$ 7,697</u>

Corporation of the City of Thorold
Consolidated Schedule of Segment Disclosure with Budget
Information

For the Year Ended December 31, 2012

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u> (As restated) (Note 2)
Recreation and culture services			
Revenue			
Taxation	\$ 1,922,663	\$ 1,660,733	\$ 1,578,584
User charges	554,600	576,671	559,263
Grants	49,500	97,251	97,363
Other	<u>184,250</u>	<u>247,602</u>	<u>165,950</u>
	<u>2,711,013</u>	<u>2,582,257</u>	<u>2,401,160</u>
Expenses			
Salaries and benefits	1,510,760	1,634,119	1,625,019
Operating materials and supplies	757,947	745,449	746,615
Contracted services	2,917	118,230	106,740
Rent and financial expenses	2,647	2,490	18,131
External transfers to others	29,145	44,765	43,350
Amortization	<u>658,009</u>	<u>658,009</u>	<u>697,617</u>
	<u>2,961,425</u>	<u>3,203,062</u>	<u>3,237,472</u>
Annual deficit	<u>\$ (250,412)</u>	<u>\$ (620,805)</u>	<u>\$ (836,312)</u>
Planning and development			
Revenue			
Taxation	\$ 450,882	\$ 389,457	\$ 343,764
User charges	106,970	146,653	116,781
Grants	25,000	55,372	40,205
Other	<u>-</u>	<u>100</u>	<u>-</u>
	<u>582,852</u>	<u>591,582</u>	<u>500,750</u>
Expenses			
Salaries and benefits	404,331	377,523	352,734
Operating materials and supplies	87,585	109,827	119,760
Contracted services	105,694	177,182	95,024
Rent and financial expenses	2,233	1,898	4,806
External transfers to others	100,000	60,600	34,378
Amortization	<u>20,419</u>	<u>20,419</u>	<u>1,765</u>
	<u>720,262</u>	<u>747,449</u>	<u>608,467</u>
Annual deficit	<u>\$ (137,410)</u>	<u>\$ (155,867)</u>	<u>\$ (107,717)</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, 2012, 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, 2012, 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.

Grant Thornton LLP

Port Colborne, Canada
July 16, 2013

Chartered Accountants
Licensed Public Accountants

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

As at December 31, 2012

	Cemetery Care and <u>Maintenance</u>	Mausoleum Care and <u>Maintenance</u>	Monument and Marker <u>Care</u>	Total 2012	Total 2011
Financial assets					
Cash and cash equivalents	\$ 77,736	\$ 242,181	\$ 82,851	\$ 402,768	\$ 367,525
Accounts receivable	-	9,354	-	9,354	8,237
Portfolio investments (Note 2)	<u>324,982</u>	<u>424,982</u>	-	<u>749,964</u>	<u>749,964</u>
Net financial assets and accumulated surplus	<u>\$ 402,718</u>	<u>\$ 676,517</u>	<u>\$ 82,851</u>	<u>\$ 1,162,086</u>	<u>\$ 1,125,726</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, 2012

	<u>Cemetery Care and Maintenance</u>	<u>Mausoleum Care and Maintenance</u>	<u>Monument and Marker Care</u>	Total 2012	Total 2011
Revenue					
Marker fees	\$ -	\$ -	\$ 3,850	\$ 3,850	\$ 2,350
Sales of crypts/niches	-	24,783	-	24,783	36,550
Sale of plots	7,727	-	-	7,727	8,865
Interest	<u>11,926</u>	<u>17,077</u>	<u>1,019</u>	<u>30,022</u>	<u>15,106</u>
	19,653	41,860	4,869	66,382	62,871
Expenses					
Interest earned distributed to the City of Thorold	<u>11,926</u>	<u>17,077</u>	<u>1,019</u>	<u>30,022</u>	<u>15,106</u>
Annual surplus	7,727	24,783	3,850	36,360	47,765
Accumulated surplus					
Beginning of year	<u>394,991</u>	<u>651,734</u>	<u>79,001</u>	<u>1,125,726</u>	<u>1,077,961</u>
End of year	<u>\$ 402,718</u>	<u>\$ 676,517</u>	<u>\$ 82,851</u>	<u>\$ 1,162,086</u>	<u>\$ 1,125,726</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, 2012

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% to 3.61% maturing between February, 2016 and June, 2018. Portfolio investments of \$ 749,964 (2011 - \$ 749,964) have an estimated market value of \$ 765,436 (2011 - \$ 747,078).



Financial Report

Thorold Public Library Board

December 31, 2012

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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 statement of financial position of the **Thorold Public Library Board** as at December 31, 2012 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 and we were not able to determine whether any adjustments might be necessary to donations and other revenue, assets, net assets and accumulated surplus.

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, 2012, 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
June 17, 2013

Chartered Accountants
Licensed Public Accountants

Thorold Public Library Board Statement of Financial Position

As at December 31	2012	2011
Financial assets		
Cash and cash equivalents	\$ 122,948	\$ 203,420
Receivables	6,570	15,793
Due from City of Thorold	<u>25,441</u>	<u>1,034</u>
	<u>154,959</u>	<u>220,247</u>
Liabilities		
Payables and accruals	14,019	29,282
Deferred revenue	1,772	1,772
Loan payable to the City of Thorold (Note 4)	100,000	-
Future employment benefits (Note 5)	<u>131,285</u>	<u>133,579</u>
	<u>247,076</u>	<u>164,633</u>
Net (debt) financial assets	(92,117)	55,614
Non-financial assets		
Tangible capital assets (Page 14)	<u>457,184</u>	<u>313,865</u>
Accumulated surplus (Note 6)	<u>\$ 365,067</u>	<u>\$ 369,479</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, 2012

	Budget 2012 (Note 3)	Actual 2012	Actual 2011
Revenue			
Municipal contribution	\$ 520,000	\$ 520,000	\$ 496,000
Development charges	7,000	7,000	7,000
Grants (Note 8)	49,500	48,272	83,367
Other (Note 9)	<u>17,400</u>	<u>19,982</u>	<u>21,463</u>
	<u>593,900</u>	<u>595,254</u>	<u>607,830</u>
Expenses			
Administration	16,800	17,060	14,176
Amortization	75,801	75,801	80,550
Electronic services, periodicals and newspapers	6,700	5,836	5,892
Insurance	3,900	3,598	3,495
Programs	2,000	2,100	1,736
Repairs and maintenance	29,500	30,391	29,221
Salaries, wages and benefits (Note 10)	413,000	430,705	393,498
Service contracts	10,000	10,426	9,627
Special project – 15 Million Initiative	13,000	11,099	45,536
Supplies	5,000	4,474	5,128
Utilities	<u>22,000</u>	<u>18,176</u>	<u>18,130</u>
	<u>597,701</u>	<u>609,666</u>	<u>606,989</u>
Net (expenses) revenues	(3,801)	(14,412)	841
Other			
Grants and revenue related to capital Municipal contribution	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Annual (deficit) surplus	6,199	(4,412)	10,841
Accumulated surplus (Note 6)			
Beginning of year	<u>369,479</u>	<u>369,479</u>	<u>358,638</u>
End of year	<u>\$ 375,678</u>	<u>\$ 365,067</u>	<u>\$ 369,479</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, 2012

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
Annual (deficit) surplus	\$ 6,199	\$ (4,412)	\$ 10,841
Amortization of tangible capital assets	75,801	75,801	80,550
Acquisition of tangible capital assets	<u>(59,000)</u>	<u>(219,120)</u>	<u>(59,088)</u>
	<u>16,801</u>	<u>(143,319)</u>	<u>21,462</u>
Increase in net (debt) financial assets	23,000	(147,731)	32,303
Net (debt) financial assets			
Beginning of year	<u>55,614</u>	<u>55,614</u>	<u>23,311</u>
End of year	<u>\$ 78,614</u>	<u>\$ (92,117)</u>	<u>\$ 55,614</u>

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Statement of Cash Flows

For the Year Ended December 31

2012

2011

Increase (decrease) in cash and cash equivalents

Operating		
Annual (deficit) surplus	\$ (4,412)	\$ 10,841
Non-cash items		
Amortization	75,801	80,550
Decrease in receivables	9,223	2,401
(Increase) decrease in due from City of Thorold	(24,407)	20,188
Decrease in payables and accruals	(15,263)	(13,177)
Increase in deferred revenue	-	1,772
Decrease in future employment benefits	<u>(2,294)</u>	<u>(10,866)</u>
	<u>38,648</u>	<u>91,709</u>
Financing		
Loan advance from City of Thorold	<u>100,000</u>	<u>-</u>
Investing		
Acquisition of tangible capital assets	<u>(219,120)</u>	<u>(59,088)</u>
Net (decrease) increase in cash and cash equivalents	(80,472)	32,621
Cash and cash equivalents		
Beginning of year	<u>203,420</u>	<u>170,799</u>
End of year	<u>\$ 122,948</u>	<u>\$ 203,420</u>
<hr/>		
Cash and cash equivalents consist of		
Cash on hand	\$ 200	\$ 200
Cash held in banks	24,502	106,152
Guaranteed investment certificates	<u>98,246</u>	<u>97,068</u>
	<u>\$ 122,948</u>	<u>\$ 203,420</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, 2012

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

The financial statements of the Library are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Library 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 twelve months.

(d) 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, 2012

2. Significant accounting policies (continued)

(d) 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.

(e) Deferred revenue

Deferred revenue is comprised of the unspent portion of grants.

(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 grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

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, 2012

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>2012</u>
Approved budgeted annual surplus	\$ 10,000
Add: transfers to reserves – net	3,000
Add: debt reduction	10,000
Add: tangible capital asset expenditures	59,000
Less: amortization of tangible capital assets	<u>(75,801)</u>
Budgeted annual surplus reported on the statement of operations	<u>\$ 6,199</u>

4. Loan payable to City of Thorold

During the year the City of Thorold provided the Library with an interest-free loan of \$ 100,000 to be repaid over ten years, due in 2022.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2012

5. Future employment benefits	<u>2012</u>	<u>2011</u>
Accrued vacation pay	\$ 14,385	\$ 17,479
Accumulated sick leave	78,500	71,400
Post-employment benefits	<u>38,400</u>	<u>44,700</u>
	<u>\$ 131,285</u>	<u>\$ 133,579</u>

(a) Accrued vacation pay

As at December 31, 2012, employees of the Library have accumulated vacation pay credits in the amount of \$ 14,385 (2011 - \$ 17,479). 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 5%. A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2012 is \$ 35,983 (2011 - \$ 35,580).

Defined benefit plan information:	<u>2012</u>	<u>2011</u>
Accrued benefit obligation:		
Beginning of year	\$ 139,600	\$ 164,210
Benefit expense	5,600	4,900
Interest accrued	7,000	7,800
Amortization of net actuarial losses/(gains)	-	(1,210)
Benefits paid	(13,900)	(24,900)
Actuarial adjustment	<u>-</u>	<u>(11,200)</u>
End of year	<u>\$ 138,300</u>	<u>\$ 139,600</u>
Funded status:		
Employment benefit plan liabilities	\$ 138,300	\$ 139,600
Unamortized net actuarial loss	<u>(21,400)</u>	<u>(23,500)</u>
Employee benefit plan liability	<u>\$ 116,900</u>	<u>\$ 116,100</u>

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2012

5. Future employment benefits (continued)

The accrued benefit obligation consists of the following:

	<u>2012</u>	<u>2011</u>
Accumulated sick leave	\$ 78,500	\$ 71,400
Other post-employment	<u>38,400</u>	<u>44,700</u>
	<u>\$ 116,900</u>	<u>\$ 116,100</u>

The most recent actuarial valuation was performed as at December 31, 2011. 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 3% in 2012 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 7.5% in 2012 grading down at 0.5% per year to a rate of 4%.

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

6. Accumulated surplus

	<u>2012</u>	<u>2011</u>
Operating surplus	\$ 37,679	\$ 91,903
Unfunded liabilities	(231,285)	(133,579)
Reserves (Note 7)	101,489	97,290
Investment in tangible capital assets	<u>457,184</u>	<u>313,865</u>
	<u>\$ 365,067</u>	<u>\$ 369,479</u>

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2012

7. Reserves	<u>2012</u>	<u>2011</u>
Reserves set aside for specific purposes		
Sick pay reserve	\$ 38,983	\$ 35,580
Pay equity reserve	<u>36,663</u>	<u>36,210</u>
	75,646	71,790
Reserve funds set aside for specific purposes		
Expansion fund	<u>25,843</u>	<u>25,500</u>
	<u>\$ 101,489</u>	<u>\$ 97,290</u>
Balance, beginning of year	\$ 97,290	\$ 93,310
Interest income	1,199	980
Funds contributed from operations	<u>3,000</u>	<u>3,000</u>
Balance, end of year	<u>\$ 101,489</u>	<u>\$ 97,290</u>

8. Grants	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
Operating			
Province of Ontario			
Unconditional grant	\$ 29,700	\$ 29,684	\$ 29,684
Pay equity	2,700	2,744	2,744
SOLS – Connectivity Funding	1,100	-	1,896
SOLS – Capacity Building Grant	-	-	603
15 Million Initiative – IT support	13,000	13,034	45,412
Federal			
HRDC summer student	<u>3,000</u>	<u>2,810</u>	<u>3,028</u>
	<u>\$ 49,500</u>	<u>\$ 48,272</u>	<u>\$ 83,367</u>

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2012

9. Other revenue	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
Operating			
Fines and fees	\$ 12,200	\$ 11,277	\$ 13,355
Interest	400	265	425
Interest - reserves	-	1,199	980
Photocopier fees	1,400	1,371	1,582
Miscellaneous	<u>3,400</u>	<u>5,870</u>	<u>5,121</u>
	<u>\$ 17,400</u>	<u>\$ 19,982</u>	<u>\$ 21,463</u>

10. Salaries, wages and benefits	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
Salaries and wages	\$ 340,000	\$ 349,755	\$ 323,690
Benefits	<u>73,000</u>	<u>80,950</u>	<u>69,808</u>
	<u>\$ 413,000</u>	<u>\$ 430,705</u>	<u>\$ 393,498</u>

11. Pension agreements

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

Contributions to OMERS are made at rates ranging from 8.3% to 13.9% depending on the proposed retirement age and the level of earnings. As a result \$ 27,487 (2011 - \$ 22,505) was contributed to OMERS for current service, of which \$ 13,744 (2011 - \$ 11,253) represents the employees' portion.

12. Financial instruments

The Library's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accruals and amounts due to related parties. It is management's opinion that the Library is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

13. Related party transactions

The Library paid the City of Thorold \$ 11,099 (2011 - \$ 42,304) for information technology wages in relation to the 15 Million Initiative.

Thorold Public Library Board Schedule of Tangible Capital Assets

For the Year Ended December 31, 2012

Cost	Books	DVDs	Office Equipment	Furniture and Equipment	Computer	Building Improvements	2012	2011
Beginning of year	\$ 384,185	\$ 11,805	\$ 17,596	\$ 14,758	\$ 6,790	\$ 86,407	\$ 521,541	\$ 564,114
Add additions during the year	55,939	4,004	-	-	-	159,177	219,120	59,088
Less disposals during the year	<u>(54,925)</u>	<u>(3,853)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,778)</u>	<u>(101,661)</u>
End of year	<u>385,199</u>	<u>11,956</u>	<u>17,596</u>	<u>14,758</u>	<u>6,790</u>	<u>245,584</u>	<u>681,883</u>	<u>521,541</u>
Accumulated amortization								
Beginning of year	164,706	3,888	12,610	2,939	1,697	21,836	207,676	228,787
Add amortization during the year	54,884	3,935	3,518	1,477	1,699	10,288	75,801	80,550
Less amortization on disposals	<u>(54,925)</u>	<u>(3,853)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,778)</u>	<u>(101,661)</u>
End of year	<u>164,665</u>	<u>3,970</u>	<u>16,128</u>	<u>4,416</u>	<u>3,396</u>	<u>32,124</u>	<u>224,699</u>	<u>207,676</u>
Net book value	<u>\$ 220,534</u>	<u>\$ 7,986</u>	<u>\$ 1,468</u>	<u>\$ 10,342</u>	<u>\$ 3,394</u>	<u>\$ 213,460</u>	<u>\$ 457,184</u>	<u>\$ 313,865</u>



Grant Thornton

Financial Report

Thorold Business Improvement Area

2012

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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, 2012, 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, 2012, 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.

Grant Thornton LLP

Port Colborne, Canada
June 3, 2013

Chartered Accountants
Licensed Public Accountants

Thorold Business Improvement Area Statement of Financial Position

As at December 31	2012	2011
Assets		
Due from City of Thorold	<u>\$ 871</u>	<u>\$ -</u>
Liabilities		
Due to City of Thorold	<u>-</u>	<u>(2,339)</u>
Net financial assets (debt)	871	(2,339)
Non-financial assets		
Tangible capital assets (Note 3)	<u>20,482</u>	<u>26,117</u>
Accumulated surplus (Note 4)	<u>\$ 21,353</u>	<u>\$ 23,778</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, 2012

	Budget 2012 (Note 5)	<u>2012</u>	<u>2011</u>
Revenues			
Requisition from City of Thorold			
Tax levy	\$ 36,000	\$ 36,539	\$ 36,000
Other revenue	-	175	100
Special event	-	19,559	-
Supplementals	-	699	-
	<u>36,000</u>	<u>56,972</u>	<u>36,100</u>
Expenses			
Administration	13,500	16,760	9,630
Advertising and promotion	10,500	7,960	6,191
Amortization	5,635	5,635	1,765
Maintenance	12,000	10,885	10,000
Special event	-	18,157	-
Write-offs	-	-	936
	<u>41,635</u>	<u>59,397</u>	<u>28,522</u>
Annual surplus (deficit)	(5,635)	(2,425)	7,578
Accumulated surplus			
Beginning of year	<u>23,778</u>	<u>23,778</u>	<u>16,200</u>
End of year	<u>\$ 18,143</u>	<u>\$ 21,353</u>	<u>\$ 23,778</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, 2012

	Budget <u>2012</u>	<u>2012</u>	<u>2011</u>
Annual surplus (deficit)	\$ (5,635)	\$ (2,425)	\$ 7,578
Amortization of tangible capital assets	5,635	5,635	1,765
Acquisition of tangible capital assets	<u>-</u>	<u>-</u>	<u>(19,349)</u>
	<u>5,635</u>	<u>5,635</u>	<u>(17,584)</u>
Increase (decrease) in net financial assets	-	3,210	(10,006)
Net financial assets (debt)			
Beginning of year	<u>(2,339)</u>	<u>(2,339)</u>	<u>7,667</u>
End of year	<u>\$ (2,339)</u>	<u>\$ 871</u>	<u>\$ (2,339)</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2012

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

The financial statements of the BIA are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the BIA 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

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.

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2012

3. Tangible capital assets	<u>2012</u>	<u>2011</u>
Decorations		
Cost, beginning of year	\$ 28,176	\$ 8,827
Add additions during the year	-	19,349
Less disposals during the year	-	-
Cost, end of year	<u>28,176</u>	<u>28,176</u>
Accumulated amortization, beginning of year	2,059	294
Add amortization during the year	<u>5,635</u>	<u>1,765</u>
Accumulated amortization, end of year	<u>7,694</u>	<u>2,059</u>
Net book value	<u>\$ 20,482</u>	<u>\$ 26,117</u>

4. Accumulated surplus	<u>2012</u>	<u>2011</u>
Operating surplus (deficit)	\$ 871	\$ (2,339)
Investment in tangible capital assets	<u>20,482</u>	<u>26,117</u>
	<u>\$ 21,353</u>	<u>\$ 23,778</u>

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>2012</u>
Approved budgeted annual surplus (deficit)	\$ -
Less: amortization of tangible capital assets	<u>(5,635)</u>
Budgeted annual deficit reported on the statement of operations	<u>\$ (5,635)</u>

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2012

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.

7. Financial instruments

The BIA's financial instruments consist of receivables, payables and accruals and due to/from City of Thorold. It is management's opinion that the BIA is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.