



Consolidated Financial Statements of

**THE CORPORATION OF THE  
CITY OF THOROLD**

Year ended December 31, 2006

# THE CORPORATION OF THE CITY OF THOROLD

Consolidated Financial Statements and Supplementary Information

Year ended December 31, 2006

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## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of The Corporation of the City of Thorold as at December 31, 2006 and the consolidated statements of financial activities, changes in financial position, operating fund activities, capital fund activities and reserves and reserve funds for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

St. Catharines, Canada  
March 30, 2007

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Financial assets:		
Cash	\$11,874,922	\$13,603,362
Investments (note 3)	11,903,118	11,560,175
Taxes receivable (note 4)		
Current year	850,953	404,540
Prior years	945,624	685,230
Accounts receivable (note 5)	404,391	408,137
User charges receivable	3,535,681	961,593
	<u>29,514,689</u>	<u>27,623,037</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,223,274	3,907,460
Deferred revenue - obligatory reserve funds (note 6)	693,460	944,925
Deferred revenue - other	37,154	-
Other current liabilities	-	25,154
Post-employment benefits (note 7)	1,579,186	1,457,417
Landfill liability (note 8)	2,771,514	958,752
Net long-term liabilities (note 9)	2,749,697	409,865
	<u>11,054,285</u>	<u>7,703,573</u>
Net financial assets	18,460,404	19,919,464
Physical assets:		
Inventory and prepaid expenses	178,729	129,247
<b>Total net assets</b>	<u>\$18,639,133</u>	<u>\$20,048,711</u>

## Municipal Position

Fund balances end of year:		
Operating fund (note 10(a))	\$ 729	\$ 15,203
Capital fund (note 10(b))	(2,293,455)	(1,796,175)
Reserves and reserve funds (note 10(c))	28,032,256	24,655,717
	<u>25,739,530</u>	<u>22,874,745</u>
Amounts to be recovered	(7,100,397)	(2,826,034)
<b>Total municipal position</b>	<u>\$18,639,133</u>	<u>\$20,048,711</u>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Financial Activities

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Revenue:</b>		
Taxation and user charges:		
Taxation (note 4)	\$ 9,030,178	\$ 8,901,691
User fees and charges	5,732,709	5,782,800
	14,762,887	14,684,491
Grants:		
Government of Canada grants	442,284	91,252
Province of Ontario grants	611,633	1,242,497
Other municipal grants	32,463	39,066
	1,086,380	1,372,815
Other:		
Development levies earned	365,742	112,481
Interest and penalties	416,826	390,609
Investment income	1,190,747	998,925
Transfer from cemetery and mausoleum care and maintenance trust funds	38,681	34,144
Donations	38,805	36,595
Other	2,571,334	65,506
	4,622,135	1,638,260
<b>Total revenues</b>	<b>20,471,402</b>	<b>17,695,566</b>
<b>Expenditures:</b>		
General government	3,934,641	858,328
Protection to persons and property	3,130,817	2,852,047
Transportation services	3,346,547	3,173,193
Environmental services	7,741,168	6,569,974
Health services	672,001	638,424
Social and family services	41,949	44,039
Recreation and cultural services	2,297,191	2,385,331
Planning and development	732,319	720,336
Other	33,829	49,754
	21,930,462	17,291,426
<b>Net revenue (expenditure)</b>	<b>(1,459,060)</b>	<b>404,140</b>
<b>Amounts to be recovered:</b>		
Landfill liability	1,812,762	(236,510)
Debt principal repayments	(160,168)	(180,305)
Post-employment benefits	121,769	130,837
Debt issued	2,500,000	-
<b>Increase (decrease) in amounts to be recovered</b>	<b>4,274,363</b>	<b>(285,978)</b>
	2,815,303	118,162
<b>Increase (decrease) in physical assets</b>	<b>49,482</b>	<b>(1,272)</b>
<b>Change in fund balances</b>	<b>\$ 2,864,785</b>	<b>\$ 116,890</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Changes in Financial Position

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Operations:		
Net revenue (expenditure)	\$(1,459,060)	\$ 404,140
Sources and uses of cash:		
Taxes receivable	(706,807)	729,226
Accounts receivable	3,746	798,731
User charges receivable	(2,574,088)	(95,726)
Accounts payable and accrued liabilities	(684,186)	859,021
Deferred revenue - obligatory reserve funds	(251,465)	113,487
Deferred revenue - other	37,154	175,962
Other current liabilities	(25,154)	20,000
Post-employment benefits	121,769	130,837
Landfill liability	1,812,762	(236,510)
	(2,266,269)	2,495,028
<b>Net increase (decrease) in cash from operations</b>	<b>(3,725,329)</b>	<b>2,899,168</b>
Investing:		
Investments	(342,943)	(329,060)
Financing:		
Long-term debt repaid	(160,168)	(180,305)
Debt issued	2,500,000	-
<b>Net increase (decrease) in cash from financing</b>	<b>2,339,832</b>	<b>(180,305)</b>
<b>Increase (decrease) in cash</b>	<b>(1,728,440)</b>	<b>2,389,803</b>
Cash, beginning of year	13,603,362	11,213,559
<b>Cash, end of year</b>	<b>\$11,874,922</b>	<b>\$13,603,362</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Operating Fund Activities

Year ended December 31, 2006, with comparative figures for 2005

	Budget	2006	2005
<b>Revenue:</b>			
Taxation and user charges:			
Taxation	\$ 9,058,916	\$ 9,030,178	\$ 8,901,691
User fees and charges	5,841,167	5,691,307	5,667,090
	14,900,083	14,721,485	14,568,781
Grants:			
Government of Canada grants	94,800	90,360	91,252
Province of Ontario grants	267,506	562,722	845,157
Other municipal grants	40,000	32,463	39,066
	402,306	685,545	975,475
Other:			
Interest and penalties	370,900	416,826	390,609
Investment income	292,400	416,908	296,450
Transfer from cemetery and mausoleum care and maintenance trust funds	32,000	38,681	34,144
Donations	-	13,225	19,834
Other	-	2,531,222	7,927
	695,300	3,416,862	748,964
<b>Total revenues</b>	<b>15,997,689</b>	<b>18,823,892</b>	<b>16,293,220</b>
<b>Expenditures:</b>			
General government	726,219	861,306	705,703
Protection to persons and property	2,635,680	2,512,621	2,466,710
Transportation services	2,204,977	2,149,236	2,151,760
Environmental services	5,437,720	6,585,158	4,999,195
Health services	604,956	606,369	604,652
Social and family services	45,129	41,229	42,111
Recreational and cultural services	1,972,486	2,060,844	2,072,278
Planning and development	619,228	587,568	441,421
Other	-	33,829	49,754
	14,246,395	15,438,160	13,533,584
<b>Net revenue (expenditure)</b>	<b>1,751,294</b>	<b>3,385,732</b>	<b>2,759,636</b>
<b>Financing and transfers:</b>			
Landfill liability	-	1,812,762	(211,509)
Debt principal repayments	(160,000)	(160,168)	(180,305)
Post-employment benefits	-	121,769	130,836
Increase (decrease) in physical assets	-	49,482	(1,272)
Transfers to other funds	(1,591,294)	(5,224,051)	(2,599,592)
	(1,751,294)	(3,400,206)	(2,861,842)
<b>Change in operating fund</b>	<b>-</b>	<b>(14,474)</b>	<b>(102,206)</b>
<b>Operating fund, beginning of year</b>	<b>15,203</b>	<b>15,203</b>	<b>117,409</b>
<b>Operating fund, end of year</b>	<b>\$ 15,203</b>	<b>\$ 729</b>	<b>\$ 15,203</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Capital Fund Activities

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Revenues:</b>		
Government of Canada	\$ 351,924	\$ -
Province of Ontario	48,911	397,340
User charges	41,402	115,710
Development levies earned	365,742	112,481
Donations	25,580	16,761
Other recoveries	-	57,579
<b>Total revenues</b>	<b>833,559</b>	<b>699,871</b>
<b>Expenditures:</b>		
General government	3,073,335	152,625
Protection to persons and property	618,196	385,337
Transportation services	1,197,311	1,021,433
Environmental services	1,156,010	1,570,779
Health services	65,632	33,772
Recreation and cultural services	236,347	313,053
Planning and development	144,751	278,915
Social and family planning	720	1,928
	<b>6,492,302</b>	<b>3,757,842</b>
<b>Net expenditures</b>	<b>(5,658,743)</b>	<b>(3,057,971)</b>
<b>Financing and transfers:</b>		
Landfill liability	-	(25,000)
Debt issued	2,500,000	-
Transfers from other funds	2,661,463	3,481,475
<b>Net financing and transfers</b>	<b>5,161,463</b>	<b>3,456,475</b>
<b>Change in capital fund</b>	<b>(497,280)</b>	<b>398,504</b>
Capital fund, beginning of year	(1,796,175)	(2,194,679)
<b>Capital fund, end of year</b>	<b>\$ (2,293,455)</b>	<b>\$ (1,796,175)</b>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF THOROLD

## Consolidated Statement of Reserves and Reserve Funds

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Investment income	\$ 773,839	\$ 702,475
Sale of land	40,112	-
Change in reserves and reserve funds fund balance	813,951	702,475
Financing and transfers:		
Transfers to other funds	2,562,588	(881,883)
Change in reserves and reserve funds fund balance	3,376,539	(179,408)
Reserves and reserve funds, beginning of year	24,655,717	24,835,125
Reserves and reserve funds, end of year	\$ 28,032,256	\$ 24,655,717

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF THOROLD

## Notes to Consolidated Financial Statements

Year ended December 31, 2006

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### 1. Significant accounting policies:

The consolidated financial statements of The Corporation of the City of Thorold are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Standards board ("PSAB") of the Canadian Institute of Chartered Accountants with the exception of providing budget figures (note 17). Significant accounting policies adopted by the City are as follows:

(a) Basis of consolidation:

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

Public Library Board  
Business Improvement Area

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

- (ii) Non-consolidated entities:

The following joint local board is not consolidated:

Niagara District Airport Commission (Joint Board)

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

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

- (iv) Trust funds:

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

(b) Basis of accounting:

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

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

- (ii) Investments:

Investments are carried at cost.

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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## 1. Significant accounting policies (continued):

- (iii) Inventory:  
Inventory is valued at the lower of average cost and net realizable value.
- (iv) Capital assets:  
The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are recorded as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.
- (v) Government transfers:  
Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
- (vi) Deferred revenue - obligatory reserve funds:  
Funds received for specific purposes are accounted for as deferred revenue - obligatory reserve funds until the Municipality discharges the obligation which led to the receipt of the funds.
- (vii) Investment income:  
Investment income earned on current surplus funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue - obligatory reserve funds balance.
- (viii) Use of estimates:  
The preparation of the 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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

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

	School Boards		Region	
	2006	2005	2006	2005
Taxation and user charges	\$ 7,151,095	\$ 7,104,376	\$ 15,647,709	\$ 15,589,274
Requisitions	7,151,095	7,104,376	15,647,709	15,589,274
Overlevies (underlevies), for the year	-	-	-	-
Overlevies (underlevies), beginning of year	(4)	(4)	2	2
Overlevies (underlevies), end of year	\$ (4)	\$ (4)	\$ 2	\$ 2

## 3. Investments:

Investments reported on the "Consolidated Statement of Financial Position" have a market value of \$12,047,600 (2005 - \$11,852,000).

## 4. Taxes receivable and revenues:

Property tax billings are prepared by the Ministry based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a number of appeals submitted by ratepayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$473,207 (2005 - \$383,013).

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

## 5. Interfund receivables:

As a means of financing certain activities, funds are borrowed by the operating fund from several reserve funds. Both financing and repayments are reflected as interfund transfers and therefore are eliminated from the "Consolidated Statement of Financial Activities". Likewise interfund receivable and payable balances are not reflected on the "Consolidated Statement of Financial Position". The interfund receivable and payable balance as at December 31, 2006 was \$640,295 (2005 - \$635,716).

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 6. Deferred revenue - obligatory reserve funds:

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

	2006	2005
Development charges	\$ 506,372	\$ 645,442
Park land	77,281	61,914
Tree planting	36,065	34,688
Gas tax	73,742	202,881
	<u>\$ 693,460</u>	<u>\$ 944,925</u>

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

	2006	2005
Balance, beginning of year	\$ 944,925	\$ 655,476
Contributions from:		
Development Charges Act	168,620	203,732
Recreational land (the Planning Act)	16,815	3,813
Interest earned	41,192	18,423
Gas tax grants:	-	-
Federal	175,962	175,962
Provincial	63,612	-
Total revenue	<u>466,201</u>	<u>401,930</u>
Transfers to operating	(232,919)	(20,000)
Transfers to capital	(484,747)	(92,481)
Balance, end of year	<u>\$ 693,460</u>	<u>\$ 944,925</u>

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 7. Post-employment benefits:

	2006	2005
Accrued vacation pay	\$ 310,587	\$ 287,611
Accumulated sick leave	559,267	524,037
Post-employment benefits	709,332	645,769
	<u>\$ 1,579,186</u>	<u>\$ 1,457,417</u>

Accrued vacation pay:

As at December 31, 2006, employees of the Municipality have accumulated vacation pay credits in the amount of \$310,587 (2005 - \$287,611). 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, 2006 of \$1,268,599 (2005 - \$1,169,806) was determined by actuarial valuation using a discount rate of 6%. A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2006 is \$582,499 (2005 - \$559,884).

	2006	2005
Accrued benefit obligation, beginning of year	\$ 1,294,664	\$ 1,216,841
Expense for the year	126,560	129,724
Benefits paid during the year	(38,646)	(51,901)
Accrued benefit obligation, end of year	1,382,578	1,294,664
Unamortized actuarial loss	(113,979)	(124,858)
Liability for benefits	<u>\$ 1,268,599</u>	<u>\$ 1,169,806</u>

The main assumptions employed for the valuation are as follows:

General inflation - future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 4% in 2004 and thereafter.

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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

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

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

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

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

## 8. Landfill liability:

The Municipality owns and monitors one closed landfill site. The liability for post-closure care has been recognized based upon monitoring costs included in the 2006 budget and inflation adjusted at 2% per annum. These costs were then discounted to December 31, 2006 using a discount rate of 5.3%. Post-closure care is estimated to be required for an indefinite period (2005 - 26 years from 1986 date of closure).

The liability for post-closure care as at December 31, 2006 is \$2,771,514 (2005 - \$958,752). Estimated expenditures for post-closure care are \$2,054,009 (2005 - \$278,806).

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 9. Net long-term liabilities:

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

	2006	2005
Total long-term liabilities incurred or assumed by the Municipality and outstanding at the end of the year amount to	\$ 84,697	\$ 94,865
In addition, the Municipality has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is	2,665,000	315,000
<b>Net long-term liabilities, end of year</b>	<b>\$ 2,749,697</b>	<b>\$ 409,865</b>

- (b) Of the net long-term liabilities reported in note (a) of this note, \$1,770,637 in principal payments are payable from 2007 to 2011, \$601,600 from 2012 to 2016, \$163,945 from 2017 to 2021 and \$213,515 from 2022 and beyond.
- (c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Total charges for the year for net long-term liabilities, which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	2006	2005
Principal	\$ 160,168	\$ 180,305
Interest	88,229	101,437
	<b>\$ 248,397</b>	<b>\$ 281,742</b>

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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

### (a) Operating fund balance:

	2006	2005
For general reduction of taxation	\$ 5,110	\$ 13,883
For benefiting landowners, related to special charges and special rates:		
Business improvement area	(4,381)	1,320
	\$ 729	\$ 15,203

### (b) Capital fund balance:

	2006	2005
Acquisition of capital assets to be financed from taxation and user charges	\$ (271,309)	\$ (309,713)
Acquisition of capital assets to be financed from proceeds of long term debt	(945,809)	-
Acquisition of capital assets to be recovered from proceeds of reserves and reserve funds	(864,462)	(1,255,105)
Acquisition of capital assets to be recovered from mausoleum crypt sales	(372,142)	(397,162)
Funds available for the acquisition of capital assets	160,267	165,805
	\$ (2,293,455)	\$ (1,796,175)

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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

(c) Reserves and reserve fund balances:

	2006	2005
Reserves set aside by Council for specific purposes:		
Municipal development	\$ 415,109	\$ 450,677
Working funds	510,000	510,000
Equipment replacement	777,524	1,189,751
Accumulated sick leave	582,499	559,884
Computer	51,620	41,569
Election	26,279	60,654
Grant stabilization	-	277,249
Sewage capital	4,805,878	548,714
Water capital	1,190,313	1,656,599
Insurance deductible	156,334	177,984
Swimming pool	54,000	40,000
Contingencies	39,309	39,309
Industrial development	1,102,034	594,636
Pay equity	156,343	153,103
Encumbrances	343,077	575,366
Transit	75,000	-
<b>Total reserves</b>	<b>10,285,319</b>	<b>6,875,495</b>
Reserve funds set aside by Council for specific purposes:		
Arena building	220,554	230,302
Library expansion	25,698	25,215
Hydro proceeds	17,180,708	17,152,627
Mausoleum and cemetery improvements	176,190	186,339
Municipal land and building	122,375	145,986
Port Robinson transportation	7,642	7,350
Thorold pre-recreation	11,760	30,470
Thorold South Community Centre building	2,010	1,933
<b>Total reserve funds</b>	<b>17,746,937</b>	<b>17,780,222</b>
	<b>\$ 28,032,256</b>	<b>\$ 24,655,717</b>

(d) The Operating Fund surplus to the Municipality available for the general reduction of taxation or user charges in 2006 has been reduced by an amount of \$132,611 (2005 - \$133,727); transferred to the Reserve for Industrial Development as authorized by Council. Had this transfer not been made the balance would have been \$133,340 (2005 - \$148,930).

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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## 11. Trust funds:

Trust funds administered by the Municipality amounting to \$893,851 (2005 - \$863,135) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

## 12. Pension agreement:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 95 members of its staff and councillors. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions rates for 2006 were 6.0% for employees earning below the year's maximum pensionable earnings and 8.8% on earnings above the year's maximum pensionable earnings.

The amount contributed to OMERS for 2006 was \$343,991 (2005 - \$290,280) for current service and is included as an expenditure on the consolidated statement of financial activities.

Under the past service provisions of OMERS, the Municipality is obligated as at December 31, 2006 for the amount of \$84,697 (2005 - \$94,865) and is currently reflected as part of net long-term liabilities on the "Consolidated Statement of Financial Position".

## 13. Contractual obligations and commitments:

Capital expenditures:

The estimated future capital expenditure commitments based on projects in progress at December 31, 2006 is approximately \$441,500 (2005 - \$161,300) after deducting the expenditure incurred as at December 31, 2006. These projects will be financed by grants, subsidies and long-term liabilities in future year.

Transit services:

The Municipality has a contract for transit services with the St. Catharines Transit Commission at an approximate cost of \$286,000 per year. The contract expired on June 30, 2006 and is to be reviewed annually. The remaining commitment at December 31, 2006 was \$132,000.

Leases:

The Municipality is committed to minimum annual lease payments under various operating leases for office equipment and certain premises. The total commitment for these is \$31,000 at December 31, 2006.

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 13. Contractual obligations and commitments (continued):

Physician recruitment:

The Municipality has committed funds to various physicians in 2007 totalling \$10,000.

## 14. Contingent liabilities:

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

## 15. Contributions to unconsolidated joint boards:

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

	2006	2005
Niagara District Airport Commission	\$ 22,035	\$ 19,981

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

## 16. Classification of expenditure by object:

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

	Budget	2006	2005
Salaries, wages and employee benefits	\$ 6,517,810	\$ 6,798,249	\$ 6,513,976
Operating materials and supplies	503,042	2,476,017	583,036
Contracted services	6,305,532	5,505,874	5,693,310
Rents and financial expenses	313,386	429,494	494,514
External transfers to others	198,500	140,297	147,311
Debt service	408,125	88,229	101,437
Total expenditures by object	\$ 14,246,395	\$ 15,438,160	\$ 13,533,584

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

## 17. Budget figures:

The approved operating budget for 2006 is reflected on the Consolidated Statement Schedule of Operating Fund Activities. Those numbers have not been audited but are presented for information purposes. The budgets established for capital funds, reserves and reserve funds are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, it is not practical to present annualized budget information for these activities.

## 18. Government transfers:

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

	2006	2005
Revenue:		
Ontario grants:		
Community re-investment fund	\$ -	\$ 387,001
Ontario Moves	383,494	-
Downtown revitalization	-	354,020
Ontario Municipal partnership fund	109,751	277,249
Recreation and cultural	116,318	68,524
Transit	-	53,838
Fire	-	61,587
Municipal facilities	-	37,500
Miscellaneous	2,070	2,778
	611,633	1,242,497
Federal grants:		
Transit	70,000	70,000
Cemeteries	20,360	21,252
Gas tax	351,924	-
	442,284	91,252
<b>Total revenues</b>	<b>\$ 1,053,917</b>	<b>\$ 1,333,749</b>
Expenditures:		
Charitable and non-profit organizations	\$ 90,762	\$ 69,830
University	-	20,000
Airport	22,035	19,981
Physician recruitment	27,500	37,500
<b>Total expenditures</b>	<b>\$ 140,297</b>	<b>\$ 147,311</b>

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2006

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## 19. Comparative figures:

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



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## AUDITORS' REPORT - TRUST FUNDS

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

We have audited the statement of financial position of the trust funds of The Corporation of the City of Thorold as at December 31, 2006 and the statement of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the City as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

St. Catharines, Canada  
March 30, 2007

# THE CORPORATION OF THE CITY OF THOROLD

## Statement of Financial Position - Trust Funds

Year ended December 31, 2006

	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care	Total
<b>Assets</b>				
Cash	\$ 203,621	\$ 332,881	\$ 44,421	\$ 580,923
Due from operating fund	-	3,612	-	3,612
Investments (note 2):				
Municipal	94,930	94,930	9,991	199,851
Federal	49,738	49,738	9,989	109,465
	144,668	144,668	19,980	309,316
	\$ 348,289	\$ 481,161	\$ 64,401	\$ 893,851

## Liabilities and Fund Balances

Fund balances	\$ 348,289	\$ 481,161	\$ 64,401	\$ 893,851
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# THE CORPORATION OF THE CITY OF THOROLD

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

Year ended December 31, 2006

	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care	Total
Balance, beginning of year	\$ 332,433	\$ 469,701	\$ 61,001	\$ 863,135
Receipts:				
Marker fees	-	-	3,400	3,400
Sales of crypts/niches	-	11,460	-	11,460
Sale of plots	15,856	-	-	15,856
Interest	14,197	21,860	2,624	38,681
	30,053	33,320	6,024	69,397
Expenditures:				
Contributions to operating fund	14,197	21,860	2,624	38,681
Balance, end of year	\$ 348,289	\$ 481,161	\$ 64,401	\$ 893,851

# THE CORPORATION OF THE CITY OF THOROLD

Notes to Financial Statements - Trust Funds

Year ended December 31, 2006

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## 1. Schedule of accounting policies:

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

Basis of accounting:

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

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

## 2. Investments:

Trust fund investments of \$309,316 (2005 - \$354,316) have an estimated market value of \$311,364 (2005 - \$357,645).



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## AUDITORS' REPORT - SUPPLEMENTARY INFORMATION

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

We have audited and reported herein on the consolidated financial statements of The Corporation of the City of Thorold as at December 31, 2006.

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

*KPMG LLP*

Chartered Accountants

St. Catharines, Canada  
March 30, 2007

# THE CORPORATION OF THE CITY OF THOROLD

## Five Year Financial Review

Year ended December 31, 2006

	2006	2005	2004	2003	2002
<b>Statistics:</b>					
Population	\$ 18,048	\$ 18,048	\$ 18,048	17,307	\$ 17,692
Areas in acres	25,361	25,361	25,361	25,361	25,362
Number of full-time employees	81	80	78	77	77
Number of households	7,743	7,667	7,443	7,483	7,377
<b>Assessment:</b>					
<b>Taxable (000's):</b>					
Residential and farm	1,069,882	902,615	890,263	803,169	753,424
Commercial occupied	111,905	102,890	101,099	96,517	89,538
Commercial vacant	4,617	3,831	3,808	2,514	2,572
Industrial occupied	36,904	34,905	34,798	39,052	33,990
Industrial vacant	6,938	6,456	5,300	5,311	5,658
Large industrial	51,393	47,753	48,513	50,078	53,099
Large industrial vacant	743	1,249	1,939	2,294	2,040
Multi-residential	25,798	21,776	21,757	21,863	20,600
Managed forests	174	260	151	56	33
Farmlands	21,397	18,662	19,487	18,605	15,907
Farmlands awaiting development	-	-	1,517	1,470	-
	<b>\$ 1,329,751</b>	<b>\$ 1,140,397</b>	<b>\$ 1,128,632</b>	<b>\$ 1,040,929</b>	<b>\$ 976,861</b>
Per capita	\$ 73,679	\$ 63,187	\$ 62,535	\$ 60,145	\$ 55,215
Commercial and industrial as a percentage of taxable assessment	15.98%	17.28%	17.32%	18.81%	19.13%
Tax rates	%	%	%	%	%
<b>Residential and farm:</b>					
General municipal	0.452198	0.504939	0.476766	0.478636	0.495623
Region	0.675309	0.760463	0.719737	0.735423	0.753060
Waste management	0.068476	0.073491	0.072379	0.064496	0.066706
Schools	0.264000	0.296000	0.296000	0.335000	0.373000
USA	0.096283	0.110724	0.113010	0.119856	0.128187
	<b>1.556266</b>	<b>1.745617</b>	<b>1.677892</b>	<b>1.733411</b>	<b>1.816576</b>
<b>Commercial occupied:</b>					
General municipal	0.795235	0.839260	0.792432	0.772853	0.800282
Region	1.187600	1.263965	1.196275	1.187490	1.215968
Waste management	0.120424	0.122149	0.120301	0.104142	0.107710
Schools	1.592891	1.741881	1.741881	1.802873	1.905554
USA	0.169323	0.184034	0.187833	0.193532	0.206984
	<b>3.865473</b>	<b>4.151289</b>	<b>4.038722</b>	<b>4.060890</b>	<b>4.236498</b>
<b>Commercial vacant:</b>					
General municipal	0.556664	0.587482	0.554702	0.540997	0.560197
Region	0.831319	0.884775	0.837392	0.831243	0.851177
Waste management	0.084296	0.085505	0.084211	0.072899	0.075397
Schools	1.115024	1.219317	1.219317	1.262011	1.333888
USA	0.118526	0.128824	0.131483	0.135472	0.144888
	<b>2.705829</b>	<b>2.905903</b>	<b>2.827105</b>	<b>2.842622</b>	<b>2.965547</b>

# THE CORPORATION OF THE CITY OF THOROLD

## Five Year Financial Review

Year ended December 31, 2006

	2006	2005	2004	2003	2002
<b>Industrial occupied:</b>					
General municipal	1.248162	1.536964	1.484818	1.543957	1.548240
Region	1.849538	2.244231	2.196715	2.296029	2.483275
Waste management	0.191735	0.228866	0.231888	0.214404	0.224452
Schools	2.634429	3.049612	3.012552	3.035952	3.315625
USA	0.269593	0.344817	0.362060	0.398437	0.431324
	<b>6.193457</b>	<b>7.404490</b>	<b>7.288033</b>	<b>7.488779</b>	<b>8.002916</b>
<b>Industrial vacant:</b>					
General municipal	0.811305	0.999027	0.965132	1.003572	1.006356
Region	1.202201	1.458751	1.427865	1.492418	1.614129
Waste management	0.124627	0.148763	0.150727	0.139363	0.145894
Schools	1.712379	1.982248	1.958159	1.973369	2.155156
USA	0.175235	0.224131	0.235339	0.258984	0.280360
	<b>4.025747</b>	<b>4.812920</b>	<b>4.737222</b>	<b>4.867706</b>	<b>5.201895</b>
<b>Large industrial:</b>					
General municipal	1.248162	1.536964	1.635024	1.700150	1.704868
Region	1.849538	2.244231	2.418937	2.528305	2.734495
Waste management	0.191735	0.228866	0.255346	0.236094	0.247159
Schools	2.634429	3.049612	3.317306	3.343084	3.650475
USA	0.269593	0.344817	0.398687	0.438745	0.474958
	<b>6.193457</b>	<b>7.404490</b>	<b>8.025300</b>	<b>8.246378</b>	<b>8.811955</b>
<b>Large industrial vacant:</b>					
General municipal	0.811305	0.999027	1.062766	1.105097	1.108164
Region	1.202201	1.458751	1.572309	1.643397	1.777422
Waste management	0.124627	0.148763	0.165975	0.153461	0.160653
Schools	1.712379	1.982248	2.156249	2.173005	2.372809
USA	0.175235	0.224131	0.259146	0.285184	0.308723
	<b>4.025747</b>	<b>4.812920</b>	<b>5.216445</b>	<b>5.360144</b>	<b>5.727771</b>
<b>Pipeline:</b>					
General municipal	0.738620	0.718024	0.677961	0.638548	0.661209
Region	1.103051	1.081377	1.023466	0.981127	1.004658
Waste management	0.111849	0.104504	0.102923	0.086044	0.088993
Schools	1.532030	1.541532	1.541532	1.554359	1.644132
USA	0.157269	0.157450	0.160700	0.159900	0.171014
	<b>3.642819</b>	<b>3.602887</b>	<b>3.506582</b>	<b>3.419978</b>	<b>3.570006</b>
<b>Multi-residential:</b>					
General municipal	0.931527	1.059868	1.000731	0.957272	0.991244
Region	1.391136	1.596209	1.510727	1.470848	1.506120
Waste management	0.141063	0.154258	0.151924	0.128992	0.133412
Schools	0.264000	0.296000	0.296000	0.335000	0.373000
USA	0.198343	0.232410	0.237207	0.239712	0.256374
	<b>2.926069</b>	<b>3.338745</b>	<b>3.196589</b>	<b>3.131824</b>	<b>3.260150</b>

# THE CORPORATION OF THE CITY OF THOROLD

## Five Year Financial Review

Year ended December 31, 2006

	2006	2005	2004	2003	2002
<b>Farmlands and managed forests:</b>					
General municipal	0.113049	0.126235	0.119191	0.119659	0.123905
Region	0.168828	0.190116	0.179934	0.183856	0.188265
Waste management	0.017119	0.018373	0.018095	0.016124	0.016677
Schools	0.066000	0.074000	0.074000	0.083750	0.093250
USA	0.024071	0.027681	0.028252	0.029964	0.032047
	0.389067	0.436405	0.419472	0.433353	0.454144
<b>Farmlands:</b>					
General municipal	0.113049	0.126235	0.119191	0.119659	0.123905
Region	0.168828	0.190116	0.179934	0.183856	0.188265
Waste management	0.017119	0.018373	0.018095	0.016124	0.016677
Schools	0.066000	0.074000	0.074000	0.083750	0.093250
USA	0.024071	0.027681	0.028252	0.029964	0.032047
	0.389067	0.436405	0.419472	0.433353	0.454144
<b>Farmland awaiting development:</b>					
General municipal			0.357574	0.358977	
Region			0.539803	0.551568	
Waste management			0.054284	0.048372	
Schools			0.222000	0.251250	
USA			0.084757	0.089892	
			1.258418	1.300059	

# THE CORPORATION OF THE CITY OF THOROLD

## Five Year Financial Review

Year ended December 31, 2006

	2006	2005	2004	2003	2002
Financial (000's) (note 1)					
Revenues:					
Taxation	\$ 8,878	\$ 8,738	\$ 8,381	\$ 8,249	\$ 7,694
Payment in lieu of taxes	152	164	162	177	303
Fees and service charges	5,733	5,783	6,135	4,783	4,847
Canada grants	442	91	92	92	101
Ontario grants	612	1,242	1,187	453	464
Other	4,654	1,677	2,031	2,001	2,032
	<u>\$ 20,471</u>	<u>\$ 17,695</u>	<u>\$ 17,988</u>	<u>\$ 15,755</u>	<u>\$ 15,441</u>
Taxation - Region	\$ 15,648	\$ 15,589	\$ 14,694	\$ 13,746	\$ 13,364
Taxation - School Boards	7,151	7,104	7,191	7,455	7,730
Net long-term liabilities	2,750	410	590	2,267	2,619
Charges for net long-term liabilities	248	282	1,815	540	536
Fund balance to be used to offset taxation or user charges	1	15	117	133	233
Unexpended capital financing (capital operations not yet permanently financed)	(2,293)	(1,796)	(2,195)	(3,687)	(2,643)
Reserves and reserve funds (note 2)	28,032	24,656	24,835	26,157	25,529
Tax arrears:					
Per capita (dollars)	100	60	101	115	96
Percentage of levy	5.67%	3.47%	6.78%	7.51%	6.41%

Note 1:

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

Note 2:

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