



Grant Thornton

Financial Statements of

The Corporation of the City of Thorold

December 31, 2007

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Financial Report

The Corporation of the City of Thorold

2007

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Auditors' report

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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, 2007 and the consolidated statements of financial activities and changes in financial position 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 consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

The comparative figures as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion on those statements in their report dated March 30, 2007.

Grant Thornton LLP

Port Colborne, Ontario
April 11, 2008

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

The Corporation of the City of Thorold

Consolidated Statement of Financial Position

As at December 31

2007

2006

Assets

Financial assets		
Cash (Note 3)	\$ 13,740,921	\$ 11,874,922
Investments (Note 4)	13,175,680	11,903,118
Taxes receivable (Note 5)		
Current year	627,393	850,953
Prior years	998,639	945,624
User charges receivable	1,325,622	3,535,681
Other receivables (Note 6)	<u>401,131</u>	<u>404,391</u>
	<u>30,269,386</u>	<u>29,514,689</u>

Liabilities

Accounts payable and accrued liabilities	2,731,073	3,223,274
Deferred revenue – obligatory reserve funds (Note 7)	426,732	693,460
Deferred revenue – other	35,505	37,154
Post-employment benefits (Note 8)	1,687,400	1,579,186
Landfill liability (Note 9)	3,260,203	2,771,514
Net long term liabilities (Note 10)	<u>2,267,395</u>	<u>2,749,697</u>
	<u>10,408,308</u>	<u>11,054,285</u>
Net financial assets	19,861,078	18,460,404
Physical assets		
Inventory and prepaid expenses	<u>97,564</u>	<u>178,729</u>
Total net assets	<u>\$ 19,958,642</u>	<u>\$ 18,639,133</u>

Municipal position

Fund balances, end of year		
Operating fund (Note 11(a))	\$ 8,498	\$ 729
Capital fund (Note 11(b))	(1,733,634)	(2,293,455)
Reserves and reserve funds (Note 11(c))	<u>28,898,776</u>	<u>28,032,256</u>
	27,173,640	25,739,530
Amounts to be recovered	<u>(7,214,998)</u>	<u>(7,100,397)</u>
Total municipal position	<u>\$ 19,958,642</u>	<u>\$ 18,639,133</u>

Commitments and contingencies (Notes 19 and 20)

Approved by

Chief Administrative Officer

Director of Finance

See accompanying notes to the consolidated financial statements

The Corporation of the City of Thorold

Consolidated Statement of Financial Activities

For the Year Ended December 31, 2007

	Budget <u>2007</u> (Unaudited)	Actual <u>2007</u>	Actual <u>2006</u>
Revenue			
Taxation (Note 12)	\$ 9,379,945	\$ 9,418,100	\$ 9,087,652
User fees and charges (Note 14)	6,086,876	6,778,272	6,055,519
Grants (Note 15)	941,640	1,014,059	1,121,431
Other (Note 16)	<u>836,435</u>	<u>1,899,922</u>	<u>4,264,330</u>
	<u>17,244,896</u>	<u>19,110,353</u>	<u>20,528,932</u>
Expenditures			
Current			
General government	756,328	783,571	952,609
Protection to persons and property	2,646,782	2,657,829	2,512,621
Transportation services	2,444,800	2,450,860	2,149,236
Environmental services	6,149,024	5,746,732	6,585,158
Health services	621,381	622,492	606,369
Social and family services	46,772	43,092	41,229
Recreation and culture services	1,942,304	2,146,086	2,060,900
Planning and development	<u>637,467</u>	<u>563,275</u>	<u>587,568</u>
	<u>15,244,858</u>	<u>15,013,937</u>	<u>15,495,690</u>
Capital			
General government		124,365	3,073,335
Protection to persons and property		125,101	618,196
Transportation services		926,305	1,197,311
Environmental services		1,009,789	1,156,010
Health services		134,352	65,632
Social and family services		5,144	720
Recreation and culture		316,607	236,347
Planning and development		<u>54,080</u>	<u>144,751</u>
		<u>2,695,743</u>	<u>6,492,302</u>
	<u>15,244,858</u>	<u>17,709,680</u>	<u>21,987,992</u>
Net revenues (expenditures)	<u>2,000,038</u>	<u>1,400,673</u>	<u>(1,459,060)</u>

The Corporation of the City of Thorold
Consolidated Statement of Financial Activities

For the Year Ended December 31, 2007

	Budget <u>2007</u> (Unaudited)	Actual <u>2007</u>	Actual <u>2006</u>
Amounts to be recovered			
Landfill liability		488,689	1,812,762
Debt principal repayments	(524,642)	(482,302)	(160,168)
Post-employment benefits		108,214	121,769
Debt issued	<u> </u>	<u> </u>	<u>2,500,000</u>
Increase (decrease) in amounts to be recovered	(524,642)	114,601	4,274,363
Increase (decrease) in physical assets	<u> </u>	<u>(81,164)</u>	<u>49,482</u>
	<u>(524,642)</u>	<u>33,437</u>	<u>4,323,845</u>
Change in fund balances	<u>\$ 1,475,396</u>	<u>\$ 1,434,110</u>	<u>\$ 2,864,785</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Thorold

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

2007

2006

Increase (decrease) in cash and cash equivalents

Operating activities		
Net revenue (expenditures)	\$ 1,400,673	\$ (1,459,060)
Decrease (increase) in taxes receivable	170,545	(706,807)
Increase in accounts receivables	3,260	3,746
Decrease (increase) in user charges receivable	2,210,059	(2,574,088)
Decrease in accounts payable and accrued liabilities	(492,201)	(684,186)
Decrease in deferred revenue – obligatory	(266,728)	(251,465)
Increase (decrease) in deferred revenue – other	(1,649)	37,154
Decrease in other current liabilities		(25,154)
Increase in employee benefit obligations	108,215	121,769
Increase in landfill liability	<u>488,689</u>	<u>1,812,762</u>
	<u>3,620,863</u>	<u>(3,725,329)</u>
Investing activities		
Investments	<u>(1,272,562)</u>	<u>(342,943)</u>
Financing activities		
Long term debt repaid	(482,302)	(160,168)
Debt issued	<u> </u>	<u>2,500,000</u>
	<u>(482,302)</u>	<u>2,339,832</u>
Net increase (decrease) in cash and cash equivalents	1,865,999	(1,728,440)
Cash and cash equivalents		
Beginning of year	<u>11,874,922</u>	<u>13,603,362</u>
End of year	<u>\$ 13,740,921</u>	<u>\$ 11,874,922</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Thorold

Consolidated Statement of Operating Fund Activities

For the Year Ended December 31, 2007

	Budget <u>2007</u> (Unaudited)	Actual <u>2007</u>	Actual <u>2006</u>
Revenue			
Taxation (Note 12)	\$ 9,379,945	\$ 9,418,100	\$ 9,087,652
User fees and charges (Note 14)	6,086,876	6,089,491	5,683,370
Grants (Note 15)	941,640	952,116	685,601
Other (Note 16)	<u>836,435</u>	<u>1,013,715</u>	<u>3,424,799</u>
	<u>17,244,896</u>	<u>17,473,422</u>	<u>18,881,422</u>
Expenditures			
General government	756,328	783,571	952,609
Protection to persons and property	2,646,782	2,657,829	2,512,621
Transportation services	2,444,800	2,450,860	2,149,236
Environmental services	6,149,024	5,746,732	6,585,158
Health services	621,381	622,492	606,369
Social and family services	46,772	43,092	41,229
Recreation and cultural services	1,942,304	2,146,086	2,060,900
Planning and development	<u>637,467</u>	<u>563,275</u>	<u>587,568</u>
	<u>15,244,858</u>	<u>15,013,937</u>	<u>15,495,690</u>
Net revenue	<u>2,000,038</u>	<u>2,459,485</u>	<u>3,385,732</u>
Financing and transfers			
Landfill liability		488,689	1,812,762
Debt principal repayments	(524,642)	(482,302)	(160,168)
Post-employment benefits		108,214	121,769
Increase (decrease) in physical assets		(81,164)	49,482
Transfers to capital fund	(1,206,632)	(1,478,087)	(745,919)
Transfers to reserves and reserve funds	<u>(265,364)</u>	<u>(1,007,066)</u>	<u>(4,478,132)</u>
Net financing and transfers	<u>(1,996,638)</u>	<u>(2,451,716)</u>	<u>(3,400,206)</u>
Change in operating fund	3,400	7,769	(14,474)
Operating fund			
Beginning of year	<u>729</u>	<u>729</u>	<u>15,203</u>
End of year	<u>\$ 4,129</u>	<u>\$ 8,498</u>	<u>\$ 729</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Thorold

Consolidated Statement of Capital Fund Activities

For the Year Ended December 31

	2007	2006
Revenue		
User fees and charges (Note 14)	\$ 688,781	\$ 372,149
Grants (Note 15)	61,943	435,830
Other (Note 16)	<u>46,842</u>	<u>25,580</u>
	<u>797,566</u>	<u>833,559</u>
Expenditures		
General government	124,365	3,073,335
Protection to persons and property	125,101	618,196
Transportation services	926,305	1,197,311
Environmental services	1,009,789	1,156,010
Health services	134,352	65,632
Social and family services	5,144	720
Recreation and culture services	316,607	236,347
Planning and development	<u>54,080</u>	<u>144,751</u>
	<u>2,695,743</u>	<u>6,492,302</u>
Net expenditures	<u>(1,898,177)</u>	<u>(5,658,743)</u>
Financing and transfers		
Debt issued		2,500,000
Transfers from current fund	1,478,087	745,919
Transfers from reserves and reserve funds	<u>979,911</u>	<u>1,915,544</u>
Net financing and transfers	<u>2,457,998</u>	<u>5,161,463</u>
Change in capital fund	559,821	(497,280)
Capital fund		
Beginning of year	<u>(2,293,455)</u>	<u>(1,796,175)</u>
End of year	<u>\$ (1,733,634)</u>	<u>\$ (2,293,455)</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Thorold
Consolidated Statement of Reserves and Reserve Funds

For the Year Ended December 31

2007

2006

Revenue

Other (Note 16) \$ 839,365 \$ 813,951

Transfers

Transfers from current fund 1,007,066 4,478,132

Transfers to capital fund (979,911) (1,915,544)

Total net transfers

27,155 2,562,588

Change in reserves and reserve funds

866,520 3,376,539

Reserves and reserve funds

Beginning of year 28,032,256 24,655,717

End of year \$ 28,898,776 \$ 28,032,256

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

1. Significant accounting policies

The consolidated financial statements of the City of Thorold are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity

- (i) The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position 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

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) 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 the Consolidated Financial Statements

For the Year Ended December 31, 2007

1. Significant accounting policies (continued)

(iii) Inventory

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

(iv) Tangible capital assets

The historical cost and accumulated depreciation for tangible capital assets are not reported for municipal purposes. Tangible capital assets are reported 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

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

(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.

(ix) Fund accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

1. Significant accounting policies (continued)

(x) 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 financial statements.

(xi) Reserves for future expenditures

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenditures. Transfers to and from reserves and reserve funds are reflected as an adjustment to the respective fund.

(xii) 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.

(xiii) Local improvements

The Municipality records capital expenditures funded by local improvement agreements as they are incurred. Revenues are recognized over the term of the local improvement agreements as they are collected.

(xiv) 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).

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

2. Tangible capital assets

Transitional provisions

Effective January 1, 2007, the City adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the City continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the City has preliminary listings for most assets, but has not yet verified or completed the values for those assets. The accumulation of data is currently underway and is expected to be completed by December 31, 2008.

Determination of costs

Tangible capital assets are to be initially recorded at cost. Cost will include all directly attributable expenditures 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. Donated assets are to be capitalized at their estimated fair value upon acquisition. Works of art for display in municipal property are not included as capital assets.

On transition to PS-3150, certain capital assets for which historical cost information is not available, will be recorded at current fair market value discounted by a relevant inflation factor.

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 expected to be presented in the financial statements for the year ended December 31, 2009 and will be calculated on a straight-line basis over the assets' estimated useful lives.

3. Cash and temporary investments

2007

2006

Cash and temporary investments are comprised of:

Cash on hand	\$ 11,757,201	\$ 11,874,922
Temporary investments	<u>1,983,720</u>	<u> </u>
	<u>\$ 13,740,921</u>	<u>\$ 11,874,922</u>

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

4. Investments

Investments reported on the Consolidated Statement of Financial Position have a market value of \$ 13,258,598 (2006 - \$ 12,047,600).

5. 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 \$ 451,295 (2006 - \$ 473,207).

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

6. 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, 2007 was \$ 877,310 (2006 - \$ 640,295).

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

7. 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>2007</u>	<u>2006</u>
Development charges		\$ 506,372
Park land	\$ 152,813	77,281
Tree planting	37,619	36,065
Gas tax	<u>236,300</u>	<u>73,742</u>
	<u>\$ 426,732</u>	<u>\$ 693,460</u>

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

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	<u>\$ 693,460</u>	<u>\$ 944,925</u>
Contributions from		
Development Charges Act and Recreational land (the Planning Act)	246,018	185,435
Interest earned	25,919	41,192
Gas tax grants		
Federal	234,590	175,962
Provincial	<u>253,333</u>	<u>63,612</u>
Total revenue	<u>759,860</u>	<u>466,201</u>
Transfers to operating	(314,304)	(232,919)
Transfers to capital	<u>(712,284)</u>	<u>(484,747)</u>
	<u>(1,026,588)</u>	<u>(717,666)</u>
Balance, end of year	<u>\$ 426,732</u>	<u>\$ 693,460</u>

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

8. Post-employment benefits	<u>2007</u>	<u>2006</u>
Accrued vacation pay	\$ 319,863	\$ 310,587
Accumulated sick leave	596,361	559,267
Post-employment benefits	<u>771,176</u>	<u>709,332</u>
	<u>\$ 1,687,400</u>	<u>\$ 1,579,186</u>

Accrued vacation pay

As at December 31, 2007, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 319,863 (2006 - \$ 310,587). 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, 2007 of \$ 1,367,537 (2006 - \$ 1,268,599) 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, 2007 is \$ 635,100 (2006 - \$ 582,499).

	<u>2007</u>	<u>2006</u>
Accrued benefit obligation, beginning of year	\$ 1,382,578	\$ 1,294,664
Expense for the year	105,277	126,560
Benefits paid during the year	<u>(10,053)</u>	<u>(38,646)</u>
Accrued benefit obligation, end of year	1,477,802	1,382,578
Unamortized actuarial loss	<u>(110,265)</u>	<u>(113,979)</u>
Liability for benefits	<u>\$ 1,367,537</u>	<u>\$ 1,268,599</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.

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 fifteen years; 5% per year thereafter.

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

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

9. 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 2007 budget and inflation adjusted at 2% per annum. These costs were then discounted to December 31, 2007 using a discount rate of 5.3%. Post-closure care is estimated to be required for an indefinite period.

The liability for post-closure care as at December 31, 2007 is \$ 3,260,203 (2006 - \$ 2,771,514). Additional expenditures for post-closure care recorded in 2007 were in the amount of \$ 732,551 (2006 - \$ 2,054,009).

10. Long term debt

	<u>2007</u>	<u>2006</u>
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(a) Total long term liabilities incurred or assumed by the Municipality and outstanding at the end of the year amount to	\$ 73,739	\$ 84,697
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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

	<u>2,193,656</u>	<u>2,665,000</u>
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Net long term liabilities, end of year	<u>\$ 2,267,395</u>	<u>\$ 2,749,697</u>
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(b) Principal repayments in each of the next five years are due as follows:

2008	\$ 332,094
2009	349,002
2010	74,036
2011	533,203
2012	59,513

(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:

	<u>2007</u>	<u>2006</u>
Principal	\$ 482,302	\$ 160,168
Interest	<u>133,389</u>	<u>88,229</u>
	<u>\$ 615,691</u>	<u>\$ 248,397</u>

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

11. Municipal fund balances at the end of the year

(a) Operating fund balance	<u>2007</u>	<u>2006</u>
For general reduction of taxation	\$ 8,949	\$ 5,110
For benefiting landowners, related to special charges and special rates:		
Business Improvement Area	<u>(451)</u>	<u>(4,381)</u>
	<u>\$ 8,498</u>	<u>\$ 729</u>
(b) Capital fund balance		
Acquisition of capital assets to be financed from taxation and user charges	\$ (230,698)	\$ (271,309)
Acquisition of capital assets to be financed from proceeds of long term debt	(889,068)	(945,809)
Acquisition of capital assets to be recovered from proceeds of reserves and reserve funds	(372,375)	(864,462)
Acquisition of capital assets to be recovered from mausoleum crypt sales	(365,632)	(372,142)
Funds available for the acquisition of capital assets	<u>124,139</u>	<u>160,267</u>
	<u>\$ (1,733,634)</u>	<u>\$ (2,293,455)</u>

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

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

(c) Reserves and reserve funds balances	<u>2007</u>	<u>2006</u>
Reserves set aside by Council for specific purposes:		
Municipal development	\$ 373,136	\$ 415,109
Working funds	510,000	510,000
Equipment replacement	898,842	777,524
Accumulated sick leave	635,100	582,499
Computer	41,981	51,620
Election	40,229	26,279
Sewage capital	5,397,702	4,805,878
Water capital	1,222,625	1,190,313
Insurance deductible	166,216	156,334
Swimming pool	74,000	54,000
Contingencies	39,309	39,309
Industrial development	1,084,828	1,102,034
Pay equity	159,931	156,343
Encumbrances	406,536	343,077
Winter control	<u>75,000</u>	<u>75,000</u>
 Total reserves	 <u>11,125,435</u>	 <u>10,285,319</u>
Reserve funds set aside by Council for specific purposes:		
Arena building	258,755	220,554
Library expansion	26,535	25,698
Hydro proceeds	17,168,886	17,180,708
Mausoleum and cemetery improvements	154,418	176,190
Municipal land and building	131,701	122,375
Port Robinson transportation	7,815	7,642
Thorold pre-recreation	23,134	11,760
Thorold South Community Centre building	<u>2,097</u>	<u>2,010</u>
 Total reserve funds	 <u>17,773,341</u>	 <u>17,746,937</u>
	<u>\$ 28,898,776</u>	<u>\$ 28,032,256</u>

- (d) The operating fund surplus to the Municipality available for the general reduction of taxation or user charges in 2007 has been reduced by an amount of \$ 68,399 (2006 - \$ 132,611); transferred to the Reserve for Industrial Development as authorized by Council. Had this transfer not been made the balance would have been \$ 76,897 (2006 - \$ 133,340).

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

12. Taxation	Budget 2007 (Unaudited)	Actual 2007	Actual 2006
Real property		\$ 27,622,520	\$ 27,097,133
From other governments			
Payments in lieu of taxes		<u>1,133,013</u>	<u>1,130,814</u>
		<u>28,755,533</u>	<u>28,227,947</u>
Less: taxation collected on behalf of (Note 13)			
Region of Niagara		12,354,008	12,081,683
School boards		<u>6,983,425</u>	<u>7,058,612</u>
		<u>19,337,433</u>	<u>19,140,295</u>
Net taxes available for municipal purposes		<u>\$ 9,418,100</u>	<u>\$ 9,087,652</u>
Residential, multi-residential and farm	\$ 6,560,157	\$ 6,520,562	\$ 6,280,800
Commercial and industrial	<u>2,819,788</u>	<u>2,897,538</u>	<u>2,806,852</u>
Net taxes available for municipal purposes	<u>\$ 9,379,945</u>	<u>\$ 9,418,100</u>	<u>\$ 9,087,652</u>

13. 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>2007</u>	<u>2006</u>
Region of Niagara (Note 12)	\$ 12,354,008	\$ 12,081,683
School boards	<u>6,983,425</u>	<u>7,058,612</u>
	<u>\$ 19,337,433</u>	<u>\$ 19,140,295</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).

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

14. User fees and charges	Budget 2007 (Unaudited)	Actual 2007	Actual 2006
Current fund			
Fees and service charges	\$ 820,345	\$ 941,508	\$ 931,281
Water charges	2,598,648	2,543,581	2,320,044
Sewer charges	2,482,133	2,403,284	2,221,209
Licences and permits	<u>185,750</u>	<u>201,118</u>	<u>210,836</u>
	<u>6,086,876</u>	<u>6,089,491</u>	<u>5,683,370</u>
Capital fund			
Development charges		688,781	330,747
Special charges			<u>41,402</u>
		<u>688,781</u>	<u>372,149</u>
	<u>\$ 6,086,876</u>	<u>\$ 6,778,272</u>	<u>\$ 6,055,519</u>
<hr/>			
15. Grants	Budget 2007 (Unaudited)	Actual 2007	Actual 2006
Current fund			
Province of Ontario	\$ 615,490	\$ 625,710	\$ 562,778
Government of Canada	296,150	296,612	90,360
Municipal	<u>30,000</u>	<u>29,794</u>	<u>32,463</u>
	<u>941,640</u>	<u>952,116</u>	<u>685,601</u>
Capital fund			
Province of Ontario		19,648	48,911
Government of Canada		32,295	386,919
Municipal		<u>10,000</u>	
		<u>61,943</u>	<u>435,830</u>
	<u>\$ 941,640</u>	<u>\$ 1,014,059</u>	<u>\$ 1,121,431</u>

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

16. Other revenue	Budget 2007 (Unaudited)	Actual 2007	Actual 2006
Current fund			
Penalties and interest on taxes	\$ 395,100	\$ 414,314	\$ 397,493
Fines	23,000	31,049	19,333
Interest income	375,000	507,207	416,908
Rental income	7,035	8,709	7,937
Donations		10,350	13,225
Transfer from cemetery and mausoleum care and maintenance trust funds	36,000	41,072	38,681
Combined sewer lawsuit settlement			2,500,000
Other	<u>300</u>	<u>1,014</u>	<u>31,222</u>
	<u>836,435</u>	<u>1,013,715</u>	<u>3,424,799</u>
Capital fund			
Donations		<u>46,842</u>	<u>25,580</u>
Reserves and reserve funds			
Investment income		839,365	773,839
Sale of land			<u>40,112</u>
		<u>839,365</u>	<u>813,951</u>
	<u>\$ 836,435</u>	<u>\$ 1,899,922</u>	<u>\$ 4,264,330</u>

17. 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 6.5% to 9.6% depending on the proposed retirement age and the level of earnings. As a result \$ 362,527 (2006 - \$ 343,991) was contributed to OMERS for current service, of which \$ 181,264 (2006 - \$ 171,996) represents the employees' portion.

Under the past service provisions of OMERS, the Municipality is obligated as at December 31, 2007 for the amount of \$ 73,739 (2006 - \$ 84,697) and is currently reflected as part of net long term liabilities on the Consolidated Statement of Financial Position.

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

18. Trust funds

Trust funds administered by the Municipality amounting to \$ 923,462 (2006 - \$ 893,851) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

19. Contractual obligations and commitments

Capital expenditures

The estimated future capital expenditure commitments based on projects in progress at December 31, 2007 is approximately \$ 4,279,100 (2006 - \$ 441,500) after deducting the expenditure incurred as at December 31, 2007. 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 \$ 335,000 per year. The contract expires on June 30, 2008 and is to be reviewed annually. The remaining commitment at December 31, 2007 was \$167,500 (2006 - \$ 132,000).

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:

2008	\$ 12,185
2009	5,176
2010	5,176
2011	5,176
2012	550

Physician recruitment

The Municipality has entered into agreements with local physicians in relation to their establishing of a practice in the Municipality. Payments to various physicians for the next year will be \$ 10,000.

Hospital

The Municipality has a commitment to the Niagara Health System for funding of a new hospital in the amount of \$ 4.3 million to be funded from taxes over a term not to exceed thirty years. A levy of \$ 296,000 will commence in 2008. A payment schedule to Niagara Health System is to be negotiated in 2008.

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

20. Contingencies

The City is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the City 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.

21. Contributions to unconsolidated joint boards

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

	<u>2007</u>	<u>2006</u>
Niagara District Airport Commission	\$ <u>20,511</u>	\$ <u>22,035</u>

The Municipality ceased participation in the Airport in 2008.

22. Classification of expenditure by object

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

	<u>2007</u>	<u>2006</u>
Salaries, wages and employee benefits	\$ 7,251,700	\$ 6,798,249
Operating materials and supplies	572,030	663,308
Contracted services	6,371,197	7,318,639
Rents and financial expenses	588,968	486,968
External transfers to others	96,655	140,297
Debt service	133,387	88,229
Capital expenditures	<u>2,695,743</u>	<u>6,492,302</u>
Total expenditures by object	<u>\$ 17,709,680</u>	<u>\$ 21,987,992</u>

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

23. 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 Statement of Financial Activities are:

	<u>2007</u>	<u>2006</u>
Revenue		
Ontario grants		
Ontario Moves		\$ 383,494
Ontario Municipal partnership fund	\$ 387,000	109,751
Recreation and cultural	82,053	116,318
Transit	172,425	
Miscellaneous	<u>3,880</u>	<u>2,126</u>
	<u>645,358</u>	<u>611,689</u>
Federal grants		
Transit	70,000	70,000
Cemeteries	22,462	20,360
Gas tax	<u>236,445</u>	<u>386,919</u>
	<u>328,907</u>	<u>477,279</u>
	<u>\$ 974,265</u>	<u>\$ 1,088,968</u>
Expenditures		
Charitable and non-profit organizations	\$ 66,144	\$ 90,762
Airport	20,511	22,035
Physician recruitment	<u>10,000</u>	<u>27,500</u>
	<u>\$ 96,655</u>	<u>\$ 140,297</u>

24. Budget figures

The approved operating budget for 2007 is reflected on the Consolidated Statement 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.

The Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

25. Financial instruments

The City's financial instruments consist of cash, taxes receivable, accounts receivable, temporary and long term investments, bank indebtedness, accounts payable, accrued liabilities, other liabilities and long term debt. It is management's opinion that the City 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.

26. Comparative figures

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



Grant Thornton

Auditors' report

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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, 2007 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, 2007 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Port Colborne, Ontario
April 11, 2008

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

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

As at December 31, 2007

	<u>Total</u>	<u>Cemetery Care and Maintenance</u>	<u>Mausoleum Care and Maintenance</u>	<u>Monument and Marker Care</u>
Assets				
Cash	\$ 611,339	\$ 208,245	\$ 345,432	\$ 57,662
Due from operating fund	2,802		2,802	
Investments (Note 2)	<u>309,321</u>	<u>149,666</u>	<u>149,666</u>	<u>9,989</u>
	<u>\$ 923,462</u>	<u>\$ 357,911</u>	<u>\$ 497,900</u>	<u>\$ 67,651</u>
Fund Balances	<u>\$ 923,462</u>	<u>\$ 357,911</u>	<u>\$ 497,900</u>	<u>\$ 67,651</u>

See accompanying notes to the financial statements

**The Corporation of the City of Thorold
Trust Funds**

Statement of Financial Activities and Changes in Fund Balances

For the Year Ended December 31, 2007

	<u>Total</u>	<u>Cemetery Care and Maintenance</u>	<u>Mausoleum Care and Maintenance</u>	<u>Monument and Marker Care</u>
Balance, beginning of year	<u>\$ 893,851</u>	<u>\$ 348,289</u>	<u>\$ 481,161</u>	<u>\$ 64,401</u>
Receipts				
Marker fees	3,250			3,250
Sales of crypts/niches	16,739		16,739	
Sale of plots	9,622	9,622		
Interest	<u>40,810</u>	<u>15,987</u>	<u>21,761</u>	<u>3,062</u>
	<u>70,421</u>	<u>25,609</u>	<u>38,500</u>	<u>6,312</u>
Expenditures				
Contributions to operating fund	<u>40,810</u>	<u>15,987</u>	<u>21,761</u>	<u>3,062</u>
Balance, end of year	<u>\$ 923,462</u>	<u>\$ 357,911</u>	<u>\$ 497,900</u>	<u>\$ 67,651</u>

See accompanying notes to the financial statements

**The Corporation of the City of Thorold
Trust Funds
Notes to the Financial Statements**

For the Year Ended December 31, 2007

1. Accounting policies

(a) Basis of accounting

Income and capital receipts are reported on the cash basis.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which 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.

(b) Investments

Investments are recorded at cost.

2. Investments

Trust fund investments of \$ 309,321 (2006 - \$ 309,316) have an estimated market value of \$ 312,057 (2006 - \$ 311,364).



Grant Thornton

Financial Statements

Thorold Public Library Board

December 31, 2007

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Grant Thornton

Auditors' report

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To the Board Members, 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 **Thorold Public Library Board** as at December 31, 2007 and the consolidated statements of financial activities, continuity of the funds and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the library's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as explained in the following paragraph, 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 consolidated 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.

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 Public Library Board and we were not able to determine whether any adjustments might be necessary to donations and other revenue, net revenues, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we may have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Thorold Public Library Board as at December 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

The comparative figures as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion on those statements in their report dated March 30, 2007.

Grant Thornton LLP

Port Colborne, Ontario
April 9, 2008

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

Thorold Public Library Board Consolidated Statement of Financial Position

As at December 31

2007

2006

Assets

Financial assets

Cash	\$ 14,470	\$ 25,671
Investments, at cost which approximates market	161,007	169,838
Receivables	4,761	6,400
Due from City of Thorold	<u>2,498</u>	<u> </u>
	<u>\$ 182,736</u>	<u>\$ 201,909</u>

Liabilities

Payables and accruals	\$ 33,984	\$ 32,270
Due to City of Thorold		4,368
Deferred revenue	30,352	32,000
Future employment benefits (Note 3)	<u>118,606</u>	<u>112,160</u>
	<u>182,942</u>	<u>180,798</u>

Library position

Current fund	8,950	5,110
Capital fund	28,579	54,208
Reserves and reserve funds	<u>80,871</u>	<u>73,953</u>
Fund balances	118,400	133,271
Amounts to be recovered	<u>(118,606)</u>	<u>(112,160)</u>
	<u>206</u>	<u>21,111</u>
	<u>\$ 182,736</u>	<u>\$ 201,909</u>

On behalf of the Board

See accompanying notes to the consolidated financial statements

Thorold Public Library Board

Consolidated Statement of Financial Activities

For the Year Ended December 31, 2007

	Budget <u>2007</u> (Unaudited)	Actual <u>2007</u>	Actual <u>2006</u>
Revenue			
Municipal contribution	\$ 458,500	\$ 458,500	\$ 423,000
Development charges	15,000	15,000	10,000
Grants (Note 5)	64,400	54,764	74,408
Other (Note 6)	<u>28,800</u>	<u>28,567</u>	<u>31,123</u>
	<u>566,700</u>	<u>556,831</u>	<u>538,531</u>
Expenditures			
Salaries, wages and benefits (Note 7)	387,500	383,743	363,456
Administration	15,700	18,513	12,706
Books, periodicals and newspapers	65,700	63,226	65,219
Insurance	3,600	3,839	3,814
Programs	2,000	2,013	1,813
Repairs and maintenance	25,300	26,028	21,956
Service contracts	11,000	5,760	10,316
Supplies	7,300	7,129	5,667
Utilities	25,600	23,299	22,248
Capital	<u>65,000</u>	<u>44,598</u>	<u>57,742</u>
	<u>608,700</u>	<u>578,148</u>	<u>564,937</u>
Net expenditures	(42,000)	(21,317)	(26,406)
Increase in amounts to be recovered	<u> </u>	<u>6,446</u>	<u>18,341</u>
Change in fund balances	<u>\$ (42,000)</u>	<u>\$ (14,871)</u>	<u>\$ (8,065)</u>

See accompanying notes to the consolidated financial statements.

Thorold Public Library Board

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

2007

2006

Increase (decrease) in cash and cash equivalents

Operating activities		
Net expenditures	\$ (21,317)	\$ (26,406)
Decrease (increase) in receivables	1,639	(2,429)
Decrease (increase) in due from City of Thorold	(6,866)	3,818
Increase in payables and accruals	1,714	20,091
Increase (decrease) in deferred revenue	(1,648)	32,000
Increase in post-employment benefits	<u>6,446</u>	<u>18,341</u>
	<u>(20,032)</u>	<u>45,415</u>
Investing activities		
Increase (decrease) in investments	<u>8,831</u>	<u>(39,416)</u>
Net increase (decrease) in cash and cash equivalents	(11,201)	5,999
Cash and cash equivalents		
Beginning of year	<u>25,671</u>	<u>19,672</u>
End of year	<u>\$ 14,470</u>	<u>\$ 25,671</u>

See accompanying notes to the consolidated financial statements.

Thorold Public Library Board

Schedule of Current Fund Activities

For the Year Ended December 31, 2007

	Budget 2007 (Unaudited)	Actual 2007	Actual 2006
Revenue			
Municipal contribution	\$ 448,500	\$ 448,500	\$ 413,000
Development charges	15,000	15,000	10,000
Grants (Note 5)	32,400	35,116	35,408
Other (Note 6)	<u>28,800</u>	<u>27,232</u>	<u>30,334</u>
	<u>524,700</u>	<u>525,848</u>	<u>488,742</u>
Expenditures			
Salaries, wages and benefits (Note 7)	387,500	383,743	363,456
Administration	15,700	18,513	12,706
Books, periodicals and newspapers	65,700	63,226	65,219
Insurance	3,600	3,839	3,814
Programs	2,000	2,013	1,813
Repairs and maintenance	25,300	26,028	21,956
Service contracts	11,000	5,760	10,316
Supplies	7,300	7,129	5,667
Utilities	<u>25,600</u>	<u>23,299</u>	<u>22,248</u>
	<u>543,700</u>	<u>533,550</u>	<u>507,195</u>
Net expenditures	<u>(19,000)</u>	<u>(7,702)</u>	<u>(18,453)</u>
Financing and transfers			
Transfers from (to) capital fund	39,000	10,679	(3,421)
Transfer to reserves and reserve funds	(2,000)	(5,583)	(5,240)
Increase in future employment benefits	<u> </u>	<u>6,446</u>	<u>18,341</u>
Net financing and transfers	<u>37,000</u>	<u>11,542</u>	<u>9,680</u>
Change in current fund	18,000	3,840	(8,773)
Current fund balance			
Beginning of year	<u>5,110</u>	<u>5,110</u>	<u>13,883</u>
End of year	<u>\$ 23,110</u>	<u>\$ 8,950</u>	<u>\$ 5,110</u>

See accompanying notes to the consolidated financial statements.

Thorold Public Library Board Schedule of Capital Fund Activities

For the Year Ended December 31, 2007

	Budget <u>2007</u> (Unaudited)	Actual <u>2007</u>	Actual <u>2006</u>
Revenue			
Municipal contribution	\$ 10,000	\$ 10,000	\$ 10,000
Grants (Note 5)	<u>32,000</u>	<u>19,648</u>	<u>39,000</u>
	42,000	29,648	49,000
Expenditures			
Furniture, fixtures and equipment	<u>65,000</u>	<u>44,598</u>	<u>57,742</u>
Net expenditures	(23,000)	(14,950)	(8,742)
Transfers from (to) current fund	<u> </u>	<u>(10,679)</u>	<u>3,421</u>
Change in capital fund balance	(23,000)	(25,629)	(5,321)
Capital fund balance			
Beginning of year	<u>54,208</u>	<u>54,208</u>	<u>59,529</u>
End of year	<u>\$ 31,208</u>	<u>\$ 28,579</u>	<u>\$ 54,208</u>

See accompanying notes to the consolidated financial statements.

Thorold Public Library Board

Schedule of Reserves and Reserve Funds Activities

For the Year Ended December 31, 2007

	<u>Actual 2007</u>	<u>Actual 2006</u>
Revenue		
Interest	\$ 1,335	\$ 789
Transfers		
Transfer from current fund	<u>5,583</u>	<u>5,241</u>
Change in reserves and reserve funds	6,918	6,030
Reserves and reserve funds		
Beginning of year	<u>73,953</u>	<u>67,923</u>
End of year	<u>\$ 80,871</u>	<u>\$ 73,953</u>
<hr/>		
Reserves and reserve funds consist of:		
Reserves set aside for specific purposes		
Sick pay reserve	\$ 25,211	\$ 22,610
Pay equity reserve	<u>31,623</u>	<u>28,040</u>
	56,834	50,650
Reserve funds set aside for specific purposes		
Expansion fund	<u>24,037</u>	<u>23,303</u>
	<u>\$ 80,871</u>	<u>\$ 73,953</u>

See accompanying notes to the consolidated financial statements.

Thorold Public Library Board

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

1. Significant accounting policies

The consolidated financial statements of the Thorold Public Library Board are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the board are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the Thorold Public Library Board.

(b) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Tangible capital assets

The historical cost and accumulated depreciation for tangible capital assets are not reported for municipal purposes. Tangible capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

(e) Reserves for future expenditures

Certain amounts, as approved by the board, are set aside in reserves for future operating and capital expenditures. Transfers to and from reserves are reflected as an adjustment to the respective fund.

(f) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect 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 expenditures during the reporting period. Actual results could differ from those estimates.

Thorold Public Library Board

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

2. Tangible capital assets

Transitional provisions

Effective January 1, 2007, the Library adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the Library continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the Library has completed a listing of assets, but has not yet completed the values for those assets. The accumulation of data is currently underway and is expected to be completed by December 31, 2008.

Determination of costs

Tangible capital assets are to be initially recorded at cost. Cost will include all directly attributable expenditures 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. Donated assets are to be capitalized at their estimated fair value upon acquisition. Works of art for display in municipal property are not included as capital assets.

On transition to PS-3150, certain capital assets for which historical cost information is not available, will be recorded at current fair market value discounted by a relevant inflation factor.

The Library will not capitalize interest as part of the costs of its capital assets.

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 expected to be presented in the consolidated financial statements for the year ended December 31, 2009 and will be calculated on a straight-line basis over the assets' estimated useful lives.

Thorold Public Library Board

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

3. Future employment benefits	<u>2007</u>	<u>2006</u>
Accrued vacation pay	\$ 13,206	\$ 12,046
Accumulated sick leave	69,729	65,546
Post-employment benefits	<u>35,671</u>	<u>34,568</u>
	<u>\$ 118,606</u>	<u>\$ 112,160</u>

(a) Accrued vacation pay

As at December 31, 2007, employees of the Library have accumulated vacation pay credits in the amount of \$ 13,207 (2006 - \$ 12,046). 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 6%. A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2007 is \$ 25,211 (2006 - \$ 22,610).

	<u>2007</u>	<u>2006</u>
Defined benefit plan information:		
Employment benefit plan liabilities	\$ 138,661	\$ 135,896
Unamortized net actuarial loss	<u>33,261</u>	<u>35,782</u>
Employee benefit plan deficit	<u>\$ 105,400</u>	<u>\$ 100,114</u>
Accrued benefit obligation, beginning of year	\$ 100,144	\$ 81,773
Expense for the year	5,289	18,374
Benefits paid during the year	<u>(33)</u>	<u>(33)</u>
Accrued benefit obligation, end of year	<u>\$ 105,400</u>	<u>\$ 100,114</u>

The accrued benefit obligation at the end of the year consists of the following:

Accumulated sick leave	\$ 69,729	\$ 65,546
Other post-employment	<u>35,671</u>	<u>34,568</u>
	<u>\$ 105,400</u>	<u>\$ 100,114</u>

Thorold Public Library Board

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

3. Future employment benefits (continued)

The main actuarial assumptions employed for the valuation are as follows:

General inflation – Future general inflation levels, as measured by changes in the consumer price index (CPI), were assumed at 4% in 2004 and thereafter.

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

Medical costs – Medical costs were assumed to increase at 10% per year reducing to 5% per year over fifteen 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.

4. Budgets

The Library does not prepare a budget for the reserve and reserve funds.

5. Grants	Budget <u>2007</u> (Unaudited)	Actual <u>2007</u>	Actual <u>2006</u>
Current fund			
Province of Ontario			
Unconditional grant	\$ 29,700	\$ 29,684	\$ 29,684
Pay equity	2,700	2,744	2,744
Federal			
HRDC summer student	<u> </u>	<u>2,688</u>	<u>2,980</u>
	<u>32,400</u>	<u>35,116</u>	<u>35,408</u>
Capital fund			
Province of Ontario			
Trillium Foundation	11,000	11,000	39,000
Literacy	21,000	6,286	
Quality of Life	<u> </u>	<u>2,362</u>	<u> </u>
	<u>32,000</u>	<u>19,648</u>	<u>39,000</u>
	<u>\$ 64,400</u>	<u>\$ 54,764</u>	<u>\$ 74,408</u>

Thorold Public Library Board

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007

6. Other revenue	Budget 2007 (Unaudited)	Actual 2007	Actual 2006
Current fund			
Fines and fees	\$ 19,800	\$ 16,247	\$ 19,625
Interest	1,000	4,289	2,480
Photocopier fees	1,600	1,591	1,560
Miscellaneous	<u>6,400</u>	<u>5,105</u>	<u>6,669</u>
	28,800	27,232	30,334
Reserves and reserve funds			
Interest	<u> </u>	<u>1,335</u>	<u>789</u>
	<u>\$ 28,800</u>	<u>\$ 28,567</u>	<u>\$ 31,123</u>

7. Salaries, wages and benefits	Budget 2007 (Unaudited)	Actual 2007	Actual 2006
Salaries and wages	\$ 325,500	\$ 320,271	\$ 297,901
Benefits	<u>62,000</u>	<u>63,472</u>	<u>65,555</u>
	<u>\$ 387,500</u>	<u>\$ 383,743</u>	<u>\$ 363,456</u>

8. Pension agreements

The Board contributes 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 6.5% to 9.6% depending on the proposed retirement age and the level of earnings. As a result \$ 16,170 (2006 - \$ 16,261) was contributed to OMERS for current service, of which \$ 8,085 (2006 - \$ 8,131) represents the employees' portion.

9. Financial instruments

The board's financial instruments consist of cash, accounts receivable, investments, accounts payable and amounts due to related parties. It is management's opinion that the board 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.



Financial Report

Thorold Business Improvement Area

2007

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Grant Thornton

Auditors' report

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

We have audited the statement of financial position of the **Thorold Business Improvement Area** as at December 31, 2007 and the statements of financial activities for the year then ended. These financial statements are the responsibility of the improvement area'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 Thorold Business Improvement Area as at December 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion on those statements in their report dated March 30, 2007.

Grant Thornton LLP

Port Colborne, Ontario
March 18, 2008

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

**Thorold Business Improvement Area
Statement of Financial Position**

December 31	2007	2006
Liabilities		
Current		
Payables and accruals	\$ 451	\$ 4,380
Fund balance		
Operating fund	<u>(451)</u>	<u>(4,380)</u>
	<u>\$ Nil</u>	<u>\$ Nil</u>

On behalf of the Board

See accompanying notes to the financial statements.

Thorold Business Improvement Area Statement of Financial Activities

Year Ended December 31, 2007

	Budget <u>2007</u> (Unaudited)	<u>2007</u>	<u>2006</u>
Revenue			
Requisition from City of Thorold			
Original	\$ 28,400	\$ 28,400	\$ 22,500
Supplementals		293	38
Taxes written off	<u> </u>	<u>(158)</u>	<u>(34)</u>
	<u>28,400</u>	<u>28,535</u>	<u>22,504</u>
Expenditures			
Administration	6,000	5,708	5,695
Advertising and promotion	5,000	4,367	5,104
Maintenance	<u>14,000</u>	<u>14,531</u>	<u>17,405</u>
	<u>25,000</u>	<u>24,606</u>	<u>28,204</u>
Change in operating fund	3,400	3,929	(5,700)
Operating fund balance, beginning of year	<u>(4,380)</u>	<u>(4,380)</u>	<u>1,320</u>
Operating fund balance, end of year	<u>\$ (980)</u>	<u>\$ (451)</u>	<u>\$ (4,380)</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Notes to the Financial Statements

December 31, 2007

Organization

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

1. Significant accounting policies

The financial statements of the Thorold Business Improvement Area ("BIA") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(b) Tangible capital assets

The historical cost and accumulated depreciation for tangible capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the statement of financial activities in the year of acquisition.

(c) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect 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 expenditures during the reporting period. Actual results could differ from those estimates.

2. Tangible capital assets

Transitional provisions

Effective January 1, 2007, the BIA adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the BIA continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the BIA had not completed a listing of assets, nor completed the values for those assets. The accumulation of data is currently underway and is expected to be completed by December 31, 2008.

Thorold Business Improvement Area

Notes to the Financial Statements

December 31, 2007

2. Tangible capital assets (continued)

Determination of costs

Tangible capital assets are to be initially recorded at cost. Cost will include all directly attributable expenditures 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. Donated assets are to be capitalized at their estimated fair value upon acquisition. Works of art for display in municipal property are not included as capital assets.

On transition to PS-3150, certain capital assets for which historical cost information is not available, will be recorded at current fair market value discounted by a relevant inflation factor.

The BIA will not capitalize interest as part of the costs of its capital assets.

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 expected to be presented in the financial statements for the year ended December 31, 2009 and will be calculated on a straight-line basis over the assets' estimated useful lives.

3. 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.

4. Financial instruments

The organization's financial instruments consist of cash, accounts receivable and accounts payable. It is management's opinion that the organization 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.