



Consolidated Financial Statements of

**THE CORPORATION OF
THE CITY OF THOROLD**

Year ended December 31, 2005

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Financial Statements and Supplementary Information

December 31, 2005

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KPMG LLP
Chartered Accountants
One St. Paul Street Suite 901
PO Box 1294 Stn Main
St. Catharines ON L2R 7A7

Telephone (905) 685-4811
Fax (905) 682-2008
Internet www.kpmg.ca

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, 2005 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, 2005 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 31, 2006

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Financial Position

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Financial assets:		
Cash	\$ 13,603,362	\$ 11,213,559
Investments (note 3)	11,560,175	11,231,115
Taxes receivable (note 4)		
Current year	404,540	1,312,450
Prior years	685,230	506,546
Accounts receivable (note 5)	408,137	1,206,868
User charges receivable	961,593	865,867
	<u>27,623,037</u>	<u>26,336,405</u>
Liabilities		
Accounts payable and accrued liabilities	3,907,460	3,048,439
Deferred revenue – obligatory reserve funds (note 6)	768,963	655,476
Deferred revenue – other	175,962	-
Other current liabilities	25,154	5,154
Post-employment benefits (note 7)	1,457,417	1,326,580
Landfill liability (note 8)	958,752	1,195,262
Net long-term liabilities (note 9)	409,865	590,170
	<u>7,703,573</u>	<u>6,821,081</u>
Net financial assets	19,919,464	19,515,324
Physical assets:		
Inventory and prepaid expenses	129,247	130,519
Total net assets	<u>\$ 20,048,711</u>	<u>\$ 19,645,843</u>
Municipal Position		
Fund balances end of year:		
Operating fund (note 10(a))	\$ 15,203	\$ 117,409
Capital fund (note 10(b))	(1,796,175)	(2,194,679)
Reserves and reserve funds (note 10(c))	24,655,717	24,835,125
	<u>22,874,745</u>	<u>22,757,855</u>
Amounts to be recovered	(2,826,034)	(3,112,012)
Total municipal position	<u>\$ 20,048,711</u>	<u>\$ 19,645,843</u>

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Financial Activities

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Taxation and user charges:		
Taxation (note 4)	\$ 8,901,691	\$ 8,542,767
User fees and charges	5,782,800	6,135,531
	<u>14,684,491</u>	<u>14,678,298</u>
Grants:		
Government of Canada grants	91,252	91,525
Province of Ontario grants	1,242,497	1,187,293
Other municipal grants	39,066	45,194
	<u>1,372,815</u>	<u>1,324,012</u>
Other:		
Development levies earned	112,481	549,038
Interest and penalties	390,609	471,735
Investment income	998,925	874,372
Transfer from cemetery and mausoleum care and maintenance trust funds	34,144	26,458
Donations	36,595	54,766
Sundry	65,506	9,309
	<u>1,638,260</u>	<u>1,985,678</u>
Total revenues	17,695,566	17,987,988
Expenditures:		
General government	858,328	798,449
Protection to persons and property	2,852,047	2,662,322
Transportation services	3,173,193	2,798,838
Environmental services	6,569,974	5,846,859
Health services	638,424	658,187
Social and family services	44,039	38,770
Recreation and cultural services	2,385,331	2,075,001
Planning and development	720,336	1,475,291
Other	49,754	64,015
	<u>17,291,426</u>	<u>16,417,732</u>
Net revenue	404,140	1,570,256
Amounts to be recovered:		
Landfill liability	(236,510)	174,029
Debt principal repayments	(180,305)	(1,676,526)
Post-employment benefits	130,837	136,890
Increase (decrease) in amounts to be recovered	(285,978)	(1,365,607)
	<u>118,162</u>	<u>204,649</u>
Decrease in physical assets	(1,272)	(49,735)
Change in fund balances	\$ 116,890	\$ 154,914

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Operations:		
Net revenue	\$ 404,140	\$ 1,570,256
Sources and uses of cash:		
Taxes receivable	729,226	166,887
Accounts receivable	798,731	(908,095)
User charges receivable	(95,726)	(155,130)
Accounts payable and accrued liabilities	859,021	(409,861)
Deferred revenue - obligatory reserve funds	113,487	(46,439)
Deferred revenue - other	175,962	-
Other current liabilities	20,000	-
Post-employment benefits	130,837	136,890
Landfill liability	(236,510)	174,029
	2,495,028	(1,041,719)
Net increase in cash from operations	2,899,168	528,537
Investing:		
Investments	(329,060)	(1,508,436)
Financing:		
Long-term debt repaid	(180,305)	(1,676,526)
Increase (decrease) in cash	2,389,803	(2,656,425)
Cash, beginning of year	11,213,559	13,869,984
Cash, end of year	\$ 13,603,362	\$ 11,213,559

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Operating Fund Activities

Year ended December 31, 2005, with comparative figures for 2004

	Budget	2005	2004
Revenues:			
Taxation and user charges:			
Taxation	\$ 8,882,968	\$ 8,901,691	\$ 8,542,767
User fees and charges	5,575,945	5,667,090	5,335,507
	14,458,913	14,568,781	13,878,274
Grants:			
Government of Canada grants	92,200	91,252	91,525
Province of Ontario grants	478,744	845,157	462,184
Other municipal grants	41,700	39,066	45,194
	612,644	975,475	598,903
Other:			
Interest and penalties	429,200	390,609	471,735
Investment income	245,400	296,450	200,433
Transfer from cemetery and mausoleum care and maintenance trust funds	32,000	34,144	26,458
Donations	-	19,834	7,670
Other	-	7,927	9,309
	706,600	748,964	715,605
Total revenues	15,778,157	16,293,220	15,192,782
Expenditures:			
General government	678,102	705,703	667,882
Protection to persons and property	2,401,142	2,466,710	2,360,663
Transportation services	2,166,852	2,151,760	2,118,756
Environmental services	4,949,309	4,999,195	4,735,804
Health services	592,767	604,652	632,121
Social and family services	43,442	42,111	38,770
Recreation and cultural services	1,909,047	2,072,278	1,962,178
Planning and development	403,440	441,421	360,910
Other	-	49,754	64,015
	13,144,101	13,533,584	12,941,099
Net revenues	2,634,056	2,759,636	2,251,683
Financing and transfers:			
Landfill liability		(211,509)	(30,214)
Debt principal repayments	(180,305)	(180,305)	(1,676,526)
Post-employment benefits	-	130,836	136,890
Decrease in physical assets	-	(1,272)	(49,735)
Transfers to other funds	(2,552,014)	(2,599,592)	(647,593)
Net financing and transfers	(2,732,319)	(2,861,842)	(2,267,178)
Change in operating fund	(98,263)	(102,206)	(15,495)
Operating fund, beginning of year	117,409	117,409	132,904
Operating fund, end of year	\$ 19,146	\$ 15,203	\$ 117,409

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Capital Fund Activities

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Province of Ontario grants	\$ 397,340	\$ 725,109
User charges	115,710	800,024
Development levies earned	112,481	549,038
Donations	16,761	47,096
Other recoveries	57,579	-
Total revenues	699,871	2,121,267
Expenditures:		
General government	152,625	130,567
Protection to persons and property	385,337	301,659
Transportation services	1,021,433	680,082
Environmental services	1,570,779	1,111,055
Health services	33,772	26,066
Recreation and cultural services	313,053	112,823
Planning and development	278,915	1,114,381
Social and family planning	1,928	-
	3,757,842	3,476,633
Net expenditures	(3,057,971)	(1,355,366)
Financing and transfers:		
Landfill liability	(25,000)	204,243
Transfers from other funds	3,481,475	2,643,570
Net financing and transfers	3,456,475	2,847,813
Change in capital fund	398,504	1,492,447
Capital fund, beginning of year	(2,194,679)	(3,687,126)
Capital fund, end of year	\$ (1,796,175)	\$ (2,194,679)

THE CORPORATION OF THE CITY OF THOROLD

Consolidated Statement of Reserves and Reserve Funds

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Investment income	\$ 702,475	\$ 673,939
Financing and transfers:		
Transfers to other funds	(881,883)	(1,995,977)
Change in reserve and reserve funds	(179,408)	(1,322,038)
Reserves and reserve funds, beginning of year	24,835,125	26,157,163
Reserves and reserve funds, end of year	\$ 24,655,717	\$ 24,835,125

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements

Year ended December 31, 2005

1. Significant accounting policies:

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

(a) Basis of consolidation:

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

Public Library Board
Business Improvement Area

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

- (ii) Non-consolidated entities:

The following joint local board is not consolidated:

Niagara District Airport Commission (Joint Board)

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

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

- (iv) Trust funds:

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

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

1. Significant accounting policies (continued):

(b) Basis of accounting:

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

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

- (ii) Investments:

Investments are carried at cost.

- (iii) Inventory:

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

- (iv) Capital assets:

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

- (v) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

- (vi) Deferred revenue – obligatory reserve funds:

Funds received for specific purposes are accounted for as deferred revenue – obligatory reserve funds until the Municipality discharges the obligation which led to the receipt of the funds.

- (vii) Investment income:

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

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

1. Significant accounting policies (continued):

(viii) Use of estimates:

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

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

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

	School Boards		Region	
	2005	2004	2005	2004
Taxation and user charges	\$ 7,104,376	\$ 7,190,648	\$ 15,589,274	14,693,877
Requisitions	7,104,376	7,190,648	15,589,274	14,693,877
Overlevies (underlevies) for the year		-	-	-
Overlevies (underlevies), beginning of year	(4)	(4)	2	2
Overlevies (underlevies), end of year	\$ (4)	\$ (4)	\$ 2	\$ 2

3. Investments:

Investments reported on the "Consolidated Statement of Financial Position" have a market value of \$11,852,000 (\$11,529,000 – 2004).

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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 \$383,013 (\$509,265 – 2004).

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, 2005 was \$635,716 (\$660,357 – 2004).

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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.

	2005	2004
Development charges	\$ 672,361	\$ 535,077
Park land	61,914	59,675
Tree planting	34,688	33,805
Gasoline tax	-	26,919
	<u>\$ 768,963</u>	<u>\$ 655,476</u>

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

	2005	2004
Balance, beginning of year	\$ 655,476	\$ 701,915
Contributions from:		
Development Charges Act	203,732	424,685
Recreational land (the Planning Act)	3,813	31,245
Gasoline tax	-	26,919
Interest earned	18,423	19,750
Total revenue	<u>225,968</u>	<u>502,599</u>
Transfers to operating	(20,000)	(444,270)
Transfers to capital	(92,481)	(104,768)
Balance, end of year	<u>\$ 768,963</u>	<u>\$ 655,476</u>

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

7. Post-employment benefits:

	2005	2004
Accrued vacation pay	\$ 287,611	\$ 242,920
Accumulated sick leave	524,037	489,933
Post-employment benefits	645,769	593,727
	\$ 1,457,417	\$ 1,326,580

Accrued vacation pay:

As at December 31, 2005, employees of the Municipality have accumulated vacation pay credits in the amount of \$287,611 (\$242,929 – 2004). 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, 2005 of \$1,169,806 (\$1,083,660 – 2004) 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, 2005 is \$ 559,884 (\$546,604 – 2004).

	2005	2004
Accrued benefit obligation, beginning of year	\$ 1,216,841	\$ 954,661
Expense for the year	129,724	141,999
Benefits paid during the year	(51,901)	(13,000)
Actuarial loss	-	133,181
Accrued benefit obligation, end of year	1,294,664	1,216,841
Unamortized actuarial loss	(124,858)	(133,181)
Liability for benefits	\$ 1,169,806	\$ 1,083,660

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

7. Post-employment benefits (continued):

The main assumptions employed for the valuation are as follows:

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

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

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

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

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

8. Landfill liability:

The Municipality owns and monitors one closed landfill site. The liability for post-closure care has been recognized based upon monitoring costs included in the 2005 budget and inflation adjusted at 3% per annum. These costs were then discounted to December 31, 2005 using a discount rate of 7.2%. Post-closure care is estimated to be required for 26 years from 1986 (the date of the closure).

The liability for post-closure care as at December 31, 2005 is \$958,752 (2004 - \$1,195,262). Estimated expenditures for post-closure care are \$278,806 (2004 - \$449,029).

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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:

	2005	2004
Total long-term liabilities incurred or assumed by the Municipality and outstanding at the end of the year amount to	\$ 94,865	\$ 104,300
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	315,000	485,870
Net long-term liabilities, end of year	\$ 409,865	\$ 590,170

- (b) Of the net long-term liabilities reported in note (a) of this note, \$374,371 in principal payments are payable from 2006 to 2010 and \$35,494 from 2011 to 2015.
- (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:

	2005	2004
Principal	\$ 180,305	\$ 1,676,526
Interest	101,437	138,596
	\$ 281,742	\$ 1,815,122

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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

(a) Operating fund balance:

	2005	2004
For general reduction of taxation	\$ 13,883	\$ 79,537
For benefiting landowners, related to special charges and special rates:		
Business improvement area	1,320	6,163
Beaverdams sanitary sewer	-	8,903
Allanburg watermain	-	22,806
	\$ 15,203	\$ 117,409

(b) Capital fund balance:

		2004
Acquisition of capital assets to be financed from taxation and user charges	\$ (309,713)	\$ (420,965)
Acquisition of capital assets to be recovered from proceeds of reserves and reserve funds	(1,255,105)	(1,802,332)
Acquisition of capital assets to be recovered from mausoleum crypt sales	(397,162)	(472,057)
Funds available for the acquisition of capital assets	165,805	500,675
	\$ (1,796,175)	\$ (2,194,679)

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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

(c) Reserves and reserve fund balances:

	2005	2004
Reserves set aside by Council for specific purposes:		
Municipal development	\$ 450,677	\$ 568,680
Working funds	510,000	510,000
Equipment replacement	1,189,751	1,159,648
Accumulated sick leave	559,884	546,604
Computer	41,569	86,467
Election	60,654	30,064
Grant stabilization	277,249	-
Sewage capital	548,714	1,067,053
Water capital	1,656,599	1,360,683
Insurance deductible	177,984	201,091
Swimming pool	40,000	-
Contingencies	39,309	39,309
Industrial development	594,636	784,540
Pay equity	153,103	150,360
Encumbrances	575,366	509,777
Total reserves	6,875,495	7,014,276
Reserve funds set aside by Council for specific purposes:		
Arena building	230,302	188,757
Library expansion	25,215	24,771
Hydro proceeds	17,152,627	17,152,479
Mausoleum and cemetery improvements	186,339	189,679
Municipal land and building	145,986	223,243
Port Robinson transportation	7,350	12,800
Thorold pre-recreation	30,470	27,236
Thorold South Community Centre building	1,933	1,884
Total reserve funds	17,780,222	17,820,849
	\$ 24,655,717	\$ 24,835,125

- (d) The Operating Fund surplus to the Municipality available for the general reduction of taxation or user charges in 2005 has been reduced by an amount of \$133,727 (\$31,396 – 2004); transferred to the Reserve for Industrial Development as authorized by Council. Had this transfer not been made the balance would have been \$147,610 (\$110,933 – 2004).

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

11. Trust funds:

Trust funds administered by the Municipality amounting to \$863,135 (\$824,170 – 2004) have not been included in the “Consolidated Statement of Financial Position” nor have their operations been included in the “Consolidated Statement of Financial Activities”.

12. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 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.

Contribution rates for 2005 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 2005 was \$290,280 (\$277,025 – 2004) 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 an amount of \$94,865 (\$104,300 – 2004) and is currently reflected as part of net long-term liabilities on the “Consolidated Statement of Financial Position”.

13. Contractual obligations and commitments:

Capital expenditures:

The estimated future capital expenditures based on projects in progress at December 31, 2005 is approximately \$161,300 (\$150,300 – 2004) after deducting the expenditures incurred as at December 31, 2005. These projects will be financed by grants, subsidies and long-term liabilities in future year.

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

13. Contractual obligations and commitments (continued):

Transit services:

The Municipality has a contract for transit services with the St. Catharines Transit Commission at an approximate cost of \$286,000 per year. The contract expires on June 30, 2006 and is to be reviewed annually. The remaining commitment at December 31, 2005 is \$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 \$30,890 at December 31, 2005.

Physician recruitment:

The Municipality has committed funds to various physicians for 2006 to 2007 totalling \$27,500.

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:

	2005	2004
Niagara District Airport Commission	\$ 19,981	\$ 19,200

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

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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	2005	2004
Salaries, wages and employee benefits	\$ 6,400,020	\$ 6,513,976	\$ 6,140,199
Operating materials and supplies	533,946	583,036	584,261
Contracted services	5,668,026	5,693,310	5,403,569
Rents and financial expenses	317,251	494,514	520,396
External transfers to others	140,500	147,311	154,078
Debt services	84,358	101,437	138,596
Total expenditures by object	\$ 13,144,101	\$ 13,533,584	\$ 12,941,099

17. Budget figures:

The approved operating budget for 2005 is reflected on the Consolidated Statement Schedule of Operating Fund Activities. Those numbers have not been audited but are presented for information purposes. The budgets established for capital funds, reserve and reserve funds are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, it is not practical to present annualized budget information for these activities.

THE CORPORATION OF THE CITY OF THOROLD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2005

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:

	2005	2004
Revenue:		
Ontario grants:		
Community re-investment fund	\$ 387,001	\$ 387,000
Downtown revitalization	354,020	700,000
Ontario Municipal partnership fund	277,249	-
Recreation and cultural	68,524	73,151
Transit	53,838	-
Fire	61,587	-
Municipal facilities	37,500	-
Allanport drainage	-	25,109
Miscellaneous	2,778	2,033
	<u>1,242,497</u>	<u>1,187,293</u>
Federal grants:		
Roadways		
Transit	70,000	70,000
Cemeteries	21,252	21,525
	<u>91,252</u>	<u>91,525</u>
Total revenues	\$1,333,749	\$ 1,278,818
Expenditures:		
Charitable and non-profit organizations	\$ 69,830	\$ 64,678
University	20,000	22,700
Airport	19,981	19,200
Physician recruitment	37,500	47,500
Total expenditures	\$ 147,311	\$ 154,078

19. Comparative figures:

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



KPMG LLP
Chartered Accountants
One St. Paul Street Suite 901
PO Box 1294 Stn Main
St. Catharines ON L2R 7A7

Telephone (905) 685-4811
Fax (905) 682-2008
Internet www.kpmg.ca

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, 2005 and statement of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the City as at December 31, 2005 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 31, 2006

THE CORPORATION OF THE CITY OF THOROLD

Statement of Financial Position – Trust Funds

Year ended December 31, 2005

	Total	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care
Assets				
Cash	\$ 504,451	\$ 187,765	\$ 275,665	\$ 41,021
Due from operating fund	4,368	-	4,368	-
Investments (note 2):				
Provincial	45,000	-	45,000	-
Municipal	199,851	94,930	94,930	9,991
Federal	109,465	49,738	49,738	9,989
	<u>354,316</u>	<u>144,668</u>	<u>189,668</u>	<u>19,980</u>
	<u>\$ 863,135</u>	<u>\$ 332,433</u>	<u>\$ 469,701</u>	<u>\$ 61,001</u>

Liabilities and Fund Balances

Fund balances	\$ 863,135	\$ 332,433	\$ 469,701	\$ 61,001
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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, 2005

	Total	Cemetery care and maintenance	Mausoleum care and maintenance	Monument and marker care
Balance, beginning of year	\$ 824,170	\$ 321,733	\$ 445,986	\$ 56,451
Receipts:				
Marker fees	4,550	-	-	4,550
Sales of crypts/niches	23,441	-	23,441	-
Sale of plots	10,700	10,700	-	-
Interest	34,144	13,097	19,206	1,841
	72,835	23,797	42,647	6,391
Expenditures:				
Contribution to operating fund	33,870	13,097	18,932	1,841
Balance, end of year	\$ 863,135	\$ 332,433	\$ 469,701	\$ 61,001

THE CORPORATION OF THE CITY OF THOROLD

Notes to Financial Statements – Trust Funds

Year ended December 31, 2005

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 \$354,316 (\$414,151 – 2004) have an estimated market value of \$357,645 (\$423,531 – 2004).



KPMG LLP
Chartered Accountants
One St. Paul Street Suite 901
PO Box 1294 Stn Main
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Telephone (905) 685-4811
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AUDITORS' REPORT – SUPPLEMENTARY INFORMATION

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

We have audited and reported herein on the consolidated financial statements of the City of Thorold as at and for the year ended December 31, 2005.

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.

Chartered Accountants

St. Catharines, Canada
March 31, 2006

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2005

	2005	2004	2003	2002	2001
Statistics:					
Population	\$ 18,048	\$ 18,048	\$ 17,307	\$ 17,692	\$ 17,769
Areas in acres	25,361	25,361	25,361	25,362	25,361
Number of full-time employees	80	78	77	77	77
Number of households	7,667	7,443	7,483	7,377	7,332
Assessment:					
Taxable (000's):					
Residential and farm	\$ 902,615	\$ 890,263	\$ 803,169	\$ 753,424	\$ 742,110
Commercial occupied	102,890	101,099	96,517	89,538	94,461
Commercial vacant	3,831	3,808	2,514	2,572	-
Industrial occupied	34,905	34,798	39,052	33,990	38,876
Industrial vacant	6,456	5,300	5,311	5,658	-
Large industrial	47,753	48,513	50,078	53,099	56,198
Large industrial vacant	1,249	1,939	2,294	2,040	-
Multi-residential	21,776	21,757	21,863	20,600	19,593
Managed forests	260	151	56	33	27
Farmlands	18,662	19,487	18,605	15,907	15,316
Farmlands awaiting Development	-	1,517	1,470	-	-
	\$ 1,140,397	\$1,128,632	\$1,040,929	\$ 976,861	\$ 966,581
Per capita	\$ 63,187	\$ 62,535	\$ 60,145	\$ 55,215	\$ 54,397
Commercial and industrial as a percentage of taxable assessment	17.28%	17.32%	18.81%	19.13%	19.61%
Tax rates	%	%	%	%	
Residential and farm:					
General municipal	0.504939	0.476766	0.478636	0.495623	0.458880
Region	0.760463	0.719737	0.735423	0.753060	0.737297
Waste management	0.073491	0.072379	0.064496	0.066706	0.056946
Schools	0.296000	0.296000	0.335000	0.373000	0.373000
USA	0.110724	0.113010	0.119856	0.128187	0.128387
	1.745617	1.677892	1.733411	1.816576	1.754510
Commercial occupied:					
General municipal	0.839260	0.792432	0.772853	0.800282	0.740954
Region	1.263965	1.196275	1.187490	1.215968	1.190511
Waste management	0.122149	0.120301	0.104142	0.107710	0.091948
Schools	1.741881	1.741881	1.802873	1.905554	1.905554
USA	0.184034	0.187833	0.193532	0.206984	0.207307
	4.151289	4.038722	4.060890	4.236498	4.136274
Commercial vacant:					
General municipal	0.587482	0.554702	0.540997	0.560197	0.518667
Region	0.884775	0.837392	0.831243	0.851177	0.833359
Waste management	0.085505	0.084211	0.072899	0.075397	0.064364
Schools	1.219317	1.219317	1.262011	1.333888	1.333888
USA	0.128824	0.131483	0.135472	0.144888	0.145115
	2.905903	2.827105	2.842622	2.965547	2.895393

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2005

	2005	2004	2003	2002	2001
Industrial occupied:					
General municipal	1.536964	1.484818	1.543957	1.548240	1.549440
Region	2.244231	2.196715	2.296029	2.483275	2.408559
Waste management	0.228866	0.231888	0.214404	0.224452	0.200455
Schools	3.049612	3.012552	3.035952	3.315625	3.706229
USA	0.344817	0.362060	0.398437	0.431324	0.451718
	7.404487	7.288033	7.488779	8.002916	8.316301
Industrial vacant:					
General municipal	0.999027	0.965132	1.003572	1.006356	1.007136
Region	1.458751	1.427865	1.492418	1.614129	1.565563
Waste management	0.148763	0.150727	0.139363	0.145894	0.130231
Schools	1.982248	1.958159	1.973369	2.155156	2.409049
USA	0.224131	0.235339	0.258984	0.280360	0.293617
	4.812920	4.737222	4.867706	5.201895	5.405596
Large industrial:					
General municipal	1.536964	1.635024	1.700150	1.704868	1.706172
Region	2.244231	2.418937	2.528305	2.734495	2.652192
Waste management	0.228866	0.255346	0.236094	0.247159	0.220618
Schools	3.049612	3.317306	3.343084	3.650475	4.080527
USA	0.344817	0.398687	0.438745	0.474958	0.497411
	7.404487	8.025300	8.246378	8.811955	9.156920
Large industrial vacant:					
General municipal	0.999027	1.062766	1.105097	1.108164	1.109011
Region	1.458751	1.572309	1.643397	1.777422	1.723925
Waste management	0.148763	0.165975	0.153461	0.160653	0.143402
Schools	1.982248	2.156249	2.173005	2.372809	2.652343
USA	0.224131	0.259146	0.285184	0.308723	0.323317
	4.812920	5.216445	5.360144	5.727771	5.951998
Pipeline:					
General municipal	0.718024	0.677961	0.638548	0.661209	0.612191
Region	1.081377	1.023466	0.981127	1.004658	0.983627
Waste management	0.104504	0.102923	0.086044	0.088993	0.075970
Schools	1.541532	1.541532	1.554359	1.644132	1.644132
USA	0.157450	0.160700	0.159900	0.171014	0.171282
	3.602887	3.506582	3.419978	3.570006	3.487202
Multi-residential:					
General municipal	1.059868	1.000731	0.957272	0.991244	0.971403
Region	1.596209	1.510727	1.470848	1.506120	1.560783
Waste management	0.154258	0.151924	0.128992	0.133412	0.120547
Schools	0.296000	0.296000	0.335000	0.373000	0.373000
USA	0.232410	0.237207	0.239712	0.256374	0.271783
	3.338745	3.196589	3.131824	3.260150	3.297516

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2005

	2005	2004	2003	2002	2001
Farmlands and managed forests:					
General municipal	0.126235	0.119191	0.119659	0.123905	0.114720
Region	0.190116	0.179934	0.183856	0.188265	0.184324
Waste management	0.018373	0.018095	0.016124	0.016677	0.014236
Schools	0.074000	0.074000	0.083750	0.093250	0.093250
USA	0.027681	0.028252	0.029964	0.032047	0.032097
	0.436405	0.419472	0.433353	0.454144	0.438627
Farmlands:					
General municipal	0.126235	0.119191	0.119659	0.123905	0.114720
Region	0.190116	0.179934	0.183856	0.188265	0.184324
Waste management	0.018373	0.018095	0.016124	0.016677	0.014236
Schools	0.074000	0.074000	0.083750	0.093250	0.093250
USA	0.027681	0.028252	0.029964	0.032047	0.032097
	0.436405	1.201913	0.433353	0.454144	0.438627
Farmland awaiting development:					
General municipal		0.357574	0.358977		
Region		0.539803	0.551568		
Waste Management		0.054284	0.048372		
Schools		0.222000	0.251250		
USA		0.084757	0.089892		
		1.258418	1.300059		

THE CORPORATION OF THE CITY OF THOROLD

Five Year Financial Review

Year ended December 31, 2005

	2005	2004	2003	2002	2001
Financial (000's) (note 1)					
Revenues:					
Taxation	\$ 8,738	\$ 8,381	\$ 8,249	\$ 7,694	\$ 6,763
Payment in lieu of taxes	164	162	177	303	773
Fees and service charges	5,783	6,135	4,783	4,847	4,547
Canada grants	91	92	92	101	92
Ontario grants	1,242	1,187	453	464	479
Other	1,677	2,031	2,001	2,032	1,748
	<u>\$ 17,695</u>	<u>\$ 17,988</u>	<u>\$ 15,755</u>	<u>\$ 15,441</u>	<u>\$ 14,402</u>
Taxation - Region	\$ 15,589	\$ 14,694	\$ 13,746	\$ 13,364	\$ 12,863
Taxation – School Boards	7,104	7,191	7,455	7,730	8,136
Net long-term liabilities	410	590	2,267	2,619	2,944
Charges for net long-term liabilities	282	1,815	540	536	701
Fund balance to be used to offset taxation or user charges	15	117	133	233	212
Unexpended capital financing (capital operations not yet permanently financed)	(1,796)	(2,195)	(3,687)	(2,643)	(1,843)
Reserves and reserve funds (note 2)	24,832	24,835	26,157	25,529	24,805
Tax arrears:					
Per capita (dollars)	60	101	115	96	213
Percentage of levy	3.93%	6.78%	7.51%	6.41%	14.94%

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.