



**THE CORPORATION OF THE CITY
OF ST. CATHARINES**

Consolidated Financial Statements

December 31, 2009

THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Financial Statements

December 31, 2009

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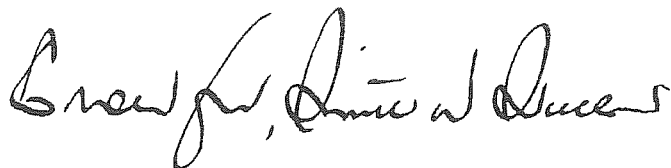
AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of The Corporation of the City of St. Catharines

We have audited the consolidated statement of financial position of The Corporation of the City of St. Catharines as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



St. Catharines, Ontario
March 15, 2010

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

LICENSED PUBLIC ACCOUNTANTS

THE CORPORATION OF THE CITY OF ST. CATHARINES

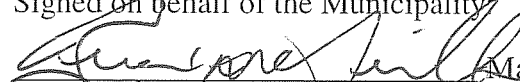
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

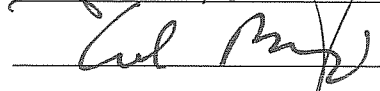
December 31, 2009

(In thousands of dollars)

	2009 \$	2008 \$
Financial Assets		
Cash and cash equivalents - note 3	85,833	93,657
Taxes receivable - note 4	13,127	11,647
Accounts receivable	16,299	13,681
Note receivable - St. Catharines Hydro Inc. - note 5	7,754	7,754
Investment in St. Catharines Hydro Inc. - note 5	52,257	52,054
	175,270	178,793
Liabilities		
Accounts payable and accrued liabilities - note 7	17,942	22,445
Deferred revenue - obligatory reserve funds - note 8	12,416	7,962
Other current liabilities	2,394	2,015
Employee future benefits - note 9	12,977	12,330
Landfill post-closure liability - note 17	3,137	3,442
Net long-term liabilities - note 10	54,256	54,097
	103,122	102,291
Net Financial Assets	72,148	76,502
Non-Financial Assets		
Tangible capital assets	499,927	481,796
Inventories	1,642	1,587
Other current assets	227	359
	501,796	483,742
Accumulated Surplus - note 11	573,944	560,244

Signed on behalf of the Municipality

 Mayor

 Chief Administrative Officer

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2009

(In thousands of dollars)

	Budget \$	2009 \$	2008 \$
Revenues			
Taxation	72,332	74,565	71,541
Taxation from other governments	2,525	2,173	2,364
User fees and charges	32,661	27,531	29,704
Government grants	3,090	3,051	3,398
Interest and penalties	1,950	2,253	2,136
Investment income	1,645	2,265	3,971
Donations	118	84	112
Other	6,072	5,677	5,588
St. Catharines Hydro Inc. net income	3,225	2,202	3,355
Loss on disposal of tangible capital assets		(147)	(1)
	123,618	119,654	122,168
Expenses			
General government	16,260	15,313	14,802
Protection to persons and property	23,101	22,663	22,813
Transportation services	26,470	39,405	42,037
Environmental services	9,550	13,175	13,716
Health services	1,672	1,617	1,422
Social and family services	268	357	287
Recreation and cultural services	21,230	23,605	23,531
Planning and development	5,569	5,200	5,934
	104,120	121,335	124,542
Excess (Deficiency) of Revenues Over Expenses Before Other Revenue Related to Capital	19,498	(1,681)	(2,374)
Other Revenue Related to Capital			
Government grants		6,723	22,867
Contributions from developers		4,981	892
Donations		188	296
Other		3,489	113
		15,381	24,168
Excess of Revenues Over Expenses	19,498	13,700	21,794
Accumulated Surplus, Beginning of Year	560,244	560,244	538,450
Accumulated Surplus, End of Year	579,742	573,944	560,244

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2009

(In thousands of dollars)

	2009 \$	2008 \$
Operations		
Excess of revenues over expenses	13,700	21,794
Sources (Uses)		
Change in taxes receivable	(1,480)	(2,237)
Change in accounts receivable	(2,618)	1,014
Change in inventories	(55)	44
Change in other current assets	132	(127)
Change in accounts payable and accrued liabilities	(4,503)	1,818
Change in deferred revenue - obligatory reserve funds	4,454	2,313
Change in other current liabilities	379	196
Change in employee future benefits	647	608
Change in landfill post-closure liability	(305)	(741)
	(3,349)	2,888
Non-cash charges to operations		
Amortization of tangible capital assets	21,526	24,648
Loss on disposal of tangible capital assets	147	1
	21,673	24,649
Net increase in cash from operations	32,024	49,331
Capital		
Acquisition of tangible capital assets	(39,885)	(31,983)
Proceeds on disposal of tangible capital assets	81	
Net decrease in cash from capital activities	(39,804)	(31,983)
Investing		
Income from St. Catharines Hydro Inc.	(2,202)	(3,355)
Dividends received - St. Catharines Hydro Inc.	1,999	3,867
Net increase (decrease) in cash from investing	(203)	512
Financing		
Long-term debt issued	7,203	10,308
Long-term debt repaid	(7,044)	(6,540)
Net increase in cash from financing	159	3,768
Increase (Decrease) in Cash Position	(7,824)	21,628
Cash Position, Beginning of Year	93,657	72,029
Cash Position, End of Year	85,833	93,657

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL
ASSETS

for the year ended December 31, 2009
(In thousands of dollars)

	2009	2008
	\$	\$
Excess of Revenues over Expenses	13,700	21,794
Acquisition of Tangible Capital Assets	(39,885)	(31,983)
Amortization of Tangible Capital Assets	21,526	24,648
Loss on Disposal of Tangible Capital Assets	147	1
Proceeds on Disposal of Tangible Capital Assets	81	
Change in Inventories and Prepaid Expenses	(55)	44
Change in Other Current Assets	132	(127)
Increase (Decrease) in Net Financial Assets	(4,354)	14,377
Net Financial Assets, Beginning of Year	76,502	62,125
Net Financial Assets, End of Year	72,148	76,502

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

1. Significant Accounting Policies

The consolidated financial statements of the The Corporation of the City of St. Catharines (the "Municipality") are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants with the exception of providing budget figures (note 18).

(a) Basis of consolidation

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, reserves, reserve funds and changes in investment in tangible capital assets. It includes the activities of all committees of council and the following boards, municipal enterprises and utilities which are under the control of council:

- St. Catharines Public Library Board
 - St. Catharines Downtown Association
 - Port Dalhousie Business Improvement Area
 - St. Catharines Transit Commission - Urban Service
 - St. Catharines Transit Commission - Paratransit System
 - St. Catharines Hydro Inc.

St. Catharines Hydro Inc. (the "Company") is accounted for on a modified equity basis, consistent with the accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of the Company in its "Consolidated Statement of Operations and Accumulated Surplus" with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from the Company will be reflected as reductions in the investment asset account.

- (ii) Partial-consolidated entities

The following joint local board is proportionately consolidated. See note 16.

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.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

1. Significant Accounting Policies - continued

(a) Basis of consolidation - continued

(iv) Trust funds

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

(b) Basis of accounting

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

(ii) 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.

(iii) Cash and cash equivalents

Cash equivalents consist of provincial government bonds and schedule 1 banks bearer deposit notes. Cash equivalents are recorded at the lower of cost plus accrued interest and market value, and are redeemable on demand.

(iv) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provisions of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(v) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenditures in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location.

Amortization is recorded to reflect the cost, net of anticipated residual value, associated with the use of the asset in providing government services on a straight-line basis over the estimated useful life of the asset. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized. Gains and/or losses on the disposal of an asset will be recorded on the Consolidated Statement of Operations and Accumulated Surplus as "gain/loss on disposal of assets".

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(v) Tangible capital assets - continued

Tangible assets received as contributions are recorded at their fair market value at the date of receipt and are also recorded as revenue. Similarly, transfer of assets to third parties are recorded as an expense equal to the net book value of the asset as at the date of transfer.

The historical cost of works of art or historical treasures has not been assigned to these assets nor disclosed in the consolidated financial statements.

Asset Class

	<u>Period</u>	<u>Basis</u>
General Assets		
Land	- NIL	
Land improvements	- 10-75 years	straight line and declining balance
Buildings and building improvements	- 10-75 years	straight line
Machinery and equipment	- 3-75 years	straight line
Furniture and fixtures	- 5-100 years	straight line
Information technology	- 3-12 years	straight line
Vehicles	- 5-20 years	straight line
Infrastructure		
Land	- NIL	
Land improvements	- 10-50 years	straight line and declining balance
Buildings and building improvements	- 15-75 years	straight line
Machinery and equipment	- 7-40 years	straight line
Vehicles	- 7-10 years	straight line
Linear	- 10-100 years	straight line and declining balance

(vi) Inventories

Inventories are valued at average cost.

(vii) Deferred revenue

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

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(viii) Government transfers

Government transfers are recognized in the period in which the 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.

(ix) 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.

2. Change in Accounting Policies

The Municipality adopted Section 1200 and Section 3150 of the PSAB Handbook. Section 1200 refers to general reporting principles and standards related to government financial statements. Section 3150 provides guidance on the recognition and disclosure of tangible capital assets in government financial statements. This accounting change has been applied on a retroactive basis and the prior period figures have been restated in the following manner:

	2008 \$
Accumulated Surplus - (in thousands of dollars)	
Operating fund	7,191
Capital fund	(7,086)
Reserves and reserve funds	88,404
Equity in St. Catharines Hydro Inc.	59,808
Amounts to be recovered - employee future benefits	(12,330)
Amounts to be recovered - landfill post-closure liability	(3,442)
Amounts to be recovered - net long-term liabilities	(54,097)
Accumulated surplus, as previously reported	78,448
Tangible capital assets at net book value	481,796
Accumulated surplus, as restated	560,244
Excess of Revenues over Expenses - (in thousands of dollars)	
Excess of revenues over expenses, as previously reported	14,460
Assets capitalized but previously expensed	31,983
Amortization expense not previously recorded	(24,649)
Excess of revenues over expenses, as restated	21,794

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

3. Cash and Cash Equivalents

	(in thousands of dollars)	
	2009	2008
	\$	\$
Cash	8,283	26,133
Cash equivalents	77,550	67,524
	85,833	93,657

4. Taxes Receivable and Revenues

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a significant number of appeals submitted by ratepayers have yet to be heard. The taxes receivable balance, including penalties and interest, is as follows:

	(in thousands of dollars)	
	2009	2008
	\$	\$
Current year	8,668	8,045
Arrears previous years	7,256	6,399
	15,924	14,444
Less allowance	(2,797)	(2,797)
	13,127	11,647

The Province of Ontario instituted a mandatory capping program through the provisions of Bill 79, which limited assessment related increases to 10% in 1998, and an additional 5% in each of 1999 and 2000. Multi-residential, commercial and industrial property owners experiencing decreases were also capped at appropriate levels to fund the phasing-in of increases. The Province has enacted Bill 140, which serves to extend the capping provisions of Bill 79 indefinitely. The new legislation will limit assessment related increases in property tax bills to 5%.

THE CORPORATION OF THE CITY OF ST. CATHARINES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2009

5. Investment in St. Catharines Hydro Inc.

	(in thousands of dollars)	
	2009	2008
	\$	\$
Statement of Financial Position		
Current assets	8,086	9,142
Investments	38,477	37,942
Capital assets	14,011	13,901
Future income tax assets	26	
Other assets	92	
Total Assets	60,692	60,985
Current liabilities	665	1,039
Other liabilities	16	13
Long-term note payable	7,754	7,754
Future income tax liabilities		125
Total Liabilities	8,435	8,931
Net Assets	52,257	52,054

	(in thousands of dollars)	
	2009	2008
	\$	\$
Statement of Financial Activities		
Revenues	4,714	6,192
Operating expenses	2,107	2,837
Net Income	2,607	3,355

The consolidated statements for the company were adjusted for a change in accounting policy on a retroactive basis without restatement. The impact on the company was a reduction to investment in Horizon Holdings Inc. and retained earnings in the amount of \$ 405,000. The change was as a result of the implementation of changes in Handbook Section 3465 - "Income Taxes" by Horizon Holdings Inc.

6. Credit Facility

The Municipality has an authorized operating loan of \$ 20,000,000 of which NIL has been drawn upon as at December 31, 2009.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

7. Accounts Payable and Accrued Liabilities

The accounts payable balance is as follows:

	(in thousands of dollars)	
	2009	2008
	\$	\$
Trade accounts payable	3,676	5,494
Payables to other governments	8,291	7,828
Payables to school boards	317	630
Other	5,658	8,493
	17,942	22,445

8. 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.

	(in thousands of dollars)	
	2009	2008
	\$	\$
Impost and development	3,256	3,219
Subdivider deposits	389	475
Revenue under the Planning Act	870	934
Future sidewalks	960	892
Gasoline tax - provincial	836	251
Gasoline tax - federal	6,105	2,191
	12,416	7,962

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

9. Employee Future Benefits

The Municipality provides certain employee benefits which will require funding in future periods. Under the 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, dental and life insurance benefits on behalf of its retired employees. The Municipality recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit obligation was determined by actuarial valuation using a discount rate of 5.25% (5.25% - 2008).

The Municipality has established a reserve for the accumulated sick leave liability. The balance as at December 31, 2009 is \$ 3,095,550 (\$ 3,101,521 - 2008).

Defined Benefit Plan Information

	(in thousands of dollars)	
	2009	2008
	\$	\$
Employee benefit plan assets		
Employee benefit plan liabilities	12,977	12,330
Employee benefit plan deficit	12,977	12,330
Accrued benefit obligation, beginning of year	12,330	11,722
Expense for the year	1,251	1,169
Amortization of actuarial losses	37	37
Benefits paid during the year	(641)	(598)
Accrued benefit obligation, end of year	12,977	12,330

As a result of an actuarial valuation conducted in 2008 for the year ending December 31, 2007, it was determined that an actuarial loss of \$ 441,840 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value remaining is \$ 329,473. The actual obligation is \$ 13,306,801.

The next actuarial valuation required is for December 31, 2010.

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 2.0% in 2008 and thereafter.

Salary Levels - Future salary and wage levels were assumed to increase at 3.3% per annum.

Medical Costs - Medical costs were assumed to increase at a rate of 10.0% graded down by 1.0% in 2008 and each year thereafter to 5.0% in 2012 and thereafter.

Dental Costs - Dental costs were assumed to increase at a rate of 5.0%.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

10. 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:

	(in thousands of dollars)	
	2009	2008
	\$	\$
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	54,256	54,097
Net long-term liabilities, end of year	54,256	54,097

- (b) Of the net long-term liabilities reported in (a) of this note, \$ 34,324,000 in principal payments are payable from 2010 to 2014, \$ 16,314,000 from 2015 to 2019 and \$ 3,608,000 from 2020 to 2027 .
- (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) Interest expense on long-term debt amounted to \$ 2,676,728 (\$ 2,678,498 - 2008).

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

11. Accumulated Surplus

	(in thousands of dollars)	
	2009	2008
	\$	\$
Invested in tangible capital assets	500,830	474,710
Operating fund	6,217	7,191
Reserves and reserve funds	77,256	88,404
Equity in St. Catharines Hydro Inc.	60,011	59,808
	644,314	630,113
Amounts to be recovered		
Employee future benefits	(12,977)	(12,330)
Landfill post-closure liability	(3,137)	(3,442)
Net long-term liabilities	(54,256)	(54,097)
	(70,370)	(69,869)
	573,944	560,244

(a) Operating fund balance

	(in thousands of dollars)	
	2009	2008
	\$	\$
To be applied in the following year to operations of the:		
Operating fund	3,984	4,128
Transit	25	25
Library	125	145
Airport Commission	290	306
To be applied to water operations for the following year	1,793	2,587
	6,217	7,191

THE CORPORATION OF THE CITY OF ST. CATHARINES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2009

11. Accumulated Surplus - continued

(b) Reserves and reserve fund balances

	(in thousands of dollars)	
	2009	2008
	\$	\$
Reserves set aside by council for specific purposes:		
Working capital	613	613
Replacement of equipment	11,204	10,714
Cumulative sick leave	3,095	3,102
Library purposes	2,054	1,850
Transit purposes	323	860
Encumbrances	15,672	19,485
Sewer capital		390
Move Ontario	273	299
Brownfield	557	937
Roads and sewers	323	160
Provincial surplus		6,334
	34,114	44,744
Reserve Funds set aside by council for specific purposes:		
Actifest	8	8
Aquatic facility	49	39
Business improvement purposes	110	99
Community development	37,136	39,929
Hospital levy	4,074	2,040
Mausoleum	717	656
Paratransit capital purposes	14	3
Parking	1,034	886
	43,142	43,660
	77,256	88,404

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

11. Accumulated Surplus - continued

(c) St. Catharines Hydro Inc. net equity

	(in thousands of dollars)	
	2009	2008
	\$	\$
Balance, beginning of year	59,808	60,320
Changes during the year		
Net income for the year	2,607	3,355
Dividends paid during the year	(1,999)	(3,867)
Change in accounting policy - see note 5	(405)	
	203	(512)
Balance, end of year	60,011	59,808

12. Trust Funds

Trust funds administered by the Municipality amounting to \$ 8,305,000 (\$ 8,085,000 - 2008) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

13. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of 892 members 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.

The amount contributed to OMERS for 2009 was \$ 4,060,226 (\$ 3,350,086 - 2008) for current service and is included as an expense in the "Consolidated Statement of Operations and Accumulated Surplus".

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

14. Contractual Obligations and Commitments

Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2009 is approximately \$ 55,436,000 (\$ 25,376,000 - 2008) after deducting the expenditures incurred as at December 31, 2009. These projects will be financed by grants, subsidies and long-term liabilities in future years.

Niagara Health System St. Catharines Hospital

The Municipality is committed to funding \$ 31,200,000 (net present value) of the local share amounting to \$ 60,000,000 to construct a new Niagara Health System ("NHS") hospital complex to be located in St. Catharines. The Municipality has approved a plan which results in an additional annual "tax" levy in the amount of \$ 2,029,605 for the next 2 years and \$ 2,208,959 per year for 15 years thereafter. The schedule of payments to the NHS is anticipated to consist of a lump sum payment of \$ 8,271,760 in 2011 and annual installments of \$ 2,208,959 from 2012 to 2026.

As at December 31, 2009, there is a Hospital Levy reserve fund in the amount of \$ 4,074,000.

15. Contingent Liabilities

From time to time, the Municipality 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 Municipality's insurance up to a maximum of \$ 20,000,000 per occurrence. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

16. Contributions to Joint Board

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

	(in thousands of dollars)	
	2009	2008
	\$	\$
Niagara District Airport Commission	145	145

The Municipality's share of the net assets of the Niagara District Airport Commission is approximately 55%.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

17. Landfill Post Closure Liability

The Municipality currently monitors several landfill sites which were closed in prior years. The liability for post-closure care has been recognized based on monitoring costs included in the 2008 budget and inflation adjusted at 2.0% per annum. These costs were then discounted to December 31, 2009 using a discount rate of 5.25%.

The liability for post-closure care as at December 31, 2009 is \$ 3,136,691 (\$ 3,441,989 - 2008). Estimated annual expenditures for post-closure care are \$ 155,000 (\$ 187,000 - 2008) and are expected to be incurred for the next 33 years.

18. Budget Figures

The approved operating budget for 2009 is reflected on the "Consolidated Statement of Operations and Accumulated Surplus". These numbers have not been audited but are presented for information purposes only. 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, they are not directly comparable with current year actual amounts and have not been reflected. Budget figures have been reclassified to comply with PSAB reporting requirements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

19. Financial Instruments

The Municipality's financial instruments consist of cash, taxes and accounts receivable, a note receivable from St. Catharines Hydro Inc., an investment in St. Catharines Hydro Inc., accounts payable and accrued liabilities, obligatory reserve funds, deferred revenue, employee future benefits, landfill post-closure costs and long term debt.

The Municipality is exposed to the following risks:

Credit Risk

The Municipality is exposed to the credit risk on the taxes receivable and accounts receivable from its customers. Allowances are maintained for the potential credit losses. However, because of the large number of customers, credit risk is minimal.

Cash Flow Risk

The Municipality is exposed to the risk that the interest earned on its investments will fluctuate due to the changes in market interest rates. The Municipality manages its investments based on cash flow needs and with a view to optimizing its interest income.

Fair Value

The fair value of the post-employment benefits was determined using an actuarial valuation based on the information presented in note 9 to the financial statements.

Long-term debt is stated at face value. It is not practicable within the constraints of timeliness or cost to determine the fair value of this financial liability with sufficient reliability.

The note receivable and long-term investment are stated at cost. It is not practicable within the constraints of timeliness or cost to determine the fair value of these financial assets with sufficient reliability.

Due to the short-term nature of the Municipality's other financial instruments and the fact that the investments are guaranteed and held until maturity, their face values approximate their carrying values.

20. Comparative Figures

Certain figures have been reclassified to conform with the current year's presentation.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

21. Segmented Reporting

The City of St. Catharines is a lower tier municipality that provides a wide range of services to its citizens. Segments include General Government, Protection, Transportation, Environmental and Recreation and Culture. Major services and activities provided by each segment are as follows:

General Government

Reported in the General Government functional area are the combined functions of general government, health services, social and family services and planning and development.

General government includes services relating to governance, corporate management and program support. These are the combined services of the CAO's office, Financial Management, Legal and Corporate Support Services departments.

Health Services includes the administration, operation and maintenance of City cemeteries. Also included here is the City's commitment to the new Niagara Health System hospital.

Social and family services includes the administration, operation and maintenance of seniors programs and facilities. Also included here are Para Transit Services provided by the St. Catharines Transit Commission.

Planning and development services includes services relating to the Official Plan, zoning, community improvement, the attraction and retention of new and existing businesses and tourism. Also included here are the services provided by the Downtown Association and Port Dalhousie Business Improvement Area.

Protection to Persons and Property

Reported in the Protection to Persons and Property functional area are services relating to fire suppression, prevention, training and communication, the issuance of permits, building inspections and property standards, enforcement of applicable municipal bylaws and technical analysis and recommendations for proposed and existing developments.

Transportation Services

Reported in the Transportation Services functional area are services relating to the construction, rehabilitation and maintenance of City's road and sidewalk network, winter control, parking and parking enforcement and street lighting. Also included are Urban Transit Services provided by the St. Catharines Transit Commission and the City's portion of the Niagara District Airport.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

22. Segmented Reporting - continued

Environmental Services

Reported in the Environmental Services functional area are services relating to the construction, rehabilitation and maintenance of the City's storm sewer, sanitary sewer and waterline network, pollution control, environmental monitoring and the implementation of environmental programs.

Recreation/Culture Services

Reported in the Recreation/Cultural Services functional area are services relating to the administration, operations and maintenance of the City's parks, recreation facilities and programs, museum, heritage facilities and cultural programs. Also included are library services provided by the St. Catharines Public Library Board.

THE CORPORATION OF THE CITY OF ST. CATHARINES

SCHEDULE OF SEGMENTED REPORTING

December 31, 2009

(in thousands of dollars)

	General Government		Protection		Transportation		Environmental		Recreation/Culture		SCHI		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues														
Taxation	17,075	12,877	15,733	19,102	21,326	22,893	4,996	3,577	15,435	13,092			74,565	71,541
Taxation from other governments	498	366	458	631	621	816	146	118	450	433			2,173	2,364
User fees and charges	1,920	2,403	1,093	1,069	10,795	10,522	11,861	13,565	1,862	2,145			27,531	29,704
Government grants	270	509	37	52			2,438	2,448	306	389			3,051	3,398
Interest and penalties	516	385	475	570	645	683	151	107	466	391			2,253	2,136
Investment income	1,278	1,786	265	687	363	848	84	129	275	521			2,265	3,971
Donations	36	56				9			48	47			84	112
Other	1,700	2,011	48	34	757	769	162	14	3,010	2,760			5,677	5,588
St. Catharines Hydro Inc. net income											2,202	3,355	2,202	3,355
Loss on disposal of tangible capital assets	8		20		(25)	(1)	(138)		(12)			(147)		(1)
	23,301	20,393	18,129	22,145	34,482	36,539	19,700	19,958	21,840	19,778	2,202	3,355	119,654	122,168
Expenditures														
Salaries and wages	15,655	15,600	19,550	19,963	14,716	14,159	4,240	3,934	12,402	11,909			66,563	65,565
Operating materials and supplies	4,672	4,393	1,243	1,232	8,032	8,864	1,053	561	5,352	5,689			20,352	20,739
Contracted services	2,052	2,480	771	604	3,754	3,377	969	1,227	1,550	1,556			9,096	9,244
Rents and financial expenses	200	268		1	202	376	167	168	197	192			766	1,005
Interfunctional transfer	(1,613)	(1,580)	224	217	(381)	(363)	1,907	1,808	(137)	(82)			355	662
External transfer	174	474					5	5	176	183			21,526	24,648
Amortization	1,140	696	788	692	12,402	14,888	3,918	5,107	3,278	3,265			2,677	2,679
Debt service	206	114	88	104	679	735	917	907	787	819			121,335	124,542
	22,486	22,445	22,664	22,813	39,404	42,036	13,176	13,717	23,605	23,531				
Excess (Deficiency) of Revenues Over Expenses Before Other Revenue Related to Capital	815	(2,052)	(4,535)	(668)	(4,922)	(5,497)	6,524	6,241	(1,765)	(3,753)	2,202	3,355	(1,681)	(2,374)
Other Revenue Related to Capital														
Government grants		6,334			3,210	9,646	3,497	2,387	16	4,500			6,723	22,867
Contributions from developers		411			2,440	13	2,541	454		14			4,981	892
Donations									188	296			188	296
Other		104			947		2,504		38	9			3,489	113
		6,849			6,597	9,659	8,542	2,841	242	4,819			15,381	24,168
Excess (Deficiency) of Revenues Over Expenses	815	4,797	(4,535)	(668)	1,675	4,162	15,066	9,082	(1,523)	1,066	2,202	3,355	13,700	21,794

THE CORPORATION OF THE CITY OF ST. CATHARINES

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2009
(In thousands of dollars)

	Cost			Accumulated Amortization			Net Book Value	
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Balance, Beginning of Year	Amortization		Disposals
	\$	\$	\$	\$	\$	\$	\$	\$
General								
Land	36,726	5,156	6	41,876				41,876
Land improvements	37,107	1,629	75	38,661	16,602	1,214	60	17,756
Buildings, improvements and components	78,594	1,679	89	80,184	28,513	1,590	89	30,014
Machinery and equipment	15,881	2,287	758	17,410	8,422	1,315	758	8,979
Furniture and fixtures	2,258	257	8	2,507	934	78	7	1,005
Information technology	3,339	1,209	351	4,197	1,582	725	336	1,971
Vehicles	36,915	3,290	1,332	38,873	13,085	2,991	1,324	14,752
	210,820	15,507	2,619	223,708	69,138	7,913	2,574	74,477
Infrastructure								
Land	1,525	703		2,228				2,228
Land improvements	7,299			7,299	2,251	150		2,401
Buildings, improvements and components	20,174	1,856		22,030	3,321	488		3,809
Machinery and equipment	12,525	1,341	377	13,489	6,308	688	324	6,672
Information technology		5		5		1		1
Vehicles	6,988	1,022	284	7,726	4,569	523	284	4,808
Linear	511,771	25,765	1,994	535,542	220,018	11,763	1,864	229,917
	560,282	30,692	2,655	588,319	236,467	13,613	2,472	247,608
Work in Progress								
	16,299	(6,314)		9,985				9,985
December 31, 2009	787,401	39,885	5,274	822,012	305,605	21,526	5,046	322,085
								499,927

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2009

(In thousands of dollars)

	Balance, Beginning of Year	Cost			Balance, End of Year	Balance, Beginning of Year	Accumulated Amortization		Balance, End of Year	Net Book Value
		Additions	Disposals				Amortization	Disposals		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General										
Land	36,659	67		36,726						36,726
Land improvements	36,763	344		37,107	15,366		1,236		16,602	20,505
Buildings, improvements and components	77,345	1,249		78,594	26,966		1,547		28,513	50,081
Machinery and equipment	15,210	1,235	564	15,881	7,715		1,271	564	8,422	7,459
Furniture and fixtures	2,019	239		2,258	862		72		934	1,324
Information technology	3,012	419	92	3,339	1,010		664	92	1,582	1,757
Vehicles	30,698	6,628	411	36,915	10,861		2,635	411	13,085	23,830
	201,706	10,181	1,067	210,820	62,780		7,425	1,067	69,138	141,682
Infrastructure										
Land	1,525			1,525						1,525
Land improvements	3,445	3,854		7,299	2,140		111		2,251	5,048
Buildings, improvements and components	7,106	13,068		20,174	3,034		287		3,321	16,853
Machinery and equipment	11,965	560		12,525	3,856		2,452		6,308	6,217
Information technology										
Vehicles	6,813	385	210	6,988	4,309		470	210	4,569	2,419
Linear	492,403	19,485	117	511,771	206,231		13,903	116	220,018	291,753
	523,257	37,352	327	560,282	219,570		17,223	326	236,467	323,815
Work in Progress	31,849	(15,550)		16,299						16,299
December 31, 2008	756,812	31,983	1,394	787,401	282,350		24,648	1,393	305,605	481,796

See accompanying notes

Crawford, Smith and Swallow
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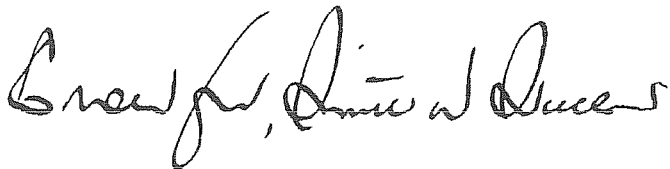
AUDITORS' REPORT - TRUST FUNDS

To the Members of Council, Inhabitants and Ratepayers
of The Corporation of the City of St. Catharines

We have audited the statement of financial position of the trust funds of The Corporation of the City of St. Catharines as at December 31, 2009 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, 2009 and the continuity of trust funds for year then ended in accordance with Canadian generally accepted accounting principles.



St. Catharines, Ontario
March 15, 2010

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

LICENSED PUBLIC ACCOUNTANTS

THE CORPORATION OF THE CITY OF ST. CATHARINES
STATEMENT OF FINANCIAL POSITION - TRUST FUNDS

December 31, 2009
(In thousands of dollars)

	Total		Cemetery Perpetual Care Fund		Marker Care & Maintenance Fund		Memorial Forest	
	2009	2008	2009	2008	2009	2008	2009	2008
Assets								
Cash	190	178	93	101	67	44		
Investments (market value 2009 - \$8,078; 2008 - \$7,855)	8,078	7,855	6,982	6,789	409	410		
Due from operating fund	38	59	23	43	4	3	11	13
	8,306	8,092	7,098	6,933	480	457	11	13
Liabilities and Fund Balances								
Due to operating fund	1	7						
Fund balances	8,305	8,085	7,098	6,933	480	457	11	13
	8,306	8,092	7,098	6,933	480	457	11	13

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES
STATEMENT OF FINANCIAL POSITION - TRUST FUNDS

December 31, 2009
(In thousands of dollars)

	Library Endowment & Trust Fund		Museum Lottery & Bingo	
	2009	2008	2009	2008
	\$	\$	\$	\$
Assets				
Cash	17	16	13	17
Investments (market value 2009 - \$8,078; 2008 - \$7,855)	687	656		
Due from operating fund				
	704	672	13	17
Liabilities and Fund Balances				
Due to operating fund	1	7		
Fund balances	703	665	13	17
	704	672	13	17

See accompanying notes

STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN FUND BALANCES - TRUST FUNDS

(In thousands of dollars)

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN FUND BALANCES - TRUST FUNDS

for the year ended December 31, 2009

(In thousands of dollars)

	Library Endowment & Trust Fund		Museum Lottery & Bingo	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance, Beginning of Year	665	639	17	13
Receipts				
Sale of plots, crypts and markers				5
Ticket sales				
Book revenue	15	15		
Interest	13	14		
Donations	11	4		
	39	33		5
Expenditures				
Administration	1	7	4	
Special projects				1
	1	7	4	1
Balance, End of Year	703	665	13	17

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2009

1. Significant Accounting Policies

The financial statements of the Municipality's trust funds are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(a) Basis of accounting

- (i) Revenues and expenditures are reported on the accrual basis of accounting.
- (ii) 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 the receipt of goods or services and the creation of a legal obligation to pay.
- (iii) Investments are recorded at cost.