

THE CORPORATION OF THE CITY OF ST. CATHARINES, ONTARIO

FINANCIAL STATEMENTS

TO THE YEAR ENDED DECEMBER 31, 2012

City of St. Catharines Consolidated Statements

Port Dalhousie Business Association

St. Catharines Downtown Association

St. Catharines Public Library

St. Catharines Transit Commission

St. Catharines Paratransit System

Niagara District Airport Commission



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

Consolidated Financial Statements

December 31, 2012



THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Financial Statements

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the City of St. Catharines, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of St. Catharines as at December 31, 2012, and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read "Crawford, Smith and Swallow", is positioned above the firm's name.

St. Catharines, Ontario

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, 2012

(In thousands of dollars)

	2012 \$	2011 \$
Financial Assets		
Cash and cash equivalents - note 2	62,815	62,700
Taxes receivable - note 3	14,039	13,544
Accounts receivable	23,210	20,048
Note receivable - St. Catharines Hydro Inc. - note 4	7,754	7,754
Investment in St. Catharines Hydro Inc. - note 4	70,047	67,423
	177,865	171,469
Liabilities		
Accounts payable and accrued liabilities - note 6	20,645	27,121
Deferred revenue - obligatory reserve funds - note 7	18,093	19,928
Other current liabilities	1,684	1,679
Employee future benefits - note 8	15,003	14,303
Landfill post-closure liability - note 16	3,020	3,422
Net long-term liabilities - note 9	72,663	64,794
	131,108	131,247
Net Financial Assets	46,757	40,222
Non-Financial Assets		
Tangible capital assets	599,178	581,743
Inventories	1,494	1,756
Other current assets	1,006	483
	601,678	583,982
Accumulated Surplus - note 10	648,435	624,204

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, 2012

(In thousands of dollars)

	Budget \$	2012 \$	2011 \$
Revenues			
Taxation	84,007	82,937	79,140
Taxation from other governments	2,259	2,263	2,204
User fees and charges	36,777	37,687	34,851
Government grants	2,174	2,272	2,518
Interest and penalties	2,300	2,321	2,283
Investment income	2,117	2,413	2,658
Donations	155	394	105
Other	6,429	6,173	6,044
St. Catharines Hydro Inc. net comprehensive income	2,530	5,878	3,958
Loss on disposal of tangible capital assets		(2,995)	(360)
	138,748	139,343	133,401
Expenses			
General government	17,128	17,383	15,881
Protection to persons and property	25,650	24,732	24,293
Transportation services	31,549	43,231	42,422
Environmental services	12,422	14,637	15,133
Health services	3,870	3,836	3,896
Social and family services	298	363	375
Recreation and cultural services	25,443	27,783	25,040
Planning and development	6,568	6,173	5,755
	122,928	138,138	132,795
Annual Surplus Before Other Revenue Related to Capital	15,820	1,205	606
Other Revenue Related to Capital			
Government grants		21,637	23,829
Contributions from developers		1,242	82
Donations		147	186
		23,026	24,097
Annual Surplus	15,820	24,231	24,703
Accumulated Surplus, Beginning of Year	624,204	624,204	599,501
Accumulated Surplus, End of Year	640,024	648,435	624,204

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2012

(In thousands of dollars)

	2012 \$	2011 \$
Operations		
Annual surplus	24,231	24,703
Sources (Uses)		
Change in taxes receivable	(495)	357
Change in accounts receivable	(3,162)	(4,097)
Change in inventories	262	(162)
Change in other current assets	(523)	(221)
Change in accounts payable and accrued liabilities	(6,476)	(1,661)
Change in deferred revenue - obligatory reserve funds	(1,835)	4,066
Change in other current liabilities	5	243
Change in employee future benefits	700	788
Change in landfill post-closure liability	(402)	(30)
	(11,926)	(717)
Non-cash charges to operations		
Amortization of tangible capital assets	23,500	22,408
Loss on disposal of tangible capital assets	2,995	360
	26,495	22,768
Net increase in cash from operations	38,800	46,754
Capital		
Acquisition of tangible capital assets	(44,434)	(70,693)
Proceeds on disposal of tangible capital assets	504	131
Net decrease in cash from capital activities	(43,930)	(70,562)
Investing		
Net comprehensive income - St. Catharines Hydro Inc.	(5,878)	(3,958)
Dividends received - St. Catharines Hydro Inc.	3,254	1,610
Net decrease in cash from investing	(2,624)	(2,348)
Financing		
Long-term debt issued	15,803	13,292
Long-term debt repaid	(7,934)	(8,760)
Net increase in cash from financing	7,869	4,532
Increase (Decrease) in Cash Position	115	(21,624)
Cash Position, Beginning of Year	62,700	84,324
Cash Position, End of Year	62,815	62,700

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, 2012
(In thousands of dollars)

	2012 \$	2011 \$
Annual Surplus	24,231	24,703
Acquisition of Tangible Capital Assets	(44,434)	(70,693)
Amortization of Tangible Capital Assets	23,500	22,408
Loss on Disposal of Tangible Capital Assets	2,995	360
Proceeds on Disposal of Tangible Capital Assets	504	131
Change in Inventories	262	(162)
Change in Other Current Assets	(523)	(221)
Increase (Decrease) in Net Financial Assets	6,535	(23,474)
Net Financial Assets, Beginning of Year	40,222	63,696
Net Financial Assets, End of Year	46,757	40,222

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

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 17).

(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 "SCHI") 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 net comprehensive income or loss of SCHI 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 receives from SCHI are reflected as reductions in the investment asset account.

- (ii) Partial-consolidated entities

The following joint local board is proportionately consolidated. See note 15.

- 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, 2012

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 "Statement of Financial Position and 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 annual surplus, 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 are recorded on the Consolidated Statement of Operations and Accumulated Surplus as "gain/loss on disposal of tangible capital assets".

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

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
Information technology	- 3-12 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, 2012

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 public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

	(in thousands of dollars)	
	2012	2011
	\$	\$
Cash	19,350	15,155
Cash equivalents	43,465	47,545
	62,815	62,700

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

3. 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, tax revenue and accounts payable and accrued liabilities of the Municipality are subject to measurement uncertainty as a significant number of appeals submitted by ratepayers have yet to be heard. In addition to the allowance for doubtful accounts of \$ 644,000, the Municipality has a contingent liability of \$ 1,917,854 to fund prior year tax appeals. The taxes receivable balance, including penalties and interest, is as follows:

	(in thousands of dollars)	
	2012	2011
	\$	\$
Current year	8,458	7,911
Arrears previous years	6,225	6,277
	14,683	14,188
Less allowance	(644)	(644)
	14,039	13,544

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 limits 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, 2012

4. Investment in St. Catharines Hydro Inc.

	(in thousands of dollars)	
	2012 \$	2011 \$ (as restated)
Statement of Financial Position		
Current assets	11,040	11,101
Investments	50,186	47,195
Property, plant and equipment	8,373	8,499
Intangible assets	9,461	10,017
Other assets	92	92
Total Assets	79,152	76,904
Current liabilities	494	791
Other liabilities		22
Long-term note payable	7,754	7,754
Deferred payments in lieu of corporate income taxes	857	914
Total Liabilities	9,105	9,481
Net Assets	70,047	67,423
	(in thousands of dollars)	
	2012 \$	2011 \$ (as restated)
Statement of Comprehensive Income		
Revenues	8,765	7,166
Expenses	2,887	3,208
Net Comprehensive Income	5,878	3,958

St. Catharines Hydro Inc. ("SCH") adopted International Financial Reporting Standards ("IFRS") on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively to the comparative information including the consolidated statements of financial position as at January 1, 2011 and December 31, 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2011.

In preparing its opening IFRS consolidated statement of financial position, SCH has adjusted amounts previously reported in accordance with Canadian generally accepted accounting principles. The major areas of restatement involved the company's investment in Horizon Holdings Inc., property, plant and equipment and deferred payments in lieu of corporate income taxes. For a more detailed explanation of the above changes please refer to the audited consolidated financial statements of SCH.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

4. Investment in St. Catharines Hydro Inc. - continued

Total assets of SCHI, as previously reported, increased from \$ 66,331,000 to \$ 76,904,000, total liabilities increased from \$ 8,933,000 to \$ 9,481,000 and net assets increased from \$ 57,398,000 to \$ 67,423,000. In addition, revenues as previously reported, decreased from \$ 7,452,000 to \$ 7,166,000, expenses increased from \$ 2,648,000 to \$ 3,208,000 and net comprehensive income decreased from \$ 4,804,000 to \$ 3,958,000.

5. Credit Facility

The Municipality has an authorized operating loan of \$ 20,000,000 of which NIL has been drawn upon as at December 31, 2012.

6. Accounts Payable and Accrued Liabilities

The accounts payable balance is as follows:

	(in thousands of dollars)	
	2012	2011
	\$	\$
Trade accounts payable	7,750	10,994
Payables to other governments	4,590	8,975
Payables to school boards	54	219
Other	8,251	6,933
	20,645	27,121

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.

	(in thousands of dollars)	
	2012	2011
	\$	\$
Impost and development	3,360	3,318
Subdivider deposits	287	309
Revenue under the Planning Act	1,353	1,239
Future sidewalks	980	931
Gasoline tax - provincial	4,099	2,844
Gasoline tax - federal	8,014	11,287
	18,093	19,928

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

8. 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 renders the services. The accrued benefit obligation was determined by actuarial valuation using a discount rate of 4.75% (4.75% - 2011).

The Municipality has established a reserve for the accumulated sick leave liability. The balance as at December 31, 2012 is \$ 3,067,322 (\$ 3,081,803 - 2011).

Defined Benefit Plan Information

	(in thousands of dollars)	
	2012 \$	2011 \$
Employee benefit plan assets		
Employee benefit plan liabilities	15,003	14,303
Employee benefit plan deficit	15,003	14,303
Accrued benefit obligation, beginning of year	14,303	13,515
Expense for the year	1,416	1,343
Amortization of actuarial losses	184	184
Benefits paid during the year	(900)	(739)
Accrued benefit obligation, end of year	15,003	14,303

As a result of an actuarial valuation conducted in 2011 for the year ending December 31, 2010, it was determined that an actuarial loss of \$ 1,825,611 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value remaining is \$ 1,273,129. The actual obligation is \$ 16,275,844.

The next actuarial valuation required is for December 31, 2013.

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 2012 and thereafter.

Salary Levels - Future salary and wage levels were assumed to increase at 2.0% per annum for the year 2012 through 2015 and 3.3% thereafter.

Medical Costs - Medical costs were assumed to increase at a rate of 7.25% graded down to 6.88% in 2013, 6.50% in 2014, 6.13% in 2015, 5.75% in 2016, 5.38% in 2017, and 5.00% in 2018 and each year thereafter.

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

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

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:

	(in thousands of dollars)	
	2012	2011
	\$	\$
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	72,663	64,794
Net long-term liabilities, end of year	72,663	64,794

- (b) Of the net long-term liabilities reported in (a) of this note, principal payments are due as follows:

	\$
2013	8,668,655
2014	7,774,160
2015	7,204,263
2016	6,855,762
2017	6,271,926
Thereafter	35,888,293

- (c) Included in the net long-term liabilities reported in (a), \$ 8,959,120 relates to a sinking fund debenture. The principal portion of the sinking fund is \$ 9,333,334, the balance of sinking funds set aside in 2012 is \$ 180,799 including 2012 interest earned of \$ 10,357.
- (d) 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.
- (e) Interest expense on long-term debt amounted to \$ 2,999,236 (\$ 2,812,043 - 2011).

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

10. Accumulated Surplus

	(in thousands of dollars)	
	2012	2011
	\$	\$
Invested in tangible capital assets	578,264	554,532
Operating fund	7,277	5,092
Reserves and reserve funds	75,641	71,784
Equity in St. Catharines Hydro Inc.	77,801	75,177
	738,983	706,585
Amounts to be recovered		
Employee future benefits	(15,003)	(14,303)
Landfill post-closure liability	(3,020)	(3,422)
Net long-term liabilities	(72,525)	(64,656)
	(90,548)	(82,381)
	648,435	624,204

(a) Operating fund balance

	(in thousands of dollars)	
	2012	2011
	\$	\$
To be applied in the following year to operations of the:		
Operating fund	4,304	4,014
Transit	25	25
Library	95	132
Airport Commission	117	125
To be applied to water operations for the following year	2,736	796
	7,277	5,092

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

10. Accumulated Surplus - continued

(b) Reserves and reserve fund balances

	(in thousands of dollars)	
	2012	2011
	\$	\$
Reserves set aside by council for specific purposes:		
Working capital	28	28
Replacement of equipment	8,844	9,638
Cumulative sick leave	3,067	3,082
Library purposes	2,526	2,729
Transit purposes	277	312
Encumbrances	18,421	14,936
Cemetery	30	47
Move Ontario	3	3
Brownfield	333	359
Roads and sewers	55	55
Hydro funds	1,000	
	34,584	31,189
Reserve Funds set aside by council for specific purposes:		
Actifest	8	8
Aquatic facility		69
Business improvement purposes	106	151
Community development	38,278	37,883
Mausoleum	1,020	980
Paratransit capital purposes	251	35
Parking	1,394	1,469
	41,057	40,595
	75,641	71,784

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

10. Accumulated Surplus - continued

(c) St. Catharines Hydro Inc. net equity (as restated)

	(in thousands of dollars)	
	2012	2011
	\$	\$
Balance, beginning of year	75,177	72,829
Changes during the year		
Net comprehensive income	5,878	3,958
Dividends paid during the year	(3,254)	(1,610)
	2,624	2,348
Balance, end of year	77,801	75,177

As disclosed in note 4, the comparative revenues, expenses and net comprehensive figures were restated due to the adoption of International Financial Reporting Standards ("IFRS"). In addition, the balance, beginning of year, as previously reported, increased from \$ 61,958,000 to \$ 72,829,000.

11. Trust Funds

Trust funds administered by the Municipality amounting to \$ 9,084,000 (\$ 8,880,000 - 2011) 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 System ("OMERS"), which is a multi-employer plan, on behalf of 927 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 2012 was \$ 4,949,603 (\$ 4,375,590 - 2011) 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, 2012

13. Contractual Obligations and Commitments

Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2012 is approximately \$ 114,075,000 (\$ 86,159,000 - 2011) after deducting the expenditures incurred as at December 31, 2012. 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 approved a plan which results in an additional annual tax levy in the amount of \$ 2,209,605 for next year and for 13 years thereafter. The schedule of payments to the NHS consists of a lump sum payment of \$ 8,271,760 that was paid in 2011, and annual installments of \$ 2,208,959 from 2012 to 2026.

14. Contingent Liabilities

From time to time, the Municipality is subject to claims and other lawsuits that arise in the ordinary course of operations, 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.

15. Contributions to Joint Board

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

	(in thousands of dollars)	
	2012	2011
	\$	\$
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, 2012

16. 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 2012 budget and inflation adjusted at 1.1% per annum. These costs were then discounted to December 31, 2012 using a discount rate of 4.75%.

The liability for post-closure care as at December 31, 2012 is \$ 3,020,397 (\$ 3,421,661 - 2011). Estimated annual expenditures for post-closure care are \$ 166,500 (\$ 166,500 - 2011) and are expected to be incurred for the next 30 years.

17. Budget Figures

The approved operating budget for 2012 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.

18. Comparative Figures

Certain figures have been reclassified to conform with the current year's presentation. This includes certain tangible capital assets that have been reclassified to different asset classes.

19. 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.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

19. Segmented Reporting - continued

General Government - continued

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.

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, 2012
(In thousands of dollars)

	General Government 2012 Actual \$	General Government 2011 Actual \$	Protection 2012 Actual \$	Protection 2011 Actual \$	Transportation 2012 Actual \$	Transportation 2011 Actual \$	Environmental 2012 Actual \$	Environmental 2011 Actual \$	Recreation/ Culture 2012 Actual \$	Recreation/ Culture 2011 Actual \$	SCHI 2012 Actual \$	SCHI 2011 Actual \$	Total 2012 Actual \$	Total 2011 Actual \$
Revenues														
Taxation	18,826	15,670	18,744	15,274	23,057	21,922	3,732	11,475	18,578	14,799			82,937	79,140
Taxation from other governments	514	436	511	425	629	611	102	320	507	412			2,263	2,204
User fees and charges	2,169	2,402	1,302	1,246	12,361	11,589	19,889	17,846	1,966	1,768			37,687	34,851
Government grants	295	378	31	34			1,580	1,755	366	351			2,272	2,518
Interest and penalties	527	452	525	441	645	632	104	331	520	427			2,321	2,283
Investment income	1,220	1,267	339	326	418	471	67	245	369	349			2,413	2,658
Donations	38	29			18	13			338	63			394	105
Other	839	846	1,598	1,287	905	995	28	28	2,803	2,888			6,173	6,044
St. Catharines Hydro Inc. net comprehensive income											5,878	3,958	5,878	3,958
Gain (loss) on disposal of tangible capital assets	58	(24)	7	36	(1,437)	(193)	(300)	(109)	(1,323)	(70)			(2,995)	(360)
	24,486	21,456	23,057	19,069	36,596	36,040	25,202	31,891	24,124	20,987	5,878	3,958	139,343	133,401
Expenditures														
Salaries and wages	17,604	16,338	21,868	21,280	17,029	16,859	5,414	5,095	14,619	12,950			76,534	72,522
Operating materials and supplies	4,770	4,495	1,272	1,252	7,375	8,572	841	1,241	4,817	5,500			19,075	21,060
Contracted services	2,678	2,365	605	732	3,071	3,641	984	1,499	1,523	1,907			8,861	10,144
Rents and financial expenses	259	187	10	2	2,081	377	377	315	1,576	314			4,303	1,195
Interfunctional transfer	(1,814)	(1,481)	261	251	(226)	(574)	1,859	1,892	(80)	(88)				
External transfer	2,614	2,435			10	10	5	5	236	204			2,865	2,654
Amortization	1,426	1,308	691	730	12,938	12,543	4,494	4,337	3,951	3,490			23,500	22,408
Debt service	216	260	25	46	953	994	664	749	1,142	763			3,000	2,812
	27,753	25,907	24,732	24,293	43,231	42,422	14,638	15,133	27,784	25,040			138,138	132,795
Annual Surplus (Deficit) Before Other														
Revenue Related to Capital	(3,267)	(4,451)	(1,675)	(5,224)	(6,635)	(6,382)	10,564	16,758	(3,660)	(4,053)	5,878	3,958	1,205	606
Other Revenue Related to Capital														
Government grants					13,020	15,699	2,545	2,348	6,072	5,782			21,637	23,829
Contributions from developers					445	53	797	29					1,242	82
Donations									147	186			147	186
					13,465	15,752	3,342	2,377	6,219	5,968			23,026	24,097
Annual Surplus (Deficit)	(3,267)	(4,451)	(1,675)	(5,224)	6,830	9,370	13,906	19,135	2,559	1,915	5,878	3,958	24,231	24,703

THE CORPORATION OF THE CITY OF ST. CATHARINES

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2012

(In thousands of dollars)

	Cost			Accumulated Amortization					
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Balance, Beginning of Year	Amortization	Disposals	Balance, End of Year	Net Book Value
	\$	\$	\$	\$	\$	\$	\$	\$	\$
General									
Land	39,541	271	2,178	37,634					37,634
Land improvements	53,983	4,243	338	57,888	20,071	1,725	260	21,536	36,352
Buildings, improvements and components	82,004	48,566	951	129,619	30,501	2,341	272	32,570	97,049
Machinery and equipment	21,116	2,174	1,812	21,478	10,389	1,530	1,778	10,141	11,337
Furniture and fixtures	2,603	701	49	3,255	1,168	102	64	1,206	2,049
Information technology	5,106	1,012	358	5,760	2,886	676	356	3,206	2,554
Vehicles	41,562	520	874	41,208	18,824	3,197	681	21,340	19,868
	245,915	57,487	6,560	296,842	83,839	9,571	3,411	89,999	206,843
Infrastructure									
Land	2,240			2,240					2,240
Land improvements	8,056	55		8,111	2,723	198		2,921	5,190
Buildings, improvements and components	26,128	5,083		31,211	4,947	768		5,715	25,496
Machinery and equipment	14,054	532	832	13,754	7,395	769	787	7,377	6,377
Information technology	94	1		95	24	19		43	52
Vehicles	8,642	284	383	8,543	5,252	566	383	5,435	3,108
Linear	561,990	10,622	1,690	570,922	250,016	11,609	1,385	260,240	310,682
	621,204	16,577	2,905	634,876	270,357	13,929	2,555	281,731	353,145
Work in Progress	68,820	(29,630)		39,190					39,190
December 31, 2012	935,939	44,434	9,465	970,908	354,196	23,500	5,966	371,730	599,178

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2012

(In thousands of dollars)

	Cost			Accumulated Amortization					
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Balance, Beginning of Year	Amortization	Disposals	Balance, End of Year	Net Book Value
	\$	\$	\$	\$	\$	\$	\$	\$	\$
General									
Land	39,544		3	39,541					39,541
Land improvements	43,309	11,033	359	53,983	18,885	1,465	279	20,071	33,912
Buildings, improvements and components	78,676	3,613	285	82,004	29,157	1,577	233	30,501	51,503
Machinery and equipment	19,857	2,051	792	21,116	9,700	1,479	790	10,389	10,727
Furniture and fixtures	2,569	34		2,603	1,085	83		1,168	1,435
Information technology	4,224	1,079	197	5,106	2,400	678	192	2,886	2,220
Vehicles	40,549	2,189	1,176	41,562	16,818	3,182	1,176	18,824	22,738
	228,728	19,999	2,812	245,915	78,045	8,464	2,670	83,839	162,076
Infrastructure									
Land	2,240			2,240					2,240
Land improvements	7,318	738		8,056	2,550	173		2,723	5,333
Buildings, improvements and components	25,756	379	7	26,128	4,264	690	7	4,947	21,181
Machinery and equipment	14,144	394	484	14,054	7,058	788	451	7,395	6,659
Information technology	61	33		94	8	16		24	70
Vehicles	8,373	504	235	8,642	4,910	577	235	5,252	3,390
Linear	546,906	17,162	2,078	561,990	240,078	11,700	1,762	250,016	311,974
	604,798	19,210	2,804	621,204	258,868	13,944	2,455	270,357	350,847
Work in Progress	37,336	31,484		68,820					68,820
December 31, 2011	870,862	70,693	5,616	935,939	336,913	22,408	5,125	354,196	581,743

See accompanying notes

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INDEPENDENT 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 accompanying financial statements of the trust funds of The Corporation of the City of St. Catharines, which comprise the statement of financial position as at December 31, 2012 and the statement of financial activities and changes in fund balances for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the City of St. Catharines as at December 31, 2012 and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read "Crawford, Smith and Swallow", is positioned above the firm's name.

St. Catharines, Ontario

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, 2012

(In thousands of dollars)

	Total		Cemetery Perpetual Care Fund		Marker Care & Maintenance Fund		Memorial Forest	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Assets								
Cash	204	179	96	95	69	69		
Investments (market value 2012 - \$8,595; 2011 - \$8,737)	8,595	8,737	7,324	7,477	484	484		
Prepaid interest	7	3	7	3				
Other current assets		1						
Due from operating fund	295	11	284				11	11
	9,101	8,931	7,711	7,575	553	553	11	11
Liabilities and Fund Balances								
Due to operating fund	17	51		18	17	33		
Fund balances	9,084	8,880	7,711	7,557	536	520	11	11
	9,101	8,931	7,711	7,575	553	553	11	11

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

STATEMENT OF FINANCIAL POSITION - TRUST FUNDS

December 31, 2012

(In thousands of dollars)

	Library Endowment & Trust Fund		Museum Lottery & Bingo	
	2012 \$	2011 \$	2012 \$	2011 \$
Assets				
Cash	38	14	1	1
Investments (market value 2012 - \$8,595; 2011 - \$8,737)	787	776		
Prepaid interest				1
Other current assets				
Due from operating fund				
	825	790	1	2
Liabilities and Fund Balances				
Due to operating fund				
Fund balances	825	790	1	2
	825	790	1	2

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, 2012

(In thousands of dollars)

	Total		Cemetery Perpetual Care Fund		Marker Care & Maintenance Fund		Memorial Forest	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Balance, Beginning of Year	8,880	8,665	7,557	7,374	520	501	11	9
Receipts								
Sale of plots, crypts and markers	170	202	154	183	16	19		
Ticket sales	12	13						
Book revenue	369	385	331	356	22	23		
Interest	(29)	(1)	(29)	(1)				
Loss on sale of investments	20	13					8	7
Donations								
	542	612	456	538	38	42	8	7
Expenditures								
Contribution to operating fund	332	383	302	355	22	23	8	5
Administration	5	5						
Special projects	1	9						
	338	397	302	355	22	23	8	5
Balance, End of Year	9,084	8,880	7,711	7,557	536	520	11	11

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, 2012

(In thousands of dollars)

	Library Endowment & Trust Fund		Museum Lottery & Bingo	
	2012 \$	2011 \$	2012 \$	2011 \$
Balance, Beginning of Year	790	770	2	11
Receipts				
Sale of plots, crypts and markers				
Ticket sales				
Book revenue	12	13		
Interest	16	6		
Loss on sale of investments				
Donations	12	6		
	40	25		
Expenditures				
Contribution to operating fund				
Administration	5	5		
Special projects			1	9
	5	5	1	9
Balance, End of Year	825	790	1	2

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2012

1. Significant Accounting Policies

The financial statements of the Municipality's trust funds are the representations of management prepared in accordance Canadian public sector accounting standards.

(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.



PORT DALHOUSIE BUSINESS ASSOCIATION

Financial Statements

December 31, 2012

PORT DALHOUSIE BUSINESS ASSOCIATION

Financial Statements

December 31, 2012

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Port Colborne, Ontario

INDEPENDENT AUDITORS' REPORT

To the Board Members of the Port Dalhousie Business
Association, Members of Council, Inhabitants and
Ratepayers of The Corporation of the City of St. Catharines

We have audited the accompanying financial statements of the Port Dalhousie Business Association, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

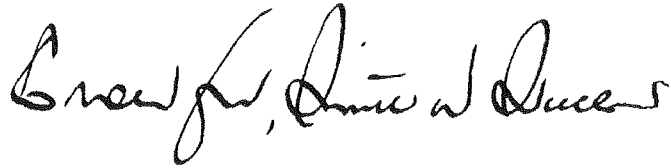
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Port Dalhousie Business Association as at December 31, 2012, and the results of its operations, cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read "Crawford, Smith & Swallow".

St. Catharines, Ontario
March 22, 2013

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS


PORT DALHOUSIE BUSINESS ASSOCIATION

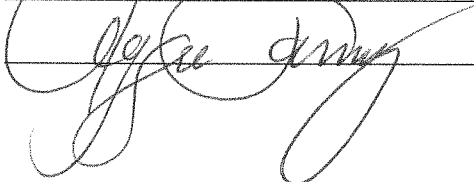
STATEMENT OF FINANCIAL POSITION

December 31, 2012

	2012 \$	2011 \$
Financial Assets		
Cash	17,988	36,075
HST receivable	4,062	7,936
	22,050	44,011
Liabilities		
Accounts payable and accrued liabilities	2,090	2,174
Deferred revenue	833	833
	2,923	3,007
Net Financial Assets	19,127	41,004
Non-Financial Assets		
Tangible capital assets - note 2	7,961	11,764
Prepaid expenses	2,034	1,556
	9,995	13,320
Accumulated Surplus - note 3	29,122	54,324

Signed on behalf of the Board:

 Director

 Director

See accompanying notes

PORT DALHOUSIE BUSINESS ASSOCIATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Revenues			
Requisition from the City of St. Catharines			
Original	15,000	15,000	30,000
Supplemental taxes		150	
Taxes written-off		(3,413)	(1,887)
Net requisition	15,000	11,737	28,113
Events	11,000		12,542
Interest		89	154
Membership dues	450	100	
Miscellaneous		5	174
Sign reimbursement from the City of St. Catharines		2,500	2,500
	26,450	14,431	43,483
Expenses			
Administration	15,000	15,836	9,902
Amortization		3,803	3,803
Bank charges	200	91	55
Dalhousie dollars	600	200	314
Events	1,000		8,905
Internet and website	1,360	2,490	2,246
Professional fees	500	967	2,112
Promotions and marketing	3,709	6,718	6,109
Rent and utilities	9,861	9,023	10,194
Special events	400		1,107
Streetscaping	2,000		1,497
Supplies	550	505	591
	35,180	39,633	46,835
Annual Deficit	(8,730)	(25,202)	(3,352)
Accumulated Surplus, Beginning of Year	54,324	54,324	57,676
Accumulated Surplus, End of Year	45,594	29,122	54,324

See accompanying notes

PORT DALHOUSIE BUSINESS ASSOCIATION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2012

	2012 \$	2011 \$
Operations		
Annual deficit	(25,202)	(3,352)
Uses		
Increase in accounts receivable		(3,744)
Decrease in accounts payable and accrued liabilities	(84)	
Decrease in due to the City of St. Catharines		(169)
Increase in prepaid expenses	(478)	
	(562)	(3,913)
Sources		
Decrease in HST receivable	3,874	
Increase in accounts payable and accrued liabilities		699
Decrease in prepaid expenses		4,665
	3,874	5,364
Non-cash charges to operations		
Amortization of tangible capital assets	3,803	3,803
Increase (Decrease) in Cash Position	(18,087)	1,902
Cash Position, Beginning of Year	36,075	34,173
Cash Position, End of Year	17,988	36,075

See accompanying notes

PORT DALHOUSIE BUSINESS ASSOCIATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

for the year ended December 31, 2012

	2012	2011
	\$	\$
Annual Deficit	(25,202)	(3,352)
Amortization of Tangible Capital Assets	3,803	3,803
Change in Prepaid Expenses	(478)	4,665
Increase (Decrease) in Net Financial Assets	(21,877)	5,116
Net Financial Assets, Beginning of Year	41,004	35,888
Net Financial Assets, End of Year	19,127	41,004

See accompanying notes

PORT DALHOUSIE BUSINESS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

Organization

The Port Dalhousie Business Association (the "Association"), established in 1986 pursuant to the Ontario Municipal Act, operates to revitalize and promote the Port Dalhousie business area.

1. Significant Accounting Policies

The financial statements of the Association are the representations of management prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Association are as follows:

Accrual accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

Tangible capital assets

Tangible capital assets are recorded at historical 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 services on a straight-line basis over the estimated useful life of the asset. Additions during the year are amortized from the month of acquisition. Disposals are amortized until the month of disposition. Gains and/or losses on the disposal of an asset are recorded on the statement of operations and accumulated surplus as "gain/loss on disposal of assets".

<u>Asset Class</u>	<u>Period</u>
Banners	- 5 years
Computers	- 5 years
Lights	- 5 years
Office equipment	- 10 years

PORT DALHOUSIE BUSINESS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

1. Significant Accounting Policies - continued

Use of estimates

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

2. Tangible Capital Assets

	Cost \$	Accumulated Amortization \$	2012 Net Book Value \$	2011 Net Book Value \$
Banners	6,869	4,809	2,060	3,434
Computers	848	595	253	423
Lights	9,280	4,640	4,640	6,496
Office equipment	4,031	3,023	1,008	1,411
	21,028	13,067	7,961	11,764

There were no additions of tangible capital assets in 2012 or 2011.

There were no dispositions of tangible capital assets in 2012 or 2011.

3. Accumulated Surplus

	2012 \$	2011 \$
Invested in tangible capital assets	7,961	11,764
Operating fund		
Reserve funds		
Streetscaping		2,257
Contemporary and Heritage	21,161	40,303
	21,161	42,560
	29,122	54,324

PORT DALHOUSIE BUSINESS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

4. Reserve Funds

Streetscaping Reserve Fund

The streetscaping reserve fund is used to fund expenditures that contribute towards the development and beautification of Port Dalhousie that are approved by the Association. It is the policy of the Association that the operating fund net revenue or deficit for the year be transferred to or from the fund.

Contemporary and Heritage Reserve Fund

The contemporary and heritage reserve fund is used to accumulate donation and fundraising revenues for the funding of special projects as determined by the Association.

5. Related Party Transactions

Accounts payable and accrued liabilities includes \$504 (2011 - \$nil) due to the City of St. Catharines.



**ST. CATHARINES DOWNTOWN
ASSOCIATION**

Financial Statements

December 31, 2012

ST. CATHARINES DOWNTOWN ASSOCIATION

Financial Statements

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the St. Catharines Downtown Association, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the St. Catharines Downtown Association as at December 31, 2012, and the results of its operations, cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read "Crawford, Smith & Swallow", is positioned above the firm's name.

St. Catharines, Ontario
February 12, 2013

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

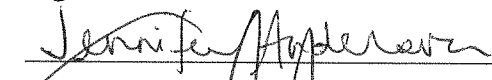
ST. CATHARINES DOWNTOWN ASSOCIATION

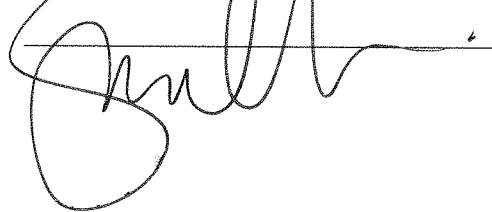
STATEMENT OF FINANCIAL POSITION

December 31, 2012

	2012 \$	2011 \$
Financial Assets - note 5		
Cash	38,209	60,100
Accounts receivable - note 8	69,645	63,971
	107,854	124,071
Liabilities		
Accounts payable and accrued liabilities - note 8	28,179	18,192
Provision for redemption of parking tokens - note 2	6,366	6,396
	34,545	24,588
Net Financial Assets	73,309	99,483
Non-Financial Assets		
Prepaid expenses	11,554	8,679
Tangible capital assets - notes 3 and 5	60,067	62,148
	71,621	70,827
Accumulated Surplus - note 4	144,930	170,310

Signed on behalf of the Board

 Director

 Director

See accompanying notes

ST. CATHARINES DOWNTOWN ASSOCIATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Revenues			
Requisition from the City of St. Catharines			
Member levies	384,431	384,431	384,431
Supplemental taxes		2,663	4,106
Taxes written-off	(8,090)	(28,176)	(21,062)
Net requisition	376,341	358,918	367,475
Other recoveries from the City of St. Catharines			
Recovery of Christmas expenses		10,000	10,621
Total revenues from City of St. Catharines	376,341	368,918	378,096
Other revenues			
Events - schedule 1		41,833	14,987
	376,341	410,751	393,083
Expenses - schedule 2			
Administration	171,450	171,455	152,809
Amortization		22,605	26,833
Development	49,900	47,112	29,366
Events	44,000	90,914	53,609
Media and visual marketing	105,000	95,266	100,929
Tourism	10,000	8,779	7,525
	380,350	436,131	371,071
Annual Surplus (Deficit)	(4,009)	(25,380)	22,012
Accumulated Surplus, Beginning of Year	170,310	170,310	148,298
Accumulated Surplus, End of Year	166,301	144,930	170,310

See accompanying notes

ST. CATHARINES DOWNTOWN ASSOCIATION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2012

	2012 \$	2011 \$
Operations		
Annual surplus (deficit)	(25,380)	22,012
Uses		
Increase in accounts receivable	(5,674)	(1,558)
Increase in prepaid expenses	(2,875)	
Decrease in accounts payable and accrued liabilities		(326)
Decrease in provision for redemption of parking tokens	(30)	
	(8,579)	(1,884)
Sources		
Decrease in prepaid expenses		308
Increase in accounts payable and accrued liabilities	9,987	
Increase in provision for redemption of parking tokens		538
	9,987	846
Non-cash charges to operations		
Amortization of tangible capital assets	22,605	26,833
Net change in cash from operations	(1,367)	47,807
Capital		
Acquisition of tangible capital assets	(20,524)	(6,333)
Increase (Decrease) in Cash Position	(21,891)	41,474
Cash Position, Beginning of Year	60,100	18,626
Cash Position, End of Year	38,209	60,100

See accompanying notes

ST. CATHARINES DOWNTOWN ASSOCIATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

for the year ended December 31, 2012

	2012	2011
	\$	\$
Annual Surplus (Deficit)	(25,380)	22,012
Acquisition of Tangible Capital Assets	(20,524)	(6,333)
Amortization of Tangible Capital Assets	22,605	26,833
Change in Prepaid Expenses	(2,875)	308
Increase (Decrease) in Net Financial Assets	(26,174)	42,820
Net Financial Assets, Beginning of Year	99,483	56,663
Net Financial Assets, End of Year	73,309	99,483

See accompanying notes

ST. CATHARINES DOWNTOWN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

Organization

The St. Catharines Downtown Association (the "Association"), established in 1973 pursuant to the Ontario Municipal Act, operates to develop and revitalize the downtown core of St. Catharines. The Association participates in programs aimed at the physical improvement and beautification of the area, as well as the promotion of businesses located in the downtown core.

1. Significant Accounting Policies

The financial statements of the Association are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Association are as follows:

Accrual accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

Revenue recognition

Revenue from member levies is recognized as income when they become available and measurable.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

Tangible capital assets

Tangible capital assets are recorded at historical 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 services on a straight-line basis over the estimated useful life of the asset. Additions during the year are amortized from the month of acquisition. Disposals are amortized until the month of disposition. Gains and/or losses on the disposal of an asset are recorded on the statement of operations and accumulated surplus as "gain/loss on disposal of assets".

ST. CATHARINES DOWNTOWN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

1. Significant Accounting Policies - continued

Tangible capital assets - continued

<u>Asset Class</u>	<u>Rate</u>
Computers	- 3 years
Garbage receptacles	- 10 years
Holiday decor	- 5 years
Kiosks	- 20 years
Planters	- 10 years

Use of estimates

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

2. Parking Tokens

The provision for redemption of parking tokens of \$ 6,366 (2011 - \$ 6,396) represents the estimated value of parking tokens in the hands of merchants and their customers.

3. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated</u>	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>Amortization</u>	<u>\$</u>	<u>\$</u>
Computers	1,961	707	1,254	954
Garbage receptacles	21,943	10,988	10,955	3,206
Holiday decor	82,468	45,690	36,778	42,011
Kiosks	44,594	36,172	8,422	10,652
Planters	26,670	24,012	2,658	5,325
	177,636	117,569	60,067	62,148

ST. CATHARINES DOWNTOWN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

4. Accumulated Surplus

	2012	2011
	\$	\$
Invested in tangible capital assets	60,067	62,148
Operating fund		
Reserve fund	84,863	108,162
	144,930	170,310

5. Bank Indebtedness

Bank indebtedness, as it may occur, is secured by a registered general security agreement. The maximum line of credit available to the Association is \$ 20,000, which bears interest at prime plus 2.5%. As at December 31, 2012, the amount drawn from the line of credit was \$ nil (2011 - \$ nil).

6. Reserve Fund

The reserve fund is used to fund expenses, normally of a capital nature, that are approved by the Association. It is the policy of the Association that the operating fund net revenue or deficit for the year be transferred to or from the reserve fund.

7. Lease Commitments

The Association is currently committed to minimum monthly lease payments in the amount of \$ 1,200 for a five-year period ending July 15, 2017.

In addition, the Association has committed to the following annual maintenance contract payments for the installation, maintenance, and storage of Christmas decorations for the next two years:

	\$
2013	11,872
2014	11,872

The Association is also committed to the following annual minimum lease payments for the rental of equipment for the next three years:

	\$
2013	6,267
2014	6,267
2015	3,134

ST. CATHARINES DOWNTOWN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

8. Related Party Transactions

Accounts receivable includes \$ 27,746 (2011 - \$ 26,673) due from the City of St. Catharines. Accounts payable and accrued liabilities includes \$ 9,050 (2011 - \$ 392) due to the City of St. Catharines.

ST. CATHARINES DOWNTOWN ASSOCIATION

SCHEDULE OF REVENUES

Schedule 1

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Events			
12 Days of Christmas		8,000	6,143
Art City		19,872	
Chili cook off			1,413
Classic Car Show		9,420	3,540
Full moon tours		1,951	780
Historical ghost walking tours		2,590	2,573
Movie nights			538
		41,833	14,987

See accompanying notes

ST. CATHARINES DOWNTOWN ASSOCIATION

SCHEDULE OF EXPENSES

Schedule 2

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Administration			
Accommodations	6,000	8,700	5,976
Communications equipment	10,000	10,382	9,607
Insurance	750	737	729
Professional fees	6,500	6,047	6,605
Salaries and payroll taxes	145,000	140,811	126,160
Supplies	3,200	4,778	3,732
	171,450	171,455	152,809
Amortization			
Banners			6,571
Computers		517	190
Garbage receptacles		1,721	1,248
Holiday decor		15,470	13,927
Kiosks		2,230	2,230
Planters		2,667	2,667
		22,605	26,833
Development			
Annual general meeting	600	1,356	375
Business Development Program	1,800	1,429	1,508
Committee/board/staff development	3,000	2,676	2,589
Development/revitalization	2,000	7,914	3,218
Membership/resources	1,000	1,397	984
Newsletter/supplements	500	532	217
Safety	35,000	24,938	20,350
Website	6,000	6,870	125
	49,900	47,112	29,366

See accompanying notes

ST. CATHARINES DOWNTOWN ASSOCIATION

SCHEDULE OF EXPENSES

for the year ended December 31, 2012

Schedule 2 - continued

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Events			
Art City	10,000	22,339	
Chili cook off			2,584
Christmas	15,000	35,952	27,015
Classic Car Show	12,500	22,152	12,825
Full moon tours		442	413
Historical ghost walking tours	500	3,270	1,469
Movie nights			3,686
Downtown D'Lish	6,000	6,759	5,617
	44,000	90,914	53,609
Media and Visual Marketing			
Beautification/maintenance/identification	27,000	12,061	14,438
General marketing	45,000	47,676	58,366
Kiosks	1,000	2,347	1,779
Marketing campaign	25,000	26,904	22,770
Mini-lights		165	
Sponsorship	7,000	6,113	3,576
	105,000	95,266	100,929
Tourism			
Advertising	10,000	8,779	6,406
Membership directory			1,119
	10,000	8,779	7,525

See accompanying notes

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ST. CATHARINES PUBLIC LIBRARY BOARD

Financial Statements

December 31, 2012

ST. CATHARINES PUBLIC LIBRARY BOARD

Financial Statements

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the St. Catharines Public Library Board, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

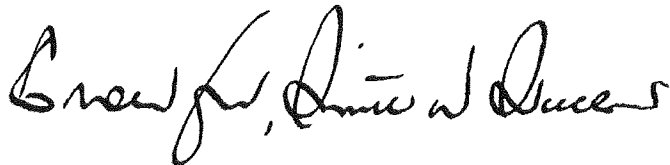
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many non-profit organizations, the Board derives part of its revenue in the Endowment and Trust Fund from the general public in the form of donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to donations revenue, trust funds and financial assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the St. Catharines Public Library Board as at December 31, 2012, and the results of its operations, cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.



St. Catharines, Ontario
April 4, 2013

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS



ST. CATHARINES PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

December 31, 2012

	2012 \$	2011 \$
Financial Assets		
Cash - note 2	2,714,968	3,077,505
Investments - note 3	1,008,767	994,897
Accounts receivable	40,205	40,095
	3,763,940	4,112,497
Liabilities		
Accounts payable and accrued liabilities	347,719	444,670
Deferred income	44,277	55,508
Post-employment benefits - note 4	358,005	329,125
Long-term liabilities - note 5	1,561,634	1,621,750
	2,311,635	2,451,053
Net Financial Assets	1,452,305	1,661,444
Non-Financial Assets		
Tangible capital assets - schedule 1	7,928,149	7,385,170
Prepaid expenses	73,312	38,990
	8,001,461	7,424,160
Accumulated Surplus - note 6	9,453,766	9,085,604

Signed on behalf of the Board:

 Director
 Director

See accompanying notes

ST. CATHARINES PUBLIC LIBRARY BOARD**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

for the year ended December 31, 2012

	(Unaudited)		
	Budget	Actual	Actual
	2012	2012	2011
	\$	\$	\$
Revenues			
Municipal contribution -			
City of St. Catharines	5,195,200	5,195,200	5,082,450
Province of Ontario regular grant	228,600	228,616	228,616
Special grants		36,978	38,940
Other	205,300	275,133	252,321
	5,629,100	5,735,927	5,602,327
Expenses			
Salaries, wages and payroll taxes	3,892,400	3,576,418	3,476,750
Library materials	145,085	141,569	139,089
Occupancy	468,600	480,737	483,003
General and administration	219,600	208,483	194,475
Interest		77,199	
Amortization		883,359	858,307
	4,725,685	5,367,765	5,151,624
Annual Surplus	903,415	368,162	450,703
Accumulated Surplus, Beginning of Year	9,085,604	9,085,604	8,634,901
Accumulated Surplus, End of Year	9,989,019	9,453,766	9,085,604

See accompanying notes

ST. CATHARINES PUBLIC LIBRARY BOARD**STATEMENT OF CASH FLOWS**

for the year ended December 31, 2012

	2012 \$	2011 \$
Operations		
Annual surplus	368,162	450,703
Uses		
Increase in accounts receivable	(110)	
Increase in prepaid expenses	(34,322)	(30,367)
Decrease in accounts payable and accrued liabilities	(96,951)	
Decrease in deferred income	(11,231)	
	(142,614)	(30,367)
Sources		
Decrease in accounts receivable		1,377
Increase in accounts payable and accrued liabilities		154,964
Increase in deferred income		4,363
Increase in post-employment benefits	28,880	13,804
	28,880	174,508
Non-cash charges to operations		
Amortization of tangible capital assets	883,359	858,307
Net change in cash from operations	1,137,787	1,453,151
Investing		
Increase in investments	(13,870)	(24,771)
Capital		
Acquisition of tangible capital assets	(1,426,338)	(2,589,740)
Financing		
Long-term debt issued		1,760,000
Long-term debt repaid	(60,116)	(138,250)
Net increase in cash from financing	(60,116)	1,621,750
Increase (Decrease) in Cash Position	(362,537)	460,390
Cash Position, Beginning of Year	3,077,505	2,617,115
Cash Position, End of Year	2,714,968	3,077,505

See accompanying notes

ST. CATHARINES PUBLIC LIBRARY BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

for the year ended December 31, 2012

	2012 \$	2011 \$
Annual Surplus	368,162	450,703
Acquisition of Tangible Capital Assets	(1,426,338)	(2,589,740)
Amortization of Tangible Capital Assets	883,359	858,307
Change in Prepaid Expenses	(34,322)	(30,367)
Decrease in Net Financial Assets	(209,139)	(1,311,097)
Net Financial Assets, Beginning of Year	1,661,444	2,972,541
Net Financial Assets, End of Year	1,452,305	1,661,444

See accompanying notes

ST. CATHARINES PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

Organization

The St. Catharines Public Library Board (the "Board") was established in January, 1888 pursuant to City of St. Catharines By-law #615 and operates four branches within St. Catharines, Ontario. The branches are known as Grantham, William Hamilton Merritt, Centennial and Port Dalhousie.

1. Significant Accounting Policies

The financial statements of the Board are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

Accrual accounting

The accrual method of reporting revenue and expenses has been used.

Investments

Investments are carried at fair market value.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

Tangible capital assets

Tangible capital assets are recorded at historical 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 services on a straight-line basis over the estimated useful life of the asset. Additions during the year are amortized from the month of acquisition. Disposals are amortized until the month of disposition. Gains and/or losses on the disposal of an asset are recorded on the statement of operations and accumulated surplus as "gain/loss on disposal of assets".

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

<u>Asset Class</u>	<u>Period</u>
Buildings	- 25-75 years
Building improvements	- 20-30 years
Collection	- 7 years
Furniture and equipment	- 10-100 years
Information technology	- 3-10 years

ST. CATHARINES PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

1. Significant Accounting Policies - continued

Deferred revenue

Funds received for specific purposes are accounted for as deferred income until the Board discharges the obligation which lead to the receipt of the funds.

Post-employment benefits

The Board pays certain medical, dental and life insurance benefits on behalf of its retired employees. The Board recognizes these post-retirement costs in the period in which the employees render their services. See note 4.

Use of estimates

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

2. Cash

The total balance of cash is comprised of the following:

	2012 \$	2011 \$
Cash - operating	2,677,510	3,062,137
Cash - trust funds	37,458	15,368
	2,714,968	3,077,505

3. Investments

The total balance of investments is comprised of the following:

	2012 \$	2011 \$
Investments - operating fund	221,559	218,655
Investments - trust funds	787,208	776,242
	1,008,767	994,897

4. Post-Employment Benefits

	2012 \$	2011 \$
Vacation pay	58,942	46,744
Post-retirement benefits	299,063	282,381
	358,005	329,125

ST. CATHARINES PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

4. Post-Employment Benefits - continued

Vacation Pay

As at December 31, 2012 employees of the St. Catharines Public Library Board have accumulated vacation credits in the amount of \$ 58,942 (2011 - \$ 46,744). These credits must be used within the next fiscal year.

Post-Retirement Benefits

The St. Catharines Public Library Board pays certain medical, dental and life insurance benefits on behalf of its retired employees. The accrued benefit liability was determined by actuarial valuation using a discount of 4.75% (2011 - 4.75%).

Defined Benefit Plan Information

	2012 \$	2011 \$
Employee benefit plan assets		
Employee benefit plan liabilities	299,063	282,381
Employee benefit plan deficit	299,063	282,381

	2012 \$	2011 \$
Accrued benefit obligation, beginning of year	282,381	274,813
Expense for the year	22,508	21,977
Amortization of actuarial loss (gain)	656	656
Benefits paid during the year	(6,482)	(15,065)
Accrued benefit obligation, end of year	299,063	282,381

As a result of an actuarial valuation conducted in 2011 for the year ending December 31, 2010, it was determined that an actuarial loss of \$ 5,902 existed. This amount is being amortized over the expected average remaining service life of the employee group, which in this case, is 9 years or \$ 656 per annum. The unamortized value remaining is \$ 3,934. The actual obligation is \$ 302,997.

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% in 2010 and thereafter.

Salary Levels - Future salary and wage levels were assumed to increase at 2.0% per annum for the year 2010 through 2015 and 3.30% thereafter.

Medical Costs - Medical costs were assumed to increase at a rate of 8%, graded down to 7.63% in 2011, 7.25% in 2012, 6.88% in 2013, 6.50% in 2014, 6.13% in 2015, 5.75% in 2016, 5.38% in 2017, and 5.0% in 2018 and each year thereafter.

Dental Costs - Dental costs were assumed to increase at a rate of 5.0% and each year thereafter.

ST. CATHARINES PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

5. Long-Term Liabilities

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

	2012 \$	2011 \$
Long-term liabilities incurred by the Board which bear interest at 3.8%	1,561,634	1,621,750

- (b) Principal payments due over the next five years and thereafter are as follows:

	\$
2013	62,422
2014	64,816
2015	67,303
2016	69,885
2017	72,566
Thereafter	1,224,642

- (c) Interest expense on long-term liabilities amounted to \$ 77,199 (2011 - nil) for the year.

6. Accumulated Surplus

	2012 \$	2011 \$
Invested in tangible capital assets	7,928,149	7,385,170
Operating fund	94,700	132,000
Reserve funds	2,525,891	2,729,002
Trust funds		
Architects	756	755
Nevada tickets	3,694	3,677
Endowment and trust	820,215	785,875
	824,665	790,307
Amount to be recovered - post-employment benefits	(358,005)	(329,125)
Amount to be recovered - long-term liabilities	(1,561,634)	(1,621,750)
	9,453,766	9,085,604

ST. CATHARINES PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

7. Trust Funds

Architects fund

This fund has been allocated for the purchase of architectural material through an agreement with the Niagara Society of Architects. The funds along with accumulated interest are maintained in a separate bank account at the TD Canada Trust.

Endowment and trust fund

This fund has been allocated by the Board for the future improvement of collections and access to collections, provision of library support programs and purchase of equipment, furniture and such other capital projects to improve library service above and beyond that normally funded by provincial or municipal funds. These funds along with accumulated interest and donations are held in a separate bank account at TD Canada Trust and in an investment account at Scotia McLeod.

Nevada tickets fund

This fund has been allocated by the Board for the same purpose as the Endowment and Trust fund as detailed above. These funds along with accumulated interest are maintained in a separate bank account at TD Canada Trust.

8. Long-Term Leases

Grantham Branch

As at December 31, 2012, the lease for the new Grantham Branch with the City of St. Catharines is still being negotiated.

William Hamilton Merritt Branch

The Board is currently committed to the following minimum lease payments for the next four years:

	\$
2013	39,312
2014	40,112
2015	40,375
2016	9,956

The Board is also obligated to pay a proportionate share of operating costs and property taxes.

Centennial Public Library

The lease with the City of St. Catharines, for a nominal amount, expires December 31, 2017.

Port Dalhousie Branch

Rent is paid on a yearly basis to the City of St. Catharines in the amount of \$ 600 with no set date of expiry.

ST. CATHARINES PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

9. Pension Agreements

The Board makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of 65 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 2012 was \$ 172,999 (2011 - \$ 158,859) for current service and is included as an expenditure in the statement of operations and accumulated surplus.

10. Economic Dependence

The Board receives a significant portion of its revenues for operations from the following sources:

City of St. Catharines
Province of Ontario

ST. CATHARINES PUBLIC LIBRARY BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2012

Schedule 1

	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		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	25,138			25,138						25,138
Buildings	5,002,200	2,126,000		7,128,200	2,398,287	86,605			2,484,892	4,643,308
Building improvements	130,723	77,584		208,307	10,870	5,627			16,497	191,810
Collection	5,695,171	791,096	1,369,181	5,117,086	3,127,696	725,264	1,369,181		2,483,779	2,633,307
Furniture and equipment	410,952	150,169		561,121	185,736	19,545			205,281	355,840
IT equipment	479,919	41,489	36,411	484,997	396,344	46,318	36,411		406,251	78,746
Work in progress	1,760,000		1,760,000							
December 31, 2012	13,504,103	3,186,338	3,165,592	13,524,849	6,118,933	883,359	1,405,592		5,596,700	7,928,149
Land	25,138			25,138						25,138
Buildings	5,002,200			5,002,200	2,331,112	67,175			2,398,287	2,603,913
Building improvements	120,863	9,860		130,723	6,289	4,581			10,870	119,853
Collection	5,600,143	748,652	653,624	5,695,171	3,068,239	713,081	653,624		3,127,696	2,567,475
Furniture and equipment	392,163	18,789		410,952	171,297	14,439			185,736	225,216
IT equipment	427,480	52,439		479,919	337,313	59,031			396,344	83,575
Work in progress		1,760,000		1,760,000						1,760,000
December 31, 2011	11,567,987	2,589,740	653,624	13,504,103	5,914,250	858,307	653,624		6,118,933	7,385,170

See accompanying notes

crawford smith & swallow

ST. CATHARINES PUBLIC LIBRARY BOARD**SCHEDULE OF TRUST FUND ACTIVITIES****Schedule 2**

for the year ended December 31, 2012

	Nevada Tickets Fund \$	Architects Fund \$	Endowment and Trust Fund \$	2012 Total \$	2011 Total \$
Revenues					
Book revenue			11,807	11,807	12,737
Donations			16,244	16,244	5,648
Interest	17	1	11,450	11,468	7,364
	17	1	39,501	39,519	25,749
Expenditures					
Library materials			5,161	5,161	5,303
Net Change in Trust Fund	17	1	34,340	34,358	20,446
Trust Fund, Beginning of Year	3,677	755	785,875	790,307	769,861
Trust Fund, End of Year	3,694	756	820,215	824,665	790,307

See accompanying notes

ST. CATHARINES PUBLIC LIBRARY BOARD**SCHEDULE OF OTHER REVENUE****Schedule 3**

for the year ended December 31, 2012

	(Unaudited)		
	Budget	Actual	Actual
	2012	2012	2011
	\$	\$	\$
Fines and memberships	129,000	117,667	129,618
Interest	23,000	45,070	40,444
Photocopying	5,700	4,303	5,106
Programming fees	8,300	9,482	8,073
Sundry	39,300	70,560	50,695
Donations		16,244	5,648
Book revenue		11,807	12,737
	205,300	275,133	252,321

See accompanying notes

ST. CATHARINES PUBLIC LIBRARY BOARD**SCHEDULE OF EXPENSES****Schedule 4**

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Salaries, Wages and Payroll Taxes			
Library and clerical	3,043,900	2,809,457	2,736,383
Maintenance	176,129	158,718	149,182
Payroll taxes	672,371	608,243	591,185
	3,892,400	3,576,418	3,476,750
Library Materials			
Binding	13,400	10,349	15,565
Microfilm	8,425	7,910	9,414
Periodicals	94,460	97,343	91,927
Processing	28,800	25,967	22,183
	145,085	141,569	139,089
Occupancy			
Communications	43,000	40,781	41,720
Insurance	32,900	31,237	32,342
Rent and taxes	72,000	83,922	107,623
Repairs and maintenance	137,100	157,958	137,971
Security	14,600	14,580	14,350
Utilities	169,000	152,259	148,997
	468,600	480,737	483,003
General and Administration			
Audio visual supplies	4,200	162	1,817
Catalogue support system service	600	267	425
Data processing	6,700	6,700	6,700
Equipment rental	7,800	6,842	6,421
Equipment repairs and maintenance	83,800	83,853	70,700
Library supplies	30,000	30,351	26,105
Printing and stationary	3,400	1,709	672
Professional fees	20,000	12,723	17,257
Programming	10,600	9,373	6,939
Sundry	12,500	17,367	18,096
Training and development	13,500	12,727	12,769
Transportation and postage	26,500	26,409	26,574
	219,600	208,483	194,475

See accompanying notes

**ST. CATHARINES TRANSIT COMMISSION
- URBAN SERVICE**

Financial Statements

December 31, 2012

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

Financial Statements

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of the St. Catharines Transit Commission - Urban Service,
Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of St. Catharines

We have audited the accompanying financial statements of St. Catharines Transit Commission - Urban Service, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and accumulated surplus, cash flows, and change in net financial liabilities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Catharines Transit Commission - Urban Service as at December 31, 2012, and the results of its operations, cash flows and change in net financial liabilities for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read "Crawford, Smith & Swallow".

St. Catharines, Ontario
February 28, 2013

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

LICENSED PUBLIC ACCOUNTANTS

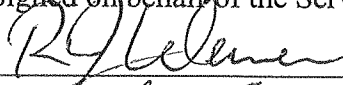
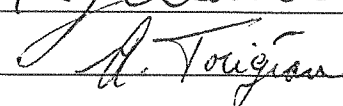
ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

STATEMENT OF FINANCIAL POSITION

December 31, 2012

	2012 \$	2011 \$
Financial Assets		
Cash	863,305	757,069
Accounts receivable	635,896	674,870
Due from Paratransit System of St. Catharines - note 5	1,147,806	1,276,852
	2,647,007	2,708,791
Liabilities		
Accounts payable and accrued liabilities	1,302,287	915,099
Deferred income	412,864	407,702
Due to City of St. Catharines - note 4	1,689,862	1,733,598
Employee future benefits - note 2	1,641,290	1,531,842
	5,046,303	4,588,241
Net Financial Liabilities	(2,399,296)	(1,879,450)
Non-Financial Assets		
Tangible capital assets - schedule 1	25,555,191	27,024,666
Inventories	527,452	655,509
Prepaid expenses	533,422	29,706
	26,616,065	27,709,881
Accumulated Surplus - note 3	24,216,769	25,830,431

Signed on behalf of the Service:

 Chairman
 Member

See accompanying notes

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Revenues			
Municipal contribution -			
City of St. Catharines	7,060,446	8,462,085	7,461,096
Passenger farebox income	7,621,599	7,594,425	6,948,892
Thorold service municipal contribution	505,622	528,060	480,156
Intown charters	55,000	49,872	53,455
School Board farecard income	87,500	239,368	370,410
Inter-municipal transit capital funding		22,811	1,284,582
Inter-municipal transit contract	802,176	828,800	250,212
Bus advertising	100,000	108,333	100,000
Shelter advertising	100,000	91,425	90,161
Other income	137,000	198,063	243,437
Loss on disposal of tangible capital assets			(1,867)
	16,469,343	18,123,242	17,280,534
Expenses - schedule 2			
Transportation	8,003,830	8,089,870	7,404,771
Fuel	2,622,300	2,445,979	2,273,771
Equipment and vehicle maintenance	2,833,922	2,913,966	2,724,570
Premises and plant	775,024	1,005,152	942,540
General and administration	2,234,267	2,344,053	2,245,513
Amortization		2,937,884	2,918,674
	16,469,343	19,736,904	18,509,839
Annual Deficit		(1,613,662)	(1,229,305)
Accumulated Surplus, Beginning of Year	25,830,431	25,830,431	27,059,736
Accumulated Surplus, End of Year	25,830,431	24,216,769	25,830,431

See accompanying notes

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

STATEMENT OF CASH FLOWS

for the year ended December 31, 2012

	2012 \$	2011 \$
Operations		
Annual deficit	(1,613,662)	(1,229,305)
Uses		
Increase in accounts receivable		(139,761)
Increase in due from Paratransit System of St. Catharines		(104,126)
Increase in inventories		(80,195)
Increase in prepaid expenses	(503,716)	(1,392)
Decrease in accounts payable and accrued liabilities		(151,792)
Decrease in due to City of St. Catharines	(43,736)	
	(547,452)	(477,266)
Sources		
Decrease in accounts receivable	38,974	
Decrease in due from Paratransit System of St. Catharines	129,046	
Decrease in inventories	128,057	
Increase in accounts payable and accrued liabilities	387,188	
Increase in deferred income	5,162	263,101
Increase in due to City of St. Catharines		67,872
Increase in employee future benefits	109,448	123,837
	797,875	454,810
Non-cash charges to operations		
Amortization of tangible capital assets	2,937,884	2,918,674
Loss on disposal of tangible capital assets		1,867
	2,937,884	2,920,541
Net change in cash from operations	1,574,645	1,668,780
Capital		
Acquisition of tangible capital assets	(1,468,409)	(1,830,786)
Increase (Decrease) in Cash Position	106,236	(162,006)
Cash Position, Beginning of Year	757,069	919,075
Cash Position, End of Year	863,305	757,069

See accompanying notes

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

for the year ended December 31, 2012

	2012 \$	2011 \$
Annual Deficit	(1,613,662)	(1,229,305)
Acquisition of Tangible Capital Assets	(1,468,409)	(1,830,786)
Amortization of Tangible Capital Assets	2,937,884	2,918,674
Loss on Disposal of Tangible Capital Assets		1,867
Change in Inventories	128,057	(80,195)
Change in Prepaid Expenses	(503,716)	(1,392)
Increase in Net Financial Liabilities	(519,846)	(221,137)
Net Financial Liabilities, Beginning of Year	(1,879,450)	(1,658,313)
Net Financial Liabilities, End of Year	(2,399,296)	(1,879,450)

See accompanying notes

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

Organization

The St. Catharines Transit Commission (the "Service") was established pursuant to the St. Catharines Act 1961. The purpose of the Service is to provide a safe, courteous and reliable transit service which responds to the needs of the community.

1. Significant Accounting Policies

The financial statements of the Service are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Accrual accounting

The accrual method of reporting revenue and expenses has been used.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

Tangible capital assets

Tangible capital assets are recorded at historic 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 services on a straight-line basis over the estimated useful life of the asset. Additions during the year are amortized from the month of acquisition. Disposals are amortized until the month of disposition. Gains and/or losses on the disposal of an asset are recorded on the statement of operations and accumulated surplus as "gain/loss on disposal of tangible capital assets."

<u>Asset Class</u>	<u>Period</u>
Land improvements	- 15 - 25 years
Building	- 30 - 75 years
Structures	- 10 - 25 years
Equipment	- 10 - 30 years
Furniture	- 20 years
IT equipment	- 3 - 15 years
Vehicles	- 5 - 20 years

Inventories

Inventories are valued at lower of cost and replacement cost.

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

1. Significant Accounting Policies - continued

Investment by the Corporation of the City of St. Catharines

The investment by the Corporation of the City of St. Catharines is recorded at cost. See notes 3 and 4.

Operations

The financial statements include only the operations of the Service. The operations of the Paratransit System of St. Catharines are reported separately.

Employee future benefits

The Service pays certain medical, dental and life insurance benefits on behalf of its retired employees. The Service recognizes these post-retirement costs in the period in which the employees rendered the services. See note 2.

Use of estimates

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

2. Employee Future Benefits

	2012	2011
	\$	\$
Vacation pay	79,296	79,399
Post-retirement benefits	1,561,994	1,452,443
	1,641,290	1,531,842

Vacation Pay

As at December 31, 2012, employees of the Service have accumulated vacation pay credits in the amount of \$ 79,296 (2011 - \$ 79,399). These credits must be used within the next fiscal year.

Post-Retirement Benefits

The Service pays certain medical, dental and life insurance benefits on behalf of its retired employees. The accrued benefit liability was determined by actuarial valuation using a discount rate of 4.75% (2011 - 4.75%).

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

2. Employee Future Benefits - continued

Defined Benefit Plan Information

	2012 \$	2011 \$
Employee benefit plan assets		
Employee benefit plan liabilities	1,561,994	1,452,443
Employee benefit plan deficit	1,561,994	1,452,443
Accrued benefit obligation, beginning of year	1,452,443	1,317,158
Expense for the year	165,680	158,408
Amortization of actuarial losses	45,797	45,797
Benefits paid during the year	(101,926)	(68,920)
Accrued benefit obligation, end of year	1,561,994	1,452,443

As a result of an actuarial valuation conducted in 2011 for the year ending December 31, 2010, it was determined that an actuarial loss of \$ 412,169 existed. This amount is being amortized over the expected average remaining service life of the employee group, which in this case, is 9 years or \$ 45,797 per annum. The unamortized value remaining is \$ 274,779. The actual obligation is \$ 1,836,773.

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 2012 and thereafter.

Salary Levels - Future salary and wage levels were assumed to increase at 2.0% per annum for the year 2012 through 2015 and 3.3% per annum thereafter.

Medical Costs - Medical costs were assumed to increase at a rate of 7.25%, graded down to 6.88% in 2013, 6.50% in 2014, 6.13% in 2015, 5.75% in 2016, 5.38% in 2017, and 5.00% in 2018 and each year thereafter.

Dental Costs - Dental costs were assumed to increase at a rate of 5.0% and each year thereafter.

3. Accumulated Surplus

	2012 \$	2011 \$
Invested in tangible capital assets	25,555,191	27,024,666
Operating fund		
Reserve fund for future tangible capital assets	277,445	312,184
Investment by the City of St. Catharines	25,423	25,423
Amount to be recovered - post-employment benefits	(1,641,290)	(1,531,842)
	24,216,769	25,830,431

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

4. Economic Dependence

The Corporation of the City of St. Catharines is obligated to subsidize the Service for any excess of expense over revenue.

5. Related Party Transactions

The Service charges the Paratransit System of St. Catharines for certain costs. These charges are as follows:

	2012	2011
	\$	\$
Transportation	7,142	7,142
Fuel	1,104	1,104
Equipment and vehicle maintenance	1,104	1,104
Plant and premises	36,216	36,216
General administration	4,332	4,332

The Corporation of the City of St. Catharines charges the Service for certain costs on a flat fee basis. These charges are as follows:

	2012	2011
	\$	\$
Data processing	9,399	9,024
Downtown bus terminal rent	1	1
2012 First Street Louth land and building lease	1	1

Included in accounts receivable and accounts payable is \$ nil and \$ 143,329 respectively, (2011 - \$ nil and \$ 9,024) due from and to the Corporation of the City of St. Catharines.

6. Pension Agreement

The Service makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of 137 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 2012 was \$ 640,057 (2011 - \$ 570,366) for current service and is included as an expense on the statement of operations and accumulated surplus.

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2012

Schedule 1

	Balance, Beginning of Year			Cost			Accumulated Amortization			Balance, End of Year	Net Book Value
	\$	\$	\$	Additions	Disposals	Balance, End of Year	Balance, Beginning of Year	Amortization	Disposals		
				\$	\$	\$	\$	\$	\$	\$	\$
Land	357,225					357,225					357,225
Land improvements	715,023					715,023				510,527	204,496
Buildings	7,062,300					7,062,300	495,877	14,650		2,028,955	5,033,345
Structures	182,775					182,775	1,934,585	94,370		124,000	58,775
Equipment	3,313,155			265,820		3,578,975	110,449	13,551		1,074,846	2,504,129
Furniture	57,716			11,036	57,716	11,036	905,710	169,136		276	10,760
IT equipment	990,254			97,746		1,088,000	57,716	276		483,586	604,414
Vehicles	32,224,901			23,814	223,000	32,025,715	394,658	88,928		16,313,661	15,712,054
Work in progress				1,069,993		1,069,993	13,979,688	2,556,973	223,000		1,069,993
December 31, 2012	44,903,349			1,468,409	280,716	46,091,042	17,878,683	2,937,884	280,716	20,535,851	25,555,191
Land	357,225					357,225					357,225
Land improvements	715,023					715,023				495,877	219,146
Buildings	7,062,300					7,062,300	480,519	15,358		1,934,585	5,127,715
Structures	182,775					182,775	1,840,215	94,370		110,449	72,326
Equipment	3,198,903			114,252		3,313,155	96,898	13,551		905,710	2,407,445
Furniture	57,716					57,716	749,957	155,753		57,716	
IT equipment	1,001,258			6,196	17,200	990,254	56,273	1,443		394,658	595,596
Vehicles	31,396,663			1,710,338	882,100	32,224,901	317,904	92,087	15,333	13,979,688	18,245,213
December 31, 2011	43,971,863			1,830,786	899,300	44,903,349	15,857,442	2,918,674	897,433	17,878,683	27,024,666

See accompanying notes

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ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE

SCHEDULE OF EXPENSES

Schedule 2

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Transportation			
Bus operators wages	5,688,572	5,704,065	5,329,837
Payroll taxes	1,991,000	2,056,964	1,761,141
	7,679,572	7,761,029	7,090,978
Thorold Transcab service	145,158	147,316	147,792
Uniforms	35,500	42,122	30,134
Licences	29,800	37,081	30,200
Fare media	70,000	56,015	61,709
Miscellaneous	43,800	46,307	43,958
	8,003,830	8,089,870	7,404,771
Fuel			
Gasoline and diesel fuel	2,517,300	2,345,319	2,207,077
Lubricants	105,000	100,660	66,694
	2,622,300	2,445,979	2,273,771
Equipment and Vehicle Maintenance			
Mechanics wages	953,155	905,666	955,374
Servicemen wages	399,043	385,617	365,207
Mechanics payroll taxes	333,604	318,381	309,354
Servicemen payroll taxes	139,665	132,132	118,389
	1,825,467	1,741,796	1,748,324
Bus tires	124,654	97,976	111,269
Materials	829,600	1,033,746	819,567
Radios	12,000	7,685	10,106
Service and staff vehicles	15,375	11,840	14,059
Mechanics tool replacements	5,500	5,404	6,791
Miscellaneous	21,326	15,519	14,454
	2,833,922	2,913,966	2,724,570

See accompanying notes

ST. CATHARINES TRANSIT COMMISSION - URBAN SERVICE**SCHEDULE OF EXPENSES**

Schedule 2 - continued

for the year ended December 31, 2012

	(Unaudited)		
	Budget	Actual	Actual
	2012	2012	2011
	\$	\$	\$
Premises and Plant			
Utilities	230,000	192,770	227,295
Garage supplies	33,259	56,263	32,483
Building maintenance and janitorial	181,000	371,314	335,774
Bus shelters	10,558	4,764	2,920
Property taxes	121,200	121,212	106,833
Fire and boiler insurance	4,257	5,780	4,082
Carlisle Square terminal maintenance	194,750	253,049	233,153
	775,024	1,005,152	942,540
General Administration			
Salaries	1,176,180	1,136,413	1,093,860
Payroll taxes	410,896	517,605	490,243
	1,587,076	1,654,018	1,584,103
Insurance	330,000	367,625	344,673
Office	119,630	134,235	104,372
Telephone	29,561	34,247	32,266
Professional fees	29,740	19,510	35,795
Advertising	65,000	62,194	66,620
Miscellaneous	73,260	72,224	77,684
	2,234,267	2,344,053	2,245,513

See accompanying notes



**PARATRANSIT SYSTEM
OF ST. CATHARINES**

Financial Statements

December 31, 2012

PARATRANSIT SYSTEM OF ST. CATHARINES

Financial Statements

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Paratransit System of St. Catharines, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Paratransit System of St. Catharines as at December 31, 2012, and the results of its operations, cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

St. Catharines, Ontario
February 28, 2013

A handwritten signature in black ink, appearing to read "Crawford, Smith & Swallow". The signature is fluid and cursive, with the first name "Crawford" being the most prominent.

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

LICENSED PUBLIC ACCOUNTANTS


PARATRANSIT SYSTEM OF ST. CATHARINES

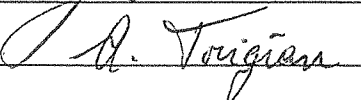
STATEMENT OF FINANCIAL POSITION

December 31, 2012

	2012 \$	2011 \$
Financial Assets		
Cash	43,756	31,991
Accounts receivable	202,077	
Due from City of St. Catharines - note 3	1,155,056	1,281,652
	1,400,889	1,313,643
Liabilities		
Accounts payable and accrued liabilities	1,850	1,800
Due to St. Catharines Transit Commission - Urban Service - note 5	1,147,806	1,276,852
	1,149,656	1,278,652
Net Financial Assets	251,233	34,991
Non-Financial Assets		
Tangible capital assets - schedule 1	227,218	457,596
Accumulated Surplus - note 2	478,451	492,587

Signed on behalf of the System:

 Chairman

 Member

See accompanying notes

PARATRANSIT SYSTEM OF ST. CATHARINES

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Revenues			
Municipal contribution - City of St. Catharines	1,130,700	1,155,056	1,281,652
Passenger farebox	95,000	102,068	94,046
Thorold contract services	78,000	71,201	78,503
Donations		13,900	13,000
Interest		265	214
Gain on disposal of tangible capital assets		25,619	
	1,303,700	1,368,109	1,467,415
Expenses - schedule 2			
Transportation	639,737	671,232	636,167
Fuel	81,100	66,671	67,410
Equipment and vehicle maintenance	192,941	168,138	185,385
Plant and premises	36,207	36,216	36,216
General administration	188,715	192,250	198,816
Taxi contract	86,000	75,237	77,286
Thorold Paratransit services	79,000	73,072	79,720
Amortization		99,429	115,842
	1,303,700	1,382,245	1,396,842
Annual Surplus (Deficit)		(14,136)	70,573
Accumulated Surplus, Beginning of Year	492,587	492,587	422,014
Accumulated Surplus, End of Year	492,587	478,451	492,587

See accompanying notes

PARATRANSIT SYSTEM OF ST. CATHARINES

STATEMENT OF CASH FLOWS

for the year ended December 31, 2012

	2012 \$	2011 \$
Operations		
Annual surplus (deficit)	(14,136)	70,573
Uses		
Increase in accounts receivable	(202,077)	
Increase in due from City of St. Catharines		(107,726)
Decrease in due to St. Catharines Transit Commission - Urban Service	(129,046)	
	(331,123)	(107,726)
Sources		
Decrease in donations receivable		3,000
Increase in accounts payable and accrued liabilities	50	600
Decrease in due from City of St. Catharines	126,596	
Increase in due to St. Catharines Transit Commission - Urban Service		104,126
	126,646	107,726
Non-cash charges to operations		
Amortization on tangible capital assets	99,429	115,842
Gain on disposal of tangible capital assets	(25,619)	
	73,810	115,842
Net change in cash from operations	(144,803)	186,415
Capital		
Acquisition of tangible capital assets	(45,509)	(173,201)
Proceeds on disposal of tangible capital assets	202,077	
Net increase (decrease) in cash from capital	156,568	(173,201)
Increase in Cash Position	11,765	13,214
Cash Position, Beginning of Year	31,991	18,777
Cash Position, End of Year	43,756	31,991

See accompanying notes

PARATRANSIT SYSTEM OF ST. CATHARINES

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

for the year ended December 31, 2012

	2012	2011
	\$	\$
Annual Surplus (Deficit)	(14,136)	70,573
Acquisition of Tangible Capital Assets	(45,509)	(173,201)
Amortization of Tangible Capital Assets	99,429	115,842
Proceeds on Disposal of Tangible Capital Assets	202,077	
Gain on Disposal of Tangible Capital Assets	(25,619)	
Increase in Net Financial Assets	216,242	13,214
Net Financial Assets, Beginning of Year	34,991	21,777
Net Financial Assets, End of Year	251,233	34,991

See accompanying notes

PARATRANSIT SYSTEM OF ST. CATHARINES

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

Organization

The Paratransit System of St. Catharines (the "System") was established pursuant to a City of St. Catharines (the "City") by-law in 1979. The System provides transportation to physically challenged residents within the City in a safe, courteous and reliable manner.

1. Significant Accounting Policies

The financial statements of the System are the representations of management prepared in accordance with the Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Accrual accounting

The accrual method of accounting for revenue and expenses has been used.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

Tangible capital assets

Tangible capital assets are recorded at historic 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 services on a straight-line basis over the estimated useful life of the asset. Additions during the year are amortized from the month of acquisition. Disposals are amortized until the month of disposition. Gains and/or losses on the disposal of an asset are recorded on the statement of operations and accumulated surplus as "gain/loss on disposal of tangible capital assets."

Asset Class

Period

Furniture

- 20 years

Vehicles

- 5 - 12 years

Working Capital

The working capital will remain at nil while the Corporation of the City of St. Catharines and the Province of Ontario subsidize the annual deficit in full.

Operations

The financial statements include only the operations of the System. The operations of the St. Catharines Transit Commission - Urban Service are reported separately.

PARATRANSIT SYSTEM OF ST. CATHARINES

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

1. Significant Accounting Policies - continued

Pledges

The amount of pledges to donate funds to the System are included in revenues in the year the amounts are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of estimates

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

2. Accumulated Surplus

	2012 \$	2011 \$
Invested in tangible capital assets	227,218	457,596
Operating fund		
Reserve fund	251,233	34,991
	478,451	492,587

3. Economic Dependence

The Corporation of the City of St. Catharines is obligated to subsidize the System for any excess of expenditure over revenue.

4. Pension Agreement

The System makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of eight 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 2012 was \$ 34,922 (2011 - \$ 29,646) for current service and is included as an expense on the statement of operations and accumulated surplus.

PARATRANSIT SYSTEM OF ST. CATHARINES

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2012

5. Related Party Transactions

The St. Catharines Transit Commission - Urban Service charges the System for certain costs on a flat fee basis. These charges were as follows:

	2012 \$	2011 \$
Transportation	7,142	7,142
Fuel	1,104	1,104
Equipment and vehicle maintenance	1,104	1,104
Plant and premises	36,216	36,216
General administration	4,332	4,332

PARATRANSIT SYSTEM OF ST. CATHARINES

SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2012

Schedule 1

	Balance, Beginning of Year	Cost			Balance, End of Year	Accumulated Amortization		Balance, End of Year	Net Book Value
		Additions	Disposals			Amortization	Disposals		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Furniture	6,575		6,575				6,575		
Vehicles	1,096,472	45,509	420,201	721,780		99,429	243,743	494,562	227,218
December 31, 2012	1,103,047	45,509	426,776	721,780		99,429	250,318	494,562	227,218
Furniture	6,575			6,575		164		6,575	
Vehicles	997,271	173,201	74,000	1,096,472		115,678	74,000	638,876	457,596
December 31, 2011	1,003,846	173,201	74,000	1,103,047		115,842	74,000	645,451	457,596

See accompanying notes

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PARATRANSIT SYSTEM OF ST. CATHARINES

SCHEDULE OF EXPENSES

Schedule 2

for the year ended December 31, 2012

	(Unaudited) Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
Transportation			
Bus operators wages and payroll taxes	633,245	664,090	629,025
Uniforms	5,892	5,892	5,892
Licences	450	1,250	1,250
Miscellaneous	150		
	639,737	671,232	636,167
Fuel			
Gasoline and diesel fuel	80,000	65,567	66,306
Lubricants	1,100	1,104	1,104
	81,100	66,671	67,410
Equipment and Vehicle Maintenance			
Mechanics wages and payroll taxes	87,553	87,564	89,864
Servicemen wages and payroll taxes	71,288	71,292	68,240
	158,841	158,856	158,104
Parts	33,000	8,178	26,177
Radios	1,100	1,104	1,104
	192,941	168,138	185,385

See accompanying notes

PARATRANSIT SYSTEM OF ST. CATHARINES

SCHEDULE OF EXPENSES

for the year ended December 31, 2012

Schedule 2 - continued

	(Unaudited)		
	Budget	Actual	Actual
	2012	2012	2011
	\$	\$	\$
Plant and Premises			
Utilities	15,015	15,024	15,024
Garage equipment supplies	2,060	2,064	2,064
Building and janitorial	7,715	7,716	7,716
Property taxes	10,817	10,812	10,812
Insurance	600	600	600
	36,207	36,216	36,216
General Administration			
Dispatcher wages and payroll taxes	132,974	136,066	138,315
Insurance	48,565	48,564	53,952
Office supplies	2,679	2,688	2,688
Telephone	1,648	1,644	1,644
Professional fees	1,467	2,091	2,136
Advertising	882	810	
Miscellaneous	500	387	81
	188,715	192,250	198,816

See accompanying notes

**NIAGARA DISTRICT AIRPORT COMMISSION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**



TREASURER'S REPORT for 2012

This has been a very challenging year resulting in exceedingly high demands placed on staff and on the volunteer commission members who provide their time and talents without any type of reimbursement. Individual members of the Airport Commission have contributed significant numbers of hours endeavouring to make a real difference for the Airport.

I am pleased to report that the Airport's excess of revenue over expenses from operations was \$45,585 for 2012. This compares favourably to last year when results were \$35,578. The operating surplus now stands at \$147,007, up from last year's figure of \$66,293 as restated and the capital surplus stands at \$996,968.

We decided to adopt the Canadian Public Sector Accounting Standards for not-for-profit organizations advisedly. We believe this is in keeping with the nature and business of the Airport. As a result, we are now reporting for the first time the tangible capital assets (Property and Equipment) on the Statement of Financial Position. We are also now amortizing tangible capital assets annually and reporting deferred capital contributions taking into income the appropriate annual amount.

When adopting new accounting standards we are required to restate the previous year's figures and adjust them to the new standards. Our auditors did this on our behalf but we did not require a reaudit of 2011. This endeavour has involved a considerable workload for staff, the Chairman, myself and our auditors.

Our contribution of \$160,000 towards the infrastructure project was made in 2012, but since it pertained to the 2011 year, it reduced the operating surplus from \$226,293 to \$66,293 for the 2011 year as restated.

Through a Request for Proposal (RFP) process, we signed contracts with a new Fixed Base Operator (FBO), Allied Aviation, to handle essential airport services. The fuel farm and other equipment were sold to Allied Aviation for \$102,000.

On an overall basis we are happy with our financial results and I thank management and staff for maximizing revenue and keeping our operating costs and cash flow under control.

On behalf of the Niagara District Airport Commission,

Robert G. White, Treasurer

March 6, 2013

**NIAGARA DISTRICT AIRPORT COMMISSION
INDEX TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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BRIDGMAN & DURKSEN

CHARTERED ACCOUNTANTS
PROFESSIONAL CORPORATION



INDEPENDENT AUDITOR'S REPORT

To the Members of Niagara District Airport Commission

We have audited the accompanying financial statements of Niagara District Airport Commission, which comprise the statement of financial position as at December 31, 2012 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)



Independent Auditor's Report to the Members of Niagara District Airport Commission (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Niagara District Airport Commission as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 4 to the financial statements, which describes that the Niagara District Airport Commission adopted Canadian public sector accounting standards on January 1, 2012 with a transition date of January 01, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Report on Other Legal and Regulatory Requirements

As stated in the preceding paragraph, the comparative figures as at December 31, 2011 and January 1, 2011 and for the year ended December 31, 2011 have not been audited under the new basis of accounting, Canadian public sector accounting standards. Although these standards were applied retrospectively by management to the comparative information in these financial statements, we are not able to report, as required by section 96(2) of the Ontario Corporations Act, that the accounting principles have been applied on a basis consistent with that of the preceding year as we were not engaged to report on the restated comparative information.

Bridgman and Durksen

St. Catharines, Ontario
March 5, 2013

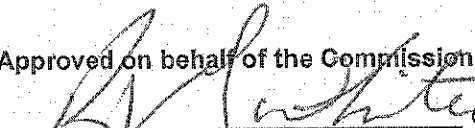
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The Institute of Chartered Accountants of Ontario

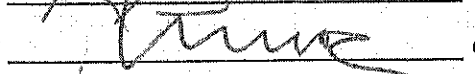


NIAGARA DISTRICT AIRPORT COMMISSION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	December 31, 2012	(Restated) December 31, 2011	(Restated) January 1, 2011
ASSETS			
CURRENT			
Cash	\$ 91,606	\$ 167,108	\$ 503,011
Accounts receivable	39,927	94,964	42,190
Inventory	-	37,353	37,943
Prepaid expenses	518	2,328	1,225
	<u>132,051</u>	<u>301,753</u>	<u>584,369</u>
PROPERTY AND EQUIPMENT (Note 3)	<u>12,311,219</u>	<u>12,834,261</u>	<u>566,106</u>
	<u>\$ 12,443,270</u>	<u>\$ 13,136,014</u>	<u>\$ 1,150,475</u>
LIABILITIES			
CURRENT			
Accounts payable	\$ 14,717	\$ 60,118	\$ 39,983
Accrued liabilities	13,095	175,002	21,817
Harmonized sales tax payable	7,232	341	189
Current portion of long term debt (Note 7)	62,000	50,000	-
	<u>97,044</u>	<u>285,461</u>	<u>61,989</u>
LONG TERM DEBT (Note 7)	<u>136,000</u>	<u>150,000</u>	<u>-</u>
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	<u>11,066,251</u>	<u>11,587,362</u>	<u>-</u>
	<u>11,202,251</u>	<u>11,737,362</u>	<u>-</u>
	<u>11,299,295</u>	<u>12,022,823</u>	<u>61,989</u>
NET ASSETS			
CAPITAL SURPLUS	<u>996,968</u>	<u>1,046,898</u>	<u>566,105</u>
OPERATING SURPLUS (INTERNALLY RESTRICTED)	<u>147,007</u>	<u>66,293</u>	<u>522,381</u>
	<u>1,143,975</u>	<u>1,113,191</u>	<u>1,088,486</u>
	<u>\$ 12,443,270</u>	<u>\$ 13,136,014</u>	<u>\$ 1,150,475</u>

Approved on behalf of the Commission


 Commissioner


 Commissioner

The accompanying notes are an integral part of these financial statements

BRIDGMAN & DURKSEN
 CHARTERED ACCOUNTANTS
 PROFESSIONAL CORPORATION



**NIAGARA DISTRICT AIRPORT COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2012**

	Capital Fund	Operating Fund	2012	2011 (Restated)
NET ASSETS - beginning of year	\$ 1,046,898	\$ 66,293	\$ 1,113,191	\$ 522,381
Adoption of new accounting standards (Note 5)	-	-	-	566,105
Balance, beginning of year as restate	1,046,898	66,293	1,113,191	1,088,486
Excess of revenue over operating expenses	30,784	-	30,784	24,705
Transfer of operating surplus to internally restricted	(45,584)	45,584	-	-
Transfer from internally restricted to unrestricted for capital additions	(35,130)	35,130	-	-
NET ASSETS - end of year	\$ 996,968	\$ 147,007	\$ 1,143,975	\$ 1,113,191

The accompanying notes are an integral part of these financial statements

BRIDGMAN & DURKSEN
CHARTERED ACCOUNTANTS
PROFESSIONAL CORPORATION



NIAGARA DISTRICT AIRPORT COMMISSION
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2012

	2012	%	2011 (Restated)	%
REVENUE				
Events	\$ 32,380	5.9	\$ 27,790	5.7
Interest	1,872	0.3	4,830	1.0
Landing and parking fees	15,948	2.9	13,961	2.9
Miscellaneous	38,790	7.0	20,368	4.2
Municipal grants	266,778	48.2	250,846	51.8
Rentals	175,021	31.6	160,625	33.2
Fuel sales, net	22,635	4.1	5,454	1.1
	<u>553,424</u>	<u>100.0</u>	<u>483,874</u>	<u>99.9</u>
OPERATING EXPENSES				
Maintenance, building and property	44,830	8.1	36,122	7.5
Maintenance, vehicles and equipment	30,341	5.5	33,015	6.8
Operations	149,448	27.0	139,627	28.9
Personnel	283,220	51.2	239,532	49.5
	<u>507,839</u>	<u>91.8</u>	<u>448,296</u>	<u>92.7</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>45,585</u>	<u>8.2</u>	<u>35,578</u>	<u>7.2</u>
OTHER INCOME (EXPENSES)				
Capital contributions (Note 8)	521,111	94.2	283,307	58.5
Gain on disposal of assets	8,761	1.6	-	-
Amortization	(544,873)	(98.4)	(294,180)	(60.8)
	<u>(14,801)</u>	<u>(2.6)</u>	<u>(10,873)</u>	<u>(2.3)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ 30,784</u>	<u>5.6</u>	<u>\$ 24,705</u>	<u>4.9</u>

The accompanying notes are an integral part of these financial statements

BRIDGMAN & DURKSEN
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NIAGARA DISTRICT AIRPORT COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

	2012	2011 (Restated)
OPERATING ACTIVITIES		
Excess of revenue over operating expenses	\$ 30,784	\$ 24,705
Items not affecting cash:		
Amortization of capital assets	544,673	294,180
Gain on disposal of assets	(8,761)	-
	<u>566,696</u>	<u>318,885</u>
Changes in non-cash working capital:		
Accounts receivable	55,037	(52,774)
Inventory	37,353	590
Prepaid expenses	1,810	(1,103)
Accounts payable	(45,401)	20,135
Accrued liabilities	(161,907)	153,185
Harmonized sales tax payable/recoverable	6,891	152
	<u>(106,217)</u>	<u>120,185</u>
Cash flow from operating activities	<u>460,479</u>	<u>439,070</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(114,870)	(12,562,335)
Proceeds on disposal of capital assets	102,000	-
Cash flow used by investing activities	<u>(12,670)</u>	<u>(12,562,335)</u>
FINANCING ACTIVITIES		
Deferred capital contributions	(521,111)	11,587,362
Proceeds from long term financing	60,000	200,000
Repayment of long term debt	(62,000)	-
Cash flow from (used by) financing activities	<u>(523,111)</u>	<u>11,787,362</u>
DECREASE IN CASH FLOW	<u>(75,502)</u>	<u>(335,903)</u>
CASH - beginning of year	<u>167,108</u>	<u>503,011</u>
CASH - end of year	<u>\$ 91,606</u>	<u>\$ 167,108</u>

The accompanying notes are an integral part of these financial statements

BRIDGMAN & DURKSEN
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 PROFESSIONAL CORPORATION



**NIAGARA DISTRICT AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. DESCRIPTION OF BUSINESS

The ownership of the Niagara District Airport was transferred from the Federal Government to the Town of Niagara on the Lake in 1996. The Niagara District Airport Commission ("Commission"), established in 1959, is entrusted with the control and management of the airport as per an agreement between the Town and the Commission dated September 13, 1996. The City of St. Catharines, the City of Niagara Falls and the Town of Niagara on the Lake have entered into an Airport Funding Agreement, which expires on December 31, 2026. The agreement established the Airport Commission as a Joint Municipal Services Board under the Municipal Act and authorizes the Commission to hold all airport assets in trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting framework

The Commission, being a government not-for-profit organization, chose to establish their financial statements in accordance with Canadian public sector accounting standards, issued by the Canadian Institute of Chartered Accountants.

These financial statements are the representations of management prepared in accordance with Canadian public sector accounting standards. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Revenue recognition

The Commission follows the deferral method of accounting for contributions. Capital grants are credited to deferred capital contribution and recognized in income on the same basis as the amortization of the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other unrestricted revenues such as fuel revenue, event revenue, landing and parking fees are recognized as revenue when earned. Rental revenue from land leases are recognized on a straight line basis over the term of the agreements.

Financial instruments

Financial instruments consist of accounts receivable and accounts payable and accrued liabilities. Financial instruments are initially recognized at their fair value on the acquisition date and are subsequently measured at amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Transaction costs are recorded as adjustments to the initial fair value recognized, and amortized over the life of the financial instrument.

Accounts payable and accrued liabilities have been designated as held for trading financial liabilities due to their inherent nature and are recorded on the balance sheet at their fair values, with any changes in fair value being recorded in other income. The fair value of accounts payable and accrued liabilities approximate their fair value.

(continues)



NIAGARA DISTRICT AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Land improvements	10 - 75 years	straight line and declining balance
Buildings	10 - 60 years	straight-line method
Equipment	3 - 75 years	straight-line method
Motor vehicles	5 - 20 years	straight-line method
Information technology	3 - 12 years	straight-line method
Furniture and fixtures	5 - 100 years	straight-line method

Any monies spent directly by any of the participating municipalities or any other third party on capital items related to the Niagara District Airport, as well as any related contributions received by those municipalities or third party with respect to such capital expenditures, are reflected in the financial statements of the Commission as revenue. Any gain or loss on the disposition of assets is reflected in the year of disposition.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost being defined as purchase cost per invoice, plus freight and related duties and taxes, determined on a first-in, first-out basis. Net realizable value is defined as the resale price less related selling costs. Prior year inventory is comprised solely of fuel inventory held for resale before the sale of fuel operations.

Contributed services

The Commission receives contributed services in the form of the time commitment of the commissioners in the overseeing of operations. The fair value of such contributed services is not determinable and, therefore, not recognized in the financial statements.

Impairment of long-lived assets

The carrying value of long-lived assets including property and equipment is periodically reviewed for impairment. The Commission reviews for impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its value. When quoted market prices are not available, the commission uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Income taxes

The Commission is subsidiary of a municipal enterprise and as such, is exempt from income taxes.

(continues)



NIAGARA DISTRICT AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Internally restricted for capital purposes

Internally restricted for capital purposes exists in compliance with motions passed by the airport Commission to cover future capital expenditures. The Commission defines its restricted fund as income from operations plus proceeds from the sale of assets, less cash outlays for capital purchases.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Land	\$ 25,437	\$ -	\$ 25,437	\$ 25,437
Land improvements	7,341,959	746,171	6,595,788	6,936,049
Buildings	2,099,782	105,362	1,994,420	1,998,987
Equipment	1,300,098	88,627	1,211,471	1,272,854
Motor vehicles	262,020	91,058	170,962	221,375
Computer equipment	11,025	11,025	-	1,379
Other machinery and equipment	1,343,989	102,990	1,240,999	1,279,229
Furniture and fixtures	32,855	6,316	26,539	30,348
Linear assets	1,085,456	39,853	1,045,603	1,068,803
Signs	1	1	-	-
	\$ 13,502,622	\$ 1,191,403	\$ 12,311,219	\$ 12,834,261

4. ADOPTION OF CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the Commission adopted requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian public sector accounting standards for not-for-profit organizations. These are the Commission's first financial statements prepared in accordance with these accounting standards and the transitional provisions of Section 2125, First-time Adoption by Government Not-for-Profit Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in note 2, significant accounting policies, have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening statement of financial position at January 1, 2011 (the Commission's date of transition). Also see Note 5.



NIAGARA DISTRICT AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

5. ADOPTION OF NEW ACCOUNTING STANDARDS

The Commission issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook - Part V, Pre-changeover Accounting Standards. The adoption of Canadian public sector accounting standards for government not-for-profit organizations had an impact on the previously reported opening balances of assets, liabilities and net assets of the Commission and, accordingly, adjustments have been recorded in the comparative statement of financial position, the statements of revenues and expenditures, changes in net assets and cash flows. Certain of the Commission's disclosures included in these financial statements reflect the new disclosure requirements of Canadian public sector accounting standards for government not-for-profit organizations. The effect of the restatement is shown below.

	<u>2011</u>
Net Assets	
Increase in tangible capital assets	\$ 981,524
Increase in accumulated amortization	(403,317)
Increase in loss on asset disposals	<u>(12,102)</u>
Subtotal	566,105
Net assets as originally stated	<u>522,381</u>
Net assets as restated	<u>\$ 1,088,486</u>
Excess (Deficiency) of Revenue and Expenditure	
Increase in capital grants	\$ 283,307
Decrease in capital items expensed	326,221
Decrease in legal fees	5,445
Increase in amortization expense	<u>(294,180)</u>
Subtotal	320,793
(Deficiency) of revenue over expenditures as originally stated	<u>(296,088)</u>
(Deficiency) of revenue over expenditures as restated	<u>\$ 24,705</u>

6. PENSION PLAN

The Commission makes annual contributions to the Ontario Municipal Employees Retirement Fund (OMERS) on behalf of the 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 length of service and rates of pay. However, the Commission is only committed for the current contributions relating to employees, and there is no other liability for future pension contributions above these annual contributions.

Contributions to the pension plan for 2012 were \$20,414 (2011 - \$16,099).



NIAGARA DISTRICT AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

7. LONG TERM LIABILITIES

	<u>2012</u>	<u>2011</u>
Hangar loan bearing interest at 3% per annum, repayable in annual payments of \$50,000 plus interest. The loan matures on August 31, 2015 and is secured by Hangar.	\$ 150,000	\$ 200,000
Air Mobile tax arrears liability agreement non interest bearing payable in annual installments of \$12,000. Final payment is June 30, 2016.	<u>48,000</u>	<u>-</u>
	198,000	200,000
Amounts payable within one year	<u>(62,000)</u>	<u>(50,000)</u>
	<u>\$ 136,000</u>	<u>\$ 150,000</u>

Principal repayment terms are approximately:

2013	\$ 62,000
2014	62,000
2015	62,000
2016	<u>12,000</u>
	<u>\$ 198,000</u>

8. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 11,587,362	\$ -
Funds received during the year	-	11,870,669
Charged to fund revenues during the year	<u>(521,111)</u>	<u>(283,307)</u>
	<u>\$ 11,066,251</u>	<u>\$ 11,587,362</u>

Deferred capital contributions represent contributions received for the purchase of capital assets. The amount of the annual charge to revenues is equivalent to the annual amortization expense of the related capital assets.

9. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.



**NIAGARA DISTRICT AIRPORT COMMISSION
INDEX TO SCHEDULES
YEAR ENDED DECEMBER 31, 2012**

SCHEDULES		Page
GRANT REVENUE	Schedule 1	1
PERSONNEL	Schedule 2	1
PROPERTY MAINTENANCE	Schedule 3	1
EQUIPMENT MAINTENANCE	Schedule 4	2
OPERATIONS	Schedule 5	2
GENERAL OPERATIONS	Schedule 6	3
FUEL OPERATIONS	Schedule 7	4



NIAGARA DISTRICT AIRPORT COMMISSION
GRANT REVENUE

Schedule 1

	2012	2011
MUNICIPAL GRANTS		
Niagara Falls	\$ 94,588	\$ 89,291
Niagara-on-the-Lake	17,076	16,120
St Catharines	155,114	145,435
	<u>\$ 266,778</u>	<u>\$ 250,846</u>

PERSONNEL

Schedule 2

	2012	2011
PERSONNEL		
Consultant	\$ 12,755	\$ 24,577
Benefits	66,585	29,417
Salaries and wages	203,880	185,538
	<u>\$ 283,220</u>	<u>\$ 239,532</u>

PROPERTY MAINTENANCE

Schedule 3

	2012	2011
MAINTENANCE, Building and Property		
Maintenance Building, Runway	\$ 29,889	\$ 17,940
Runway	2,920	3,697
Property	12,021	14,485
	<u>\$ 44,830</u>	<u>\$ 36,122</u>



NIAGARA DISTRICT AIRPORT COMMISSION
GENERAL OPERATIONS

Schedule 6

	2012	2011
OPERATING REVENUES		
Events	\$ 32,380	\$ 27,790
Interest on reserves	1,873	4,829
Landing fees	15,948	13,961
Miscellaneous	38,790	20,368
Municipal Grants	266,778	250,846
Rental Income	175,021	160,625
	<u>530,790</u>	<u>478,419</u>
OPERATING EXPENSES		
Accounting and legal	30,915	13,905
Advertising	4,100	16,376
Bad debts	(1,956)	3,116
Consulting services	12,755	24,577
Conventions and travel	5,822	8,182
Hydro	32,162	31,140
Interest on long term debt	6,000	-
Insurance	18,514	18,219
Maintenance, building, runway & property	44,831	36,122
Maintenance, equipment, gas & vehicle	30,341	33,014
Miscellaneous	3,234	6,134
Office and general	9,201	12,101
Payment in lieu of taxes	7,684	7,254
Salaries - benefits	66,585	29,417
Salaries - wages	203,880	185,538
Telephone	7,730	11,392
Training	2,683	1,842
Water and sewage	23,359	9,966
	<u>507,840</u>	<u>448,295</u>
EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES	<u>\$ 22,950</u>	<u>\$ 30,124</u>



NIAGARA DISTRICT AIRPORT COMMISSION
EQUIPMENT MAINTENANCE

Schedule 4

	2012	2011
MAINTENANCE, Vehicles and Equipment		
Equipment rent	\$ 2,717	\$ 5,127
Gas and oil	11,755	14,447
Vehicles	15,869	13,441
	<u>\$ 30,341</u>	<u>\$ 33,015</u>

OPERATIONS

Schedule 5

	2012	2011
OPERATIONS		
Advertising	\$ 4,100	\$ 16,376
Audit	7,800	9,970
Bad debts	(1,956)	3,116
Conventions	5,822	8,182
Hydro and heating	32,162	31,140
Insurance - fuel farm	18,514	18,219
Interest on LTD	6,000	-
Legal	23,115	3,935
Miscellaneous	3,234	6,134
Payment in lieu of taxes	7,684	7,254
Office and general	9,201	12,101
Telephone	7,730	11,392
Training	2,683	1,842
Water and sewage	23,359	9,966
	<u>\$ 149,448</u>	<u>\$ 139,627</u>



NIAGARA DISTRICT AIRPORT COMMISSION
FUEL OPERATIONS

Schedule 7

	2012	2011
FUEL REVENUE		
Fuel Revenue	\$ 564,584	\$ 560,054
COST OF SALES		
Fuel Cost of Sales	431,907	420,830
GROSS MARGIN	132,677	139,224
FUEL EXPENSES		
Credit Card fees	8,322	10,990
Employee benefits	26,326	23,256
Insurance	4,342	5,085
Maintenance	2,598	6,405
Miscellaneous	21	378
Office and general	429	1,076
Payroll	63,343	77,027
Training	-	(25)
Utilities	1,653	2,777
Vehicle repairs	3,008	6,801
	110,042	133,770
NET FUEL REVENUES	\$ 22,635	\$ 5,454

The fuel farm amounts relate solely to the provision of services with respect to the fuel farm. The amounts shown in the net fuel revenues are included in the total expenses presented on the Statement of revenues and expenditures.

The fixed base fuel operations and assets were sold to an independent operator on August 31, 2012.

