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THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Financial Statements

December 31, 2002



THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Financial Statements

December 31, 2002

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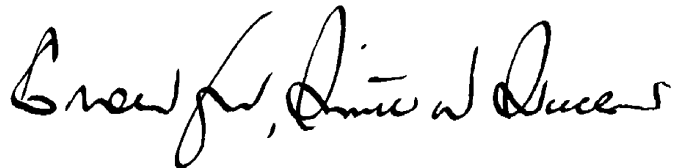
AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of The Corporation of the City of St. Catharines as at December 31, 2002 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the city as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



St. Catharines, Ontario
April 3, 2003

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

THE CORPORATION OF THE CITY OF ST. CATHARINES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2002

(In thousands of dollars)

	2002	2001
	\$	\$
Financial Assets		
Cash - note 2	33,058	25,160
Taxes receivable - note 3	12,052	14,760
Accounts receivable	8,376	7,884
Other current assets	254	192
Note receivable - St. Catharines Hydro Inc. - note 5	36,877	36,877
Investment in St. Catharines Hydro Inc. - note 5	55,656	54,404
	146,273	139,277
Liabilities		
Accounts payable and accrued liabilities - note 6	11,269	12,608
Deferred revenue - obligatory reserve funds - note 7	5,978	5,721
Other current liabilities	591	353
Employee future benefits - note 8	4,789	3,515
Landfill post-closure liability - note 15	3,258	3,153
Net long-term liabilities - note 9	28,553	23,491
	54,438	48,841
Net Financial Assets	91,835	90,436
Non Financial Assets		
Inventories	1,513	1,335
Net Assets	93,348	91,771
Municipal Position		
Operating fund - note 10(a)	7,155	5,333
Capital fund - note 10(b)	445	(1,704)
Reserves and reserve funds - note 10(c)	29,815	27,020
St. Catharines Hydro Inc. net equity - note 10(d)	92,533	91,281
	129,948	121,930
Amounts to be recovered		
Employee future benefits - note 8	(4,789)	(3,515)
Landfill post-closure liability - note 15	(3,258)	(3,153)
Net long-term liabilities - note 9	(28,553)	(23,491)
	(36,600)	(30,159)
	93,348	91,771

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended December 31, 2002
(In thousands of dollars)

	2002	2001
	\$	\$
Revenues		
Taxation	50,814	49,131
Taxation from other governments	1,960	2,827
User fees and charges	28,500	25,667
Government grants	3,133	2,908
Provincial Offences Act	367	671
Contributions from developers	1,295	487
Interest and penalties	2,021	1,988
Investment income	3,061	1,703
Donations	185	480
Other	3,648	3,190
St. Catharines Hydro Inc. net income	2,204	13,094
	97,188	102,146
Expenditures		
General government	8,490	7,037
Protection to persons and property	15,128	15,977
Transportation services	32,820	25,770
Environmental services	13,429	17,109
Health services	1,349	1,498
Social and family services	1,156	1,115
Recreation and cultural services	18,238	21,181
Planning and development	5,001	5,972
	95,611	95,659
Net Revenues	1,577	6,487
Financing - new debt issued	8,003	10,876
Financing - debt principal repayments	(2,941)	(3,355)
Employee future benefits	1,274	1,465
Landfill post-closure liability	105	26
Increase in amounts to be recovered	6,441	9,012
Change in Fund Balances	8,018	15,499

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 2002
(In thousands of dollars)

	2002 \$	2001 \$
Operations		
Net revenues	1,577	6,487
Uses		
Increase in taxes receivable		(2,006)
Increase in accounts receivable	(492)	(995)
Increase in other current assets	(62)	(2)
Increase in inventories	(178)	
Decrease in accounts payable and accrued liabilities	(1,339)	
	(2,071)	(3,003)
Sources		
Decrease in taxes receivable	2,708	
Decrease in inventories		2
Increase in accounts payable and accrued liabilities		3,629
Increase in deferred revenue - obligatory reserve fund	257	452
Increase in other current liabilities	238	152
Increase in employee future benefits	1,274	1,465
Increase in landfill post-closure liability	105	26
	4,582	5,726
Income from St. Catharines Hydro Inc.	(2,204)	(13,094)
Net increase (decrease) in cash from operations	1,884	(3,884)
Investing		
Dividends received - St. Catharines Hydro Inc.	952	
Financing		
Long-term debt issued	8,003	10,876
Long-term debt repaid	(2,941)	(3,355)
Net increase in cash from financing	5,062	7,521
Increase in Cash Position	7,898	3,637
Cash Position, Beginning of Year	25,160	21,523
Cash Position, End of Year	33,058	25,160

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

1. Significant Accounting Policies

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

(a) Basis of consolidation

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

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

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

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

- (ii) Partial-consolidated entities

The following joint local board is proportionately consolidated. See note 14.

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, 2002

1. Significant Accounting Policies - 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 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 receipt of goods or services and the creation of a legal obligation to pay.

(iii) Inventories

Inventories are valued at average cost.

(iv) Capital assets

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

(v) 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.

(vi) Investment income

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

2. Cash

This represents cash and short term investments from both the operating fund and the reserve funds (including those funds set aside in deferred revenue):

	(in thousands of dollars)	
	2002	2001
	\$	\$
Operating Fund	30,860	23,124
Reserve Funds	2,198	2,036
	33,058	25,160

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

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 and tax revenue of the Municipality are subject to measurement uncertainty as a significant number of appeals submitted by ratepayers have yet to be heard. The taxes receivable balance, including penalties and interest, is as follows:

	(in thousands of dollars)	
	2002	2001
	\$	\$
Current year	8,718	9,934
Arrears previous year	5,295	6,287
	14,013	16,221
Less allowance	(1,961)	(1,461)
	12,052	14,760

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

4. Interfund Receivables

As a means of financing certain activities, funds are borrowed by the operating fund from several reserve funds. Both financing and repayments are reflected as interfund transfers and therefore are eliminated from the "Consolidated Statement of Financial Activities". Likewise interfund receivable and payable balances are not reflected on the "Consolidated Statement of Financial Position". The interfund receivable and payable balance as at December 31, 2002 was \$ 4,789,000 (\$ 4,806,000 - 2001).

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

5. Investment in St. Catharines Hydro Inc.

	(in thousands of dollars)	
	2002	2001
	\$	\$
Statement of Financial Position		
Current assets	23,689	26,968
Capital assets	68,396	66,680
Future income tax assets	5,938	6,113
Other assets	9,523	7,803
Total Assets	107,546	107,564
Current liabilities	10,554	12,339
Other liabilities	4,459	3,944
Long-term note payable	36,877	36,877
Total Liabilities	51,890	53,160
Net Assets	55,656	54,404
	(in thousands of dollars)	
	2002	2001
	\$	\$
Statement of Financial Activities		
Revenues	124,607	109,227
Operating expenses	122,403	96,133
Net Income	2,204	13,094

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

6. Accounts Payable and Accrued Liabilities

The accounts payable balance is as follows:

	(in thousands of dollars)	
	2002	2001
	\$	\$
Trade accounts payable	5,009	5,464
Payables to other governments	3,644	2,957
Payables to school boards	53	183
Other	2,563	4,004
	11,269	12,608

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)	
	2002	2001
	\$	\$
Impost and development	2,229	2,057
Subdivider deposits	779	513
Parking meter	1,684	1,768
Revenue under the Planning Act	645	755
Future sidewalks	641	628
	5,978	5,721

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 rendered the services. The accrued benefit obligation was determined by actuarial valuation using a discount rate of 6% (6% - 2001).

The Municipality has established a reserve for the accumulated sick leave liability. The balance as at December 31, 2002 is \$ 2,842,000 (\$ 2,701,000 - 2001).

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

8. Employee Future Benefits - continued

Defined Benefit Plan Information

	(in thousands of dollars)	
	2002	2001
	\$	\$
Employee benefit plan assets		
Employee benefit plan liabilities	4,789	3,515
Employee benefit plan deficit	4,789	3,515
Accrued benefit obligation, beginning of year	3,515	2,050
Expense for the year	875	1,030
Amortization of actuarial losses	799	799
Benefits paid during the year	(400)	(364)
Accrued benefit obligation, end of year	4,789	3,515

As a result of an actuarial valuation conducted in 2002 for the year ending December 31, 2001, it was determined that an actuarial loss of \$ 6,521,313 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value remaining is \$ 4,273,579.

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 3.5% in 2000 and thereafter.

Salary Levels - Future salary and wage levels were assumed to increase at 2% per annum.

Medical Costs - Medical costs were assumed to increase at the CPI rate plus a further increase of 4% in 2001 graded down to 1% in 2004 and thereafter.

Dental Costs - Dental costs were assumed to increase at the CPI rate plus a further increase of 1% in 2000 and thereafter.

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

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)	
	2002	2001
	\$	\$
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	28,569	23,509
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance has been assumed by individuals. At the end of the year, the outstanding principal amounts of this liability is	(16)	(18)
Net long-term liabilities, end of year	28,553	23,491

- (b) Of the net long-term liabilities reported in (a) of this note, \$ 17,688,032 in principal payments are payable from 2003 to 2007 and \$ 10,880,492 from 2008 to 2012.
- (c) The long-term liabilities in (a) issued in the name of the municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	(in thousands of dollars)	
	2002	2001
	\$	\$
Principal	2,941	3,355
Interest	1,538	1,174
	4,479	4,529

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

10. Municipal Fund Balances at the End of the Year

(a) Operating fund balance

	(in thousands of dollars)	
	2002	2001
	\$	\$
To be applied in the following year to operations of the:		
Operating fund	5,438	3,172
Transit	25	25
Library	84	227
Downtown Association		(14)
Airport Commission	272	235
To be applied to water operations for the following year	2,696	1,509
For special areas:		
Urban service area	(1,360)	179
	<hr/>	<hr/>
	7,155	5,333

(b) Capital fund balance

	(in thousands of dollars)	
	2002	2001
	\$	\$
Acquisition of capital assets to be financed from the proceeds of long-term liabilities	(4,831)	(5,056)
Funds available for the acquisition of capital assets	5,276	3,352
	<hr/>	<hr/>
	445	(1,704)

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

10. Municipal Fund Balances at the End of the Year - continued

(c) Reserves and reserve fund balances

	(in thousands of dollars)	
	2002	2001
	\$	\$
Reserves set aside by council for specific purposes:		
Working capital	613	613
Replacement of equipment	9,924	9,558
Cumulative sick leave	2,842	2,701
Library purposes	1,810	1,328
Transit purposes	143	278
Transit capital		853
Encumbrances	9,096	7,472
Sewer capital	4,182	2,858
Cemetery	165	217
	28,775	25,878
Reserve Funds set aside by council for specific purposes:		
Business improvement purposes	71	19
Future ice facility		322
Mausoleum	923	774
Paratransit capital purposes	46	27
	1,040	1,142
	29,815	27,020

(d) St. Catharines Hydro Inc. net equity

	(in thousands of dollars)	
	2002	2001
	\$	\$
Balance, beginning of year	91,281	78,187
Changes during the year		
Net income for the year	2,204	13,094
Dividends paid during the year	(952)	
	1,252	13,094
Balance, end of year	92,533	91,281

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

11. Trust Funds

Trust funds administered by the Municipality amounting to \$ 6,686,000 (\$ 6,435,000 - 2001) 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 744 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.

Due to significant surpluses, OMERS declared a temporary contribution holiday for all active employees and participating employers. The initial contribution holiday announced in 1998, was effective August 1, 1998 to July 31, 1999. In 1999 and 2000, OMERS announced extensions of that contribution holiday to December 31, 2002, therefore, in 2002, no contributions were made to OMERS (\$nil - 2001). By 2004, the contribution holiday is proposed to be eliminated by gradually increasing contribution rates.

The Municipality has no past service obligation.

13. Contractual Obligations and Commitments

Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2002 is approximately \$ 26,043,000 (\$ 11,387,000 - 2001) after deducting the expenditures incurred as at December 31, 2002. These projects will be financed by grants, subsidies and long-term liabilities in future years.

14. Contributions to Joint Board

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

	(in thousands of dollars)	
	2002	2001
	\$	\$
Niagara District Airport Commission	111	111

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, 2002

15. Landfill Post Closure Liability

The Municipality currently monitors several landfill sites which were closed in prior years. The present value of expected monitoring and capital rehabilitation costs of the closed landfill sites have been reported as a liability on the "Consolidated Statement of Financial Position", on a retroactive basis with restatement. The liability was estimated using a discount factor of 5.5% net of inflation of 3.0%. Estimated expenditures for post-closure care are \$ 3,258,166 (\$ 3,152,802 - 2001). The estimated length of time required for post-closure care is 40 years.

16. Classification of Expenditures by Object

The "Consolidated Statement of Financial Activities" presents the expenditures by function; the following classifies those same expenditure by object:

	(in thousands of dollars)	
	2002	2001
	\$	\$
Salaries, wages and employee benefits	49,313	46,975
Operating materials and supplies	15,895	16,284
Contracted services	7,611	7,344
Rents and financial expenses	631	370
External transfers to others	579	585
Tangible capital assets	20,044	22,927
Debt service	1,538	1,174
Total expenditures by object	95,611	95,659

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002

17. Budget Figures

The approved operating budget for 2002 is reflected on the "Schedule of Operating Fund Activities". 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 on their respective schedules.

18. Financial Instruments

Credit Risk

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

Cash Flow Risk

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

19. Change in Accounting Policy

Effective January 1, 2002, the Municipality retroactively restated the prior year figures to include its liability for post-closure care of landfill sites. The Municipality's liability as at January 1, 2001 was estimated to be \$ 3,127,206. See note 15 for further details.

(in thousands of dollars)

	Prior \$	As Restated \$
Expenditures		
Environmental services - operating fund	8,861	8,887

20. Comparative Figures

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

THE CORPORATION OF THE CITY OF ST. CATHARINES

SCHEDULE OF OPERATING FUND ACTIVITIES

for the year ended December 31, 2002

(In thousands of dollars)

	Budget \$	2002 \$	2001 \$
Revenues			
Property taxation	50,540	50,814	49,131
Taxation from other governments	2,084	1,960	2,827
User fees and charges	24,524	28,500	25,667
Government grants	2,540	2,639	2,908
Interest and penalties	1,700	2,021	1,988
Investment income	1,260	3,035	1,667
Donations		58	95
Provincial Offences Act		367	671
Other	7,810	3,517	2,845
	90,458	92,911	87,799
Expenditures			
General government	8,065	6,817	5,668
Protection to persons and property	15,220	14,950	14,555
Transportation services	23,227	22,813	22,645
Environmental services	13,022	9,113	8,887
Health services	1,393	1,283	1,280
Social and family services	1,035	1,053	1,039
Recreation and cultural services	16,790	15,679	15,334
Planning and development	3,345	3,148	2,995
	82,097	74,856	72,403
Net Revenues	8,361	18,055	15,396
Financing and Transfers			
Dividends received from St. Catharines Hydro Inc.		952	
Debt principal repayments	(2,944)	(2,941)	(3,355)
Employee future benefits		1,274	1,465
Landfill post-closure liability		105	26
Transfers to reserves and reserve funds	(984)	(10,809)	(11,537)
Transfers to capital operations	(8,038)	(4,814)	(3,151)
Net financing and transfers	(11,966)	(16,233)	(16,552)
Change in Operating Fund	(3,605)	1,822	(1,156)
Operating Fund, Beginning of Year	3,605	5,333	6,489
Operating Fund, End of Year		7,155	5,333

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

SCHEDULE OF CAPITAL FUND ACTIVITIES

for the year ended December 31, 2002

(In thousands of dollars)

	2002	2001
	\$	\$
Revenues		
Government grants	494	
Contributions from developers	14	1
Donations	126	382
	634	383
Expenditures		
General government	1,664	1,360
Protection to persons and property	178	1,422
Transportation services	10,007	3,125
Environmental services	4,316	8,222
Health services	66	218
Social and family services	103	76
Recreation and cultural services	2,559	5,847
Planning and development	1,151	2,657
	20,044	22,927
Net Expenditures	(19,410)	(22,544)
Financing and Transfers		
Proceeds of long-term debt	8,003	10,876
Transfers from operating fund	4,814	3,151
Transfers from reserve fund	8,742	8,960
Net financing and transfers	21,559	22,987
Change in Capital Fund	2,149	443
Capital Fund, Beginning of Year	(1,704)	(2,147)
Capital Fund, End of Year	445	(1,704)

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

SCHEDULE OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2002

(In thousands of dollars)

	2002	2001
	\$	\$
Revenues		
Contributions from developers	1,281	486
Investment income	26	36
Cemetery	131	341
Donations	1	3
Other		4
	1,439	870
Expenditures		
General government	9	9
Planning and development	702	320
	711	329
Net Revenues	728	541
Financing and Transfers		
Transfers to capital fund	(8,742)	(8,960)
Transfers from operating fund	10,809	11,537
Net financing and transfers	2,067	2,577
Change in Reserve and Reserve Funds	2,795	3,118
Reserves and Reserve Funds, Beginning of Year	27,020	23,902
Reserves and Reserve Funds, End of Year	29,815	27,020

See accompanying notes

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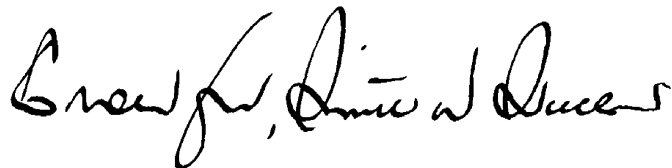
AUDITORS' REPORT - TRUST FUNDS

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

We have audited the statement of financial position of the trust funds of The Corporation of the City of St. Catharines as at December 31, 2002 and the statement of financial activities and change in fund balances for the year then ended. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the city as at December 31, 2002 and the continuity of trust funds for year then ended in accordance with Canadian generally accepted accounting principles .



St. Catharines, Ontario
April 3, 2003

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

THE CORPORATION OF THE CITY OF ST. CATHARINES

STATEMENT OF FINANCIAL POSITION - TRUST FUNDS

December 31, 2002

(In thousands of dollars)

	Total		Cemetery Perpetual Care Fund		Marker Care & Maintenance Fund		Ontario Home Renewal Fund	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Cash	875	1,468	785	1,074	14	138		
Investments (market value 2002 - \$5,790; 2001 - \$4,886)	5,790	4,886	5,095	4,546	299	149		
Due from revenue fund	29	72		47	1		1	3
Loans receivable - note 2	12	12					12	12
	6,706	6,438	5,880	5,667	314	287	13	15
Liabilities and Fund Balances								
Due to revenue fund	20	3	20					
Fund balances	6,686	6,435	5,860	5,667	314	287	13	15
	6,706	6,438	5,880	5,667	314	287	13	15

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

STATEMENT OF FINANCIAL POSITION - TRUST FUNDS

December 31, 2002

(In thousands of dollars)

	Winter Games		Memorial Forest		Library Endowment & Trust Fund		Museum Lottery & Bingo	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Cash	11	11			43	221	22	24
Investments (market value 2002 - \$5,790; 2001 - \$4,886)					396	191		
Due from revenue fund			25	20			2	2
Loans receivable - note 2								
	11	11	25	20	439	412	24	26
Liabilities and Fund Balances								
Due to revenue fund						3		
Fund balances	11	11	25	20	439	409	24	26
	11	11	25	20	439	412	24	26

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

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

for the year ended December 31, 2002

(In thousands of dollars)

	Total		Cemetery Perpetual Care Fund		Marker Care & Maintenance Fund		Ontario Home Renewal Fund	
	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$
Balance, Beginning of Year	6,435	6,124	5,667	5,406	287	263	15	28
Receipts								
Sale of plots, crypts and markers	220	285	193	261	27	24		
Ticket sales	16	20						
Book revenue	5							
Interest	366	365	341	329	14	16		1
Donations	28	35						
	635	705	534	590	41	40		1
Expenditures								
Contribution to revenue fund	362	361	341	329	14	16		
Administration	2	4						
Special projects	18	15						
Refund to Province	2	14					2	14
	384	394	341	329	14	16	2	14
Balance, End of Year	6,686	6,435	5,860	5,667	314	287	13	15

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, 2002

(In thousands of dollars)

	Winter Games		Memorial Forest		Library Endowment & Trust Fund		Museum Lottery & Bingo	
	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$
Balance, Beginning of Year	11	18	20	15	409	372	26	22
Receipts								
Sale of plots, crypts and markers								
Ticket sales						1	16	19
Book revenue					5			
Interest		1			11	18		
Donations			12	13	16	22		
		1	12	13	32	41	16	19
Expenditures								
Contribution to revenue fund Administration		8	7	8		4		
Special projects							18	15
Refund to Province								
		8	7	8	2	4	18	15
Balance, End of Year	11	11	25	20	439	409	24	26

See accompanying notes

THE CORPORATION OF THE CITY OF ST. CATHARINES

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2002

1. Significant Accounting Policies

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

(a) Basis of accounting

- (i) Revenues and expenditures are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.
- (iii) Investments are recorded at cost.

2. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards.

As of July 13, 1993, municipalities were prohibited from issuing further O.H.R.P. loans. Municipalities must remit the balance of O.H.R.P. trust accounts including accrued interest as at December 31 each year to the Ontario Ministry of Housing by March 1 of the following year.

Ontario Home Renewal Program loans receivable at December 31, 2002 comprise repayable loans of \$ 12,000 (\$ 12,000 - 2001). Loan forgiveness is earned and recorded at a rate of up to \$ 600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loans and the unearned forgivable loan immediately become due and payable by the homeowner.