

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF NIAGARA-ON-THE-LAKE**

Year ended December 31, 2017



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Town of Niagara-on-the-Lake

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Niagara-on-the-Lake, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 our 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, we 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 consolidated statement of financial position of The Corporation of the Town of Niagara-on-the-Lake as at December 31, 2017, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
May 7, 2018

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Financial Position

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash	\$ 20,043,087	\$ 20,000,557
Short term investments	42,640	-
Taxes receivable		
Current year	965,611	1,008,961
Previous years	693,429	636,876
Accounts receivable	4,787,721	3,138,727
Debt recoverable from others (note 6)	40,737	51,596
Note receivable (note 3)	8,478,901	9,306,723
Long-term investment (note 2)	18,755,744	17,699,729
	<hr/>	<hr/>
	53,807,870	51,843,169
Financial liabilities		
Accounts payable and accrued liabilities	9,140,859	8,110,182
Deferred revenue (note 4)	12,594,905	11,975,057
Post-employment benefits (note 5)	1,116,462	1,121,146
Net long term liabilities (note 6)	3,047,855	3,649,106
	<hr/>	<hr/>
	25,900,081	24,855,491
Net financial assets	<hr/>	<hr/>
	27,907,789	26,987,678
Non-financial assets		
Tangible capital assets (note 13)	178,633,477	174,424,724
Inventories and prepaid expenses	519,503	395,973
	<hr/>	<hr/>
	179,152,980	174,820,697
Commitments (note 8)		
Contingent liabilities (note 9)		
Accumulated surplus (note 7)	<hr/>	<hr/>
	\$207,060,769	\$201,808,375

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Municipality:



Lord Mayor



Chief Administrative Officer

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget (note 12)	2017	2016
Revenues			
Taxation	\$ 11,541,034	\$ 11,786,633	\$ 11,338,711
User fees and charges	11,626,501	14,114,544	12,746,106
Government of Canada grants (note 14)	449,913	1,345,431	474,196
Province of Ontario grants (note 14)	1,143,477	1,478,502	896,734
Other municipality funding (note 14)	99,000	153,909	188,485
Deferred revenues earned	832,039	1,795,008	1,997,029
Interest and penalties	443,000	323,552	376,336
Investment income	425,332	556,820	531,874
Donations	35,000	419,093	197,592
Contributed assets	167,778	167,778	328,670
Gain on disposition of tangible capital assets	-	-	577,292
Other	2,029,643	1,449,827	1,161,142
Niagara-on-the-Lake Energy Inc. net income (note 2)	-	1,663,472	1,010,879
Total revenues	28,792,717	35,254,569	31,825,046
Expenses			
General government	2,700,184	2,375,773	2,512,972
Protection services	2,910,843	3,021,714	2,717,109
Transportation services	6,101,723	6,765,464	6,154,940
Environmental services	9,209,667	9,856,149	9,716,949
Health services	644,229	564,610	539,679
Recreation	5,444,957	5,542,527	4,734,811
Planning and development	1,587,337	1,768,481	1,471,811
Total expenses	28,598,940	29,894,718	27,848,271
Annual surplus	193,777	5,359,851	3,976,775
Other comprehensive income of Niagara-on-the-Lake Energy Inc.	-	(107,457)	-
Accumulated surplus, beginning of year	201,808,375	201,808,375	197,831,600
Accumulated surplus, end of year	\$202,002,152	\$ 207,060,769	\$ 201,808,375

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus	\$ 5,359,851	\$ 3,976,775
Acquisition of tangible capital assets	(9,716,547)	(6,894,243)
Contributed tangible capital assets	(167,778)	(328,670)
Amortization of tangible capital assets	5,326,093	5,142,526
Proceeds on disposal of tangible capital assets	65,383	2,249,567
Loss (gain) on disposal of tangible capital assets	284,096	(577,292)
Other comprehensive income of Niagara-on-the-Lake Energy Inc.	(107,457)	
Change in inventories and prepaid expenses	(123,530)	17,354
	920,111	3,586,017
Net financial assets, beginning of year	26,987,678	23,401,661
Net financial assets, end of year	\$ 27,907,789	\$ 26,987,678

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Cash Flows

December 31, 2017 with comparative information for 2016

	2017	2016
Operations		
Annual surplus	\$ 5,359,851	\$ 3,976,775
Items not involving cash:		
Amortization of tangible capital assets	5,326,093	5,142,526
Contributed assets	(167,778)	(328,670)
Niagara-on-the-Lake Energy net income	(1,663,472)	(1,010,879)
Loss (gain) on disposal of tangible capital assets	284,096	(577,292)
	9,138,790	7,202,460
Change in non-cash assets and liabilities:		
Taxes receivable	(13,203)	827,347
Accounts receivable	(1,648,994)	109,826
Inventories and prepaid expenses	(123,530)	17,354
Accounts payable and accrued liabilities	1,030,677	(960,920)
Deferred revenue	619,848	1,033,353
Post-employment benefits	(4,684)	58,049
Net increase in cash from operations	8,998,904	8,287,469
Capital		
Proceeds on disposal of tangible capital assets	65,383	2,249,567
Acquisition of tangible capital assets	(9,716,547)	(6,894,243)
Net decrease in cash from capital activities	(9,651,164)	(4,644,676)
Investing		
Dividend received	500,000	500,000
Increase in short term investments	(42,640)	-
Increase in note receivable	-	(2,250,000)
Decrease in note receivable	827,822	732,234
Net increase (decrease) in cash from investing	1,285,182	(1,017,766)
Financing		
Debt principal repayments	(590,392)	(569,978)
Net decrease in cash from financing	(590,392)	(569,978)
Increase in cash	42,530	2,055,049
Cash, beginning of year	20,000,557	17,945,508
Cash, end of year	\$ 20,043,087	\$20,000,557

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

The Corporation of the Town of Niagara-on-the-Lake (the "Town") is a municipality that provides municipal services such as fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada. Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of the Town's financial affairs and resources to the Town which are owned or controlled by the Town except for the Town's government business enterprise (Niagara-on-the-Lake Energy Inc.), which is accounted for on the modified equity basis of accounting as described below. These entities and organizations include the Public Library Board.

The investment in Niagara-on-the-Lake Energy Inc. ("NOTLEI") 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 Town, and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of NOTLEI in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from NOTLEI will be reflected as reductions in the investment account.

(ii) Partial-consolidated entities:

The Niagara District Airport Commission is operated with a joint local board and is proportionately consolidated. The Town's share is 6%.

(iii) Accounting for Region and School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Niagara are not reflected in these consolidated financial statements.

(iv) Trust funds:

Trust funds and their related operations are not included in these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned 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.

(c) 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(i) 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 amortization commences. Gains and/or losses on the disposal of an asset are recorded on the Consolidated Statement of Operations.

Tangible capital 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 removed from tangible capital assets and recorded as an expense equal to the net book value of the asset as at the date of the transfer.

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

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Asset Class	Useful Life (Years)
General Assets:	
Land improvements	5 to 60
Buildings and fixtures	5 to 50
Machinery and equipment	5 to 40
Information technology	2 to 15
Vehicles	5 to 20
Exterior lighting	5 to 50
Infrastructure:	
Linear	10 to 80
Street lighting	7 to 60
Other	7 to 50

Interest on debt incurred during construction of related tangible capital assets is expensed in the statement of operations in the year incurred. Assets under construction are not amortized until the asset is available for productive use.

(ii) Inventories:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(d) Deferred revenue:

Deferred revenue represents license, permits, grants and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(e) Government transfers:

Government transfers received are from federal and provincial governments. Government transfers are paid to community organizations. Transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made except when, and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Tax revenue:

Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred.

(g) Deferred revenue – obligatory reserve funds:

Deferred revenue – obligatory reserve funds represents development charge contributions, payments in lieu of parking and parkland and gas tax, levied or received under the authority of federal and provincial legislation and Town by-laws. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(h) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or provincial legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(i) Other income:

Other income is recognized as revenue when the service is performed.

(j) Short-term investments:

Investments are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(k) Post-employment benefits:

(i) The Town provides certain employee benefits which will require funding in future periods. These benefits include long-term disability, benefits under the Workplace Safety and Insurance Board (“WSIB”) Act, and extended health and dental benefits for early retirees.

The costs of life insurance, benefits under the Workplace Safety and Insurance Board Act, life insurance, and extended health and dental benefits are actuarially determined using management’s best estimate of salary escalation, earned days accumulated for certain employees payable at retirement, health care cost trends, long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as service payments and health and dental benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(k) Post-employment benefits (continued):

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) The costs of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period. OMERS has been accounted for as a defined contribution plan since it is a multi-employer plan.

(l) Note receivable

The note receivable is valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability is impaired. The note receivable is written off when it is no longer recoverable. Recoveries of note receivable previously written off are recognized in the year received. Interest revenue is recognized as it is earned. Note receivable with significant concessionary terms, (such as non-interest bearing notes) are accounted for as a grant which is shown as an expense on the Consolidated Statement of Operations.

(m) Use of estimates:

The preparation of the financial statements in conformity with PSAS 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 period. Significant estimates include assumptions used in estimation provisions for accrued liabilities and in performing actuarial valuations of post-employment benefits liability. Actual results could differ from those estimates.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

2. Investments in Niagara-on-the-Lake Energy Inc.:

Summary financial information is as follows:

Financial Position:

	2017	2016
Assets:		
Current	\$ 6,494,120	\$ 6,624,809
Capital	29,775,011	28,505,038
Other non-current	5,855,004	5,108,685
Regulatory balances	1,068,620	1,958,094
Total assets and regulatory balances	\$ 43,192,755	\$ 42,196,626
Liabilities:		
Current	\$ 5,841,389	\$ 5,010,373
Notes payable to Town of Niagara-on-the-Lake	8,478,901	9,306,708
Long-term debt	3,319,704	3,730,791
Other	4,646,639	3,945,266
Regulatory balances	2,150,787	2,504,168
Equity	18,755,335	17,699,320
Total liabilities, regulatory balances and equity	\$ 43,192,755	\$ 42,196,626

Operations:

	2017	2016
Revenue	\$ 30,032,414	\$ 32,058,866
Expenses (including income tax provision)	27,832,849	31,317,664
Net movement in regulatory balances (net of tax)	(536,093)	269,677
Net income and net movement in regulatory balances	1,663,472	1,010,879
Other comprehensive income	(107,457)	-
Dividend paid to Town of Niagara-on-the-Lake	(500,000)	(500,000)
Change in investment in Niagara-on-the-Lake Energy Inc.	\$ 1,056,015	\$ 510,879

Town of Niagara-on-the-Lake investment represented by:

	2017	2016
Investment in shares of the Corporation	\$ 7,054,844	\$ 7,054,844
Accumulated net income, net of dividends received	11,700,900	10,644,885
Total investment in Niagara-on-the-Lake Energy Inc.	\$ 18,755,744	\$ 17,699,729

The investment in Niagara-on-the-Lake Energy Inc. is represented by 1,001 common shares of the company

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

3. Note receivable:

The notes receivable are comprised of the following:

	2017	2016
Note 1	\$ 2,433,659	\$ 2,745,210
Note 2	2,239,035	2,514,985
Note 3	1,616,207	1,796,528
Note 4	2,190,000	2,250,000
	\$ 8,478,901	\$ 9,306,723

Note 1 bears interest at 7.25%, notes 2 to 4 bear interest at 3%. Note 1 has no fixed terms of payment and notes 2 to 4 are due on demand. The Town was provided an assignment and postponement of claim for demand installment loans of Niagara-on-the-Lake Energy Inc. The notes are unsecured.

4. Deferred revenue:

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. These reserve funds are considered obligatory as Provincial legislation restricts how these funds may be used and, under certain circumstances, when these funds will be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected and when the Town has approved the expenditures and used the funds for the capital project for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to support the cost of growth related capital projects associated with new development.

The deferred revenues are made up of the following:

	2016	Externally restricted inflows	Revenue earned	2017
Building permit surplus	\$ 1,965,593	\$ 375,305	\$ 778,129	\$ 1,562,769
Canada gas tax	22,296	476,497	457,438	41,355
Cash-in-lieu of parking	386,064	-	-	386,064
Development charges	8,656,526	1,898,417	832,039	9,722,904
Ontario Community Infrastructure Fund	42,297	366,001	408,298	-
Recreational land	574,774	183,987	184,840	573,921
Other deferred	327,507	-	19,615	307,892
	\$11,975,057	\$ 3,300,207	\$ 2,680,359	\$ 12,594,905

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

5. Employee benefits and other liabilities:

The Town provides certain employees benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance ("WSIB") Act, and life insurance, extended health, and dental benefits to early retirees.

	2017	2016
Retiree benefits	\$ 582,087	\$ 552,540
Accrued vacation pay	270,712	246,448
Accumulated sick leave	37,992	40,723
Future payments required to WSIB	225,671	281,435
	<u>\$ 1,116,462</u>	<u>\$ 1,121,146</u>

Information about the Town's benefit plans is as follows:

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,075,764	\$ 1,025,473
Current benefit cost	(4,799)	52,753
Interest	24,531	23,619
Benefits paid	(31,994)	(26,081)
Balance, end of year	<u>1,063,502</u>	<u>1,075,764</u>
Unamortized actuarial gain	53,140	45,382
Liability for benefits	<u>\$ 1,116,642</u>	<u>\$ 1,121,146</u>

Amortization of the actuarial gain of \$7,758 (2016 - \$7,757) has been included in expenses on the Statement of Operations.

(i) Accumulated Sick Leave

Under the Town's sick leave benefit plan, employees can choose either carry forward up to 5 unused days to the next year, have all unused credits paid out at the end of the year, or any combination of the two choices. Credits are paid out at 50%. The accrued benefit obligation and the expense for the year ended December 31, 2017 were determined by an actuarial review. The last actuarial valuation was performed on December 31, 2014.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

5. Employee benefits and other liabilities (continued):

(ii) Retiree Benefits

The Town pays health care, dental, travel and life insurance benefits for early retirees to age 65. The Town recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the year ended December 31, 2017 were determined by an actuarial review and analysis of changes made to plans since the last valuation. The last actuarial valuation was performed as at December 31, 2014.

(iii) Accrued WSIB

The Town has elected to be treated as a Schedule 1 employer for the purposes of WSIB where a premium is paid to cover the Town's responsibilities under the Workplace Safety and Insurance Board Act ("WSIB"). WSIB has provided the Town an estimate of the value of the future benefits for which the Town is responsible.

(iv) Actuarial Assumptions

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

Interest (discount rate):

The accrued benefit obligation was determined using a discount rate of 4.5% (2016 – 4.5%).

Inflation:

Inflation was assumed to be 2% (2016 – 2%).

Medical, dental and travel costs:

Medical, dental and travel costs are assumed to increase at a rate of 5.109% per year reducing by 0.2223% per year over 5 years to 4.0% in 2020 and to 4.0% per year thereafter.

Salary escalations:

Future salary has been assumed to escalate at a rate of 3.0% per year (2016 – 3%).

(v) Pension Agreements

The Town makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2017 was \$639,057 (2016 - \$597,455) for current service and is included as an expenditure in the consolidated statement of operations. Employees' contribution to OMERS in 2017 was \$639,057 (2016 - \$597,455).

Contributions for employees with a normal retirement age of 65 were being made at a rate of 9% for earnings up to the yearly maximum pensionable earnings of \$54,900 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

5. Employee benefits and other liabilities (continued):

(v) Pension Agreements (continued)

The OMERS pension plan has a deficit at December 31, 2017 of \$5.4 billion (2016 - \$5.7 billion) based on an actuarial valuation of plan assets.

6. Net long-term liabilities:

(a) The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2017	2016
The Town has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities.	\$ 3,047,855	\$ 3,649,106
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage, have been assumed by individuals.	(40,737)	(51,596)
Net long-term liabilities, end of year	\$ 3,007,118	\$ 3,597,510

(b) 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.

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

2018	\$ 611,436
2019	436,157
2020	451,604
2021	232,949
2022	241,279
Thereafter	1,033,693
	\$ 3,007,118

(d) Interest charges on long-term debt in the amount of \$131,490 (2016 - \$153,324) are included on the Consolidated Statement of Operations, classified under the appropriate functional expense heading. The long-term debt bears interest at rates ranging from 1.35% to 10.45% payable semiannually. The long-term liabilities mature at various times up to 2030.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

7. Accumulated surplus:

	2017	2016
Invested in tangible capital assets	\$ 178,633,477	\$ 174,424,724
Operating fund	1,387,589	2,668,367
Reserves and reserve funds	12,407,539	11,734,211
Niagara-on-the-Lake Energy Inc., net equity	18,755,744	17,699,729
	211,184,349	206,527,031
Amounts to be recovered		
Post-employment benefits	(1,116,462)	(1,121,146)
Net long-term liabilities	(3,007,118)	(3,597,510)
	(4,123,580)	(4,718,656)
	\$ 207,060,769	\$ 201,808,375

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

7. Accumulated surplus (continued):

Reserve and reserve balances:

	2017	2016
Reserves set aside by Council for specific purposes:		
Base mapping	\$ 7,000	\$ 7,000
Bridges and culverts	110,837	69,010
Building vehicle and equipment	24,198	-
By-law vehicle and equipment	46,000	-
Capital levy	2,729,881	2,962,817
Capital variance	64,310	133,133
Community centre	60,773	85,773
Contingencies	325,786	325,786
Corporate studies	328,620	389,622
Dock area improvement	391,934	715,737
Donations	27,131	23,034
Election expenses	49,234	30,234
Fleet replacement	267,079	-
Grant and other	4,468	(14,179)
Irrigation	284,385	99,700
Ontario disabilities	96,875	104,217
OMB appeals	200,000	200,000
Parking revenue	1,068,996	1,030,613
Replacement of building department equipment	-	39,777
Replacement of fleet equipment	-	374,287
Replacement of protection services equipment	-	40,000
Road improvements	-	25,175
Sidewalk improvements	-	109,779
Storm water management	712	(59,179)
Street lighting	18,494	(168,506)
Training and development	11,857	11,857
Tax rate stabilization	150,000	-
Underfunded capital	(469,171)	-
Wastewater capital improvements	1,847,813	1,152,102
Wastewater rate stabilization	228,428	228,428
Water capital improvements	4,038,606	3,177,868
Water rate stabilization	194,486	194,486
Winter maintenance	85,192	85,192
Working funds	100,000	100,000
Total reserves	12,293,924	11,473,763
Reserve funds set aside by Council for specific purposes:		
Bequest/Garden	3,770	6,387
Library development and computer	47,890	67,743
Library donations	5,345	129,707
Recreation enhancement	56,610	56,611
	113,615	260,448
Total reserves and reserve funds	\$ 12,407,539	\$ 11,734,211

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

8. Commitments:

(a) Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2017 is approximately \$5,577,463 (2016 - \$2,766,647) after deducting the expenditures incurred as at December 31, 2017. These projects will be financed by grants, subsidies and long-term liabilities in future years.

(b) Niagara Health System

The Town is currently committed to funding \$3,500,000 of the local share of the construction costs of the Niagara Health System (“NHS”) hospital located in St. Catharines. The Town has approved a plan to fund this commitment through annual tax levies in the years 2011 to 2031. The plan is dependent upon future councils approving this levy on an annual basis. A balance of \$2,181,944 is owing on this commitment at December 31, 2017 (2016 - \$2,469,895)

9. Contingent liabilities

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts, including punitive or extraordinary damages. In respect of any outstanding claims, the Town believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

10. Contributions to Joint Board:

The following contributions were made by the Town to:

	2017	2016
Niagara District Airport Commission	\$ 42,756	\$ 49,858

The Town’s share of the net assets of the Niagara District Airport Commission is approximately 6%.

11. Segmented reporting:

The Town is a lower tier municipal government that provides a wide range of services to its citizens. Segmented information has been identified based on functional classification as categorized by the Financial Information Return. These classifications are as follows:

(i) General Government:

The mandate of this functional area is to provide political governance, administrative executive management and those expenses and revenues which are corporate in nature and cannot be easily apportioned to other departments. Reported in this functional area are departments such as Council, Clerks, CAO, Finance, Human Resources, Legal, Information Systems and Capital Assets.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

11. Segmented reporting (continued):

(ii) Protection services:

Reported in this functional area are Fire and Building Services. The mandate of Fire Services is to provide emergency services through a range of services to protect the lives and property of the inhabitants of the Town. The mandate of Building Services is to inform and assist customers to ensure safe and orderly development and provide efficient delivery of building approvals, inspections and management systems.

(iii) Transportation services:

Reported in this functional area are Roads and Works. The mandate for Roads and Works is to provide quality road and traffic maintenance and operations to the residents and businesses of the Town. This area is also responsible for winter control.

(iv) Environment services:

Reported in this functional area are Sanitary, Storm and Water Systems. The mandate is to provide a safe and reliable water resource system and is responsible for the maintenance and operation of the systems and monitoring and administering environmental programs.

(v) Health services:

Reported in this functional area is Cemetery Services. The mandate is to ensure the benefit and protection of each citizen who has purchased or has an interest in interment rights within each cemetery.

(vi) Recreation:

Reported in the functional area are Parks, Recreation and Culture. The Parks department is responsible for the maintenance, improvement and beautification of various parks as well as the planning and construction of new parkland and open space. The Recreation and Culture departments are responsible for the delivery of various related programs and the provision of facilities as well as the support of groups and organizations throughout the Municipality.

(vii) Planning and Development:

Reported in this functional area are Planning and Development. Planning creates the policy framework and implementation tools required to shape the future of the Town. Development is responsible for ensuring that the Town's land development standards are achieved on all development applications.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

11. Segmented reporting (continued):

2017								
	General Government	Protection	Transportation	Environment	Health	Recreation	Planning and Development	Total
Revenues:								
Taxation	\$ 4,015,323	\$ 1,408,780	\$ 3,106,876	\$ -	\$ 109,495	\$ 2,769,417	\$ 376,742	\$ 11,786,633
User fees and charges	205,866	681,935	2,027,615	9,628,027	183,596	356,804	1,030,701	14,114,544
Government grants	590,168	40,168	1,060,621	562,673	-	673,071	51,141	2,977,842
Other	4,544,300	-	-	-	-	-	-	4,544,300
Contributed assets	167,778	-	-	-	-	-	-	167,778
Government business enterprise	1,663,472	-	-	-	-	-	-	1,663,472
Total revenues	11,186,907	2,130,883	6,195,112	10,190,700	293,091	3,799,292	1,458,584	35,254,569
Expenses:								
Salaries and wages	2,530,127	1,634,305	1,906,734	735,347	152,073	2,213,674	960,303	10,132,563
Operating materials and supplies	538,193	465,521	977,655	200,502	85,079	1,419,459	271,988	3,958,397
Contracted services	423,213	111,289	1,852,963	5,767,689	850	552,934	313,627	9,022,565
Rents and financial expenses	199,524	-	-	12,635	-	7,563	-	219,722
Interfunctional transfers	(2,353,820)	343,639	381,670	993,092	22,199	471,564	141,656	-
Amortization	267,767	449,198	1,622,095	2,090,371	16,458	876,433	3,771	5,326,093
Loss on sale of tangible capital assets	284,096	-	-	-	-	-	-	284,096
External transfers	456,901	-	-	-	287,951	900	74,040	819,792
Debt service	29,772	17,762	24,347	56,513	-	-	3,096	131,490
Total expenses	2,375,773	3,021,714	6,765,464	9,856,149	564,610	5,542,527	1,768,481	29,894,718
Annual surplus (deficit)	\$ 8,811,134	\$ (890,831)	\$ (570,352)	\$ 334,551	\$ (271,519)	\$ (1,743,235)	\$ (309,897)	\$ 5,359,851

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

11. Segmented reporting (continued):

2016									
	General Government		Protection	Transportation	Environment	Health	Recreation	Planning and Development	Total
Revenues:									
Taxation	\$ 4,088,764	\$ 2,016,425	\$ 2,368,998	\$ -	\$ 83,139	\$ 2,392,504	\$ 388,891	\$ 11,338,721	
User fees and charges	240,428	638,590	1,272,367	9,494,264	162,765	312,560	625,132	12,746,106	
Government grants	641,019	43,520	790,936	-	-	49,805	34,135	1,559,415	
Other	4,841,255	-	-	-	-	-	-	4,841,255	
Contributed assets	328,670	-	-	-	-	-	-	328,670	
Government business enterprise	1,010,879	-	-	-	-	-	-	1,010,879	
Total revenues	11,151,015	2,698,535	4,432,301	9,494,264	245,904	2,754,869	1,048,158	31,825,046	
Expenses:									
Salaries and wages	2,750,354	1,454,200	2,013,307	666,666	100,315	2,102,829	891,868	9,979,539	
Operating materials and supplies	625,937	395,246	902,147	735,337	111,877	1,335,556	183,380	4,289,480	
Contracted services	405,959	90,021	1,349,804	5,189,948	3,122	51,906	205,191	7,295,951	
Rents and financial expenses	256,682	-	8,448	16,827	-	4,500	-	286,457	
Interfunctional transfers	(2,216,187)	329,936	327,620	1,017,746	21,236	395,826	123,823	-	
Amortization	308,449	421,860	1,523,353	2,027,849	15,178	843,294	2,542	5,142,525	
Loss on sale of tangible capital assets	-	-	-	-	-	-	-	-	
External transfers	351,156	-	-	-	287,951	900	60,988	700,995	
Debt service	30,622	25,846	30,261	62,576	-	-	4,019	153,324	
Total expenses	2,512,972	2,717,109	6,154,940	9,716,949	539,679	4,734,811	1,471,811	27,848,271	
Annual surplus (deficit)	\$ 8,638,043	\$ (18,574)	\$ (1,722,639)	\$ (222,685)	\$ (293,775)	\$ (1,979,942)	\$ (423,653)	\$ 3,976,775	

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

12. Budget data:

The audited budget data presented in these consolidated financial statements are based upon the 2017 operating and capital budgets approved by Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the actual amounts for 2017 were used in order to adjust the budget numbers to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

The chart below reconciles the approved budget figures reported on the Consolidated Statement of Operations.

	Budget Amount
Revenue:	
Operating budget as approved	\$ 30,070,529
Add:	
Development charges	832,039
Contributed capital assets	167,778
Gain on sale of TCA	-
Building Code Act	666,680
Recreational Land (the Planning Act)	184,839
Less:	
Transfers from other funds	(2,317,611)
Principal and dividends from NOTLEI	(811,537)
Total revenue	28,792,717
Expenses:	
Operating budget as approved	30,070,529
Add:	
Amortization	5,326,092
Capital projects resulting in operating expenses	163,670
Transfers from capital	284,094
Less:	
Transfer to reserves, including capital	(6,650,368)
Employee future benefits	(4,684)
Debt principal payments	(590,393)
Total expenses	28,598,940
Annual surplus	\$ 193,777

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Tangible capital assets:

(a) Work in progress:

Work in progress having a value of \$5,379,722 (2016 - \$2,311,956) is not depreciated. Depreciation of these assets commence when the assets are placed in service. No interest was capitalized during the period.

(b) Contributed capital assets:

Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$167,778 (2016 - \$328,670). In 2017, parcels of land were transferred to the Town which service various developments. The lands contributed provide servicing for storm sewer systems, walkways and trails, and parkland.

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair market value could not be made for a tangible capital asset, the asset was recognized at a nominal value. Nominal values totaling \$131 have been assigned to Buildings, Land, Machinery and Equipment, Land Improvements, and Linear Asset categories.

(d) Works of art and historical treasures:

No works of art or historical treasures are held by the Town.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Tangible capital assets (continued):

2017 General	Opening NBV	Opening Cost	Additions	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Total
Land	\$ 5,696,871	\$ 5,696,871	\$ 167,778	\$ -	\$ 5,864,649	\$ -	\$ -	\$ -	\$ -	\$ 5,864,649
Land improvements	2,879,481	4,638,090	78,411	52,883	4,663,618	1,758,609	193,355	52,883	1,899,081	2,764,537
Buildings and fixtures	15,348,810	24,816,374	1,097,966	518,807	25,395,533	9,467,564	641,029	311,388	9,797,205	15,598,328
Machinery and equipment	3,011,839	5,218,139	1,061,441	202,302	6,077,278	2,206,300	350,087	174,779	2,381,608	3,695,670
Vehicles	3,919,369	7,814,831	897,804	181,892	8,530,743	3,895,462	535,157	181,892	4,248,727	4,282,016
Information technology	576,063	1,760,716	145,058	288,301	1,617,473	1,184,653	215,197	286,354	1,113,496	503,977
Exterior lighting	1,499,145	2,637,917	330,177	14,561	2,953,533	1,138,772	145,535	13,446	1,270,861	1,682,672
Subtotal: General assets	32,931,578	52,582,938	3,778,635	1,258,746	55,102,827	19,651,360	2,080,360	1,020,742	20,710,978	34,391,849
Infrastructure										
Linear assets	134,859,006	183,852,300	2,927,662	271,310	186,508,652	48,993,294	3,092,576	165,072	51,920,798	134,587,854
Streetlighting	1,652,698	2,433,205	23,150	-	2,456,355	780,507	70,739	-	851,246	1,605,109
Other	2,669,486	4,004,305	87,112	65,788	4,025,629	1,334,819	82,418	60,551	1,356,686	2,668,943
Subtotal: Infrastructure assets	139,181,190	190,289,810	3,037,924	337,098	192,990,636	51,108,620	3,245,733	225,623	54,128,730	138,861,906
Work in progress										
Opening balance	2,311,956	2,311,956	9,884,325	-	12,196,281	-	-	-	-	-
Internally transferred	-	-	(6,816,559)	-	(6,816,559)	-	-	-	-	-
Subtotal: Work in progress	2,311,956	2,311,956	3,067,766	-	5,379,722	-	-	-	-	5,379,722
Grand total as at December 31, 2017	\$174,424,724	\$ 245,184,704	\$9,884,325	\$1,595,844	\$253,473,185	\$ 70,759,980	\$ 5,326,093	\$1,246,365	\$ 74,839,708	\$178,633,477

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Tangible capital assets (continued):

2016 General	Opening NBV	Opening Cost	Additions	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Total
Land	\$ 5,396,569	\$ 5,396,569	\$ 359,767	\$ 59,465	\$5,696,871	\$ -	\$ -	\$ -	\$ -	\$ 5,696,871
Land improvements	2,653,229	4,229,127	414,063	5,100	4,638,090	1,575,898	182,711	-	1,758,609	2,879,481
Buildings and fixtures	17,490,707	26,368,997	74,334	1,626,957	24,816,374	8,878,291	670,621	81,348	9,467,564	15,348,810
Machinery and equipment	3,163,789	5,104,245	167,843	53,949	5,218,139	1,940,456	310,053	44,209	2,206,300	3,011,839
Vehicles	3,501,446	7,087,696	915,197	188,062	7,814,831	3,586,250	489,765	180,553	3,895,462	3,919,369
Information technology	636,652	1,776,285	161,479	177,048	1,760,716	1,139,633	217,854	172,834	1,184,653	576,063
Exterior lighting	1,535,898	2,623,743	104,606	90,432	2,637,917	1,087,845	141,359	90,432	1,138,772	1,499,145
Subtotal: General assets	34,378,290	52,586,662	2,197,289	2,201,013	52,582,938	18,208,373	2,012,363	569,376	19,651,360	32,931,578
Infrastructure										
Linear assets	132,156,666	178,248,164	5,715,846	111,710	183,852,300	46,091,497	2,972,869	71,072	48,993,294	134,859,006
Streetlighting	1,621,508	2,333,582	99,623	-	2,433,205	712,074	68,433	-	780,507	1,652,698
Other	2,617,934	3,863,892	140,413	-	4,004,305	1,245,958	88,861	-	1,334,819	2,669,486
Subtotal: Infrastructure assets	136,396,108	184,445,638	5,955,882	111,710	190,289,810	48,049,529	3,130,163	71,072	51,108,620	139,181,190
Work in progress										
Opening balance	3,242,214	3,242,214	7,222,913	-	10,465,127	-	-	-	-	-
Internally transferred	-	-	(8,153,171)	-	(8,153,171)	-	-	-	-	-
Subtotal: Work in progress	3,242,214	3,242,214	(930,258)	-	2,311,956	-	-	-	-	2,311,956
Grand total as at December 31, 2016	\$ 174,016,612	\$ 240,274,514	\$7,222,913	\$2,312,723	\$245,184,704	\$ 66,257,902	\$ 5,142,526	\$ 640,448	\$ 70,759,980	\$174,424,724

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2017

14. Government transfers:

Government transfers do not include payment in lieu of taxes received from Federal and Provincial governments. These amounts are included with taxation revenue on the Consolidated Statement of Operations:

	Budget	2017	2016
Operating transfers:			
Federal	\$ 4,000	\$ 16,500	\$ 28,283
Provincial	777,476	776,295	743,786
Upper-Tier/Other Municipalities	99,000	153,909	188,485
	<u>880,476</u>	<u>946,704</u>	<u>960,554</u>
Capital transfers:			
Federal	445,913	1,328,931	445,913
Provincial	366,001	702,207	152,948
	<u>811,914</u>	<u>2,031,138</u>	<u>598,861</u>
Total transfers	<u>\$ 1,692,390</u>	<u>\$ 2,977,842</u>	<u>\$ 1,559,415</u>

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

SCHEDULE OF LIBRARY FUND ACTIVITIES

Year ended December 31, 2017

	Budget	2017	2016
Revenues:			
Development charges	\$ -	\$ 56,887	\$ 113,173
Municipal grant	622,539	622,539	585,854
Donations	3,000	162,533	138,870
Provincial grants	35,746	250,078	38,026
Miscellaneous	-	19,998	19,524
Other grants	29,800	10,911	8,873
	691,085	1,122,946	904,320
Expenditures:			
Amortization	-	105,551	94,639
Insurance	6,000	6,493	6,117
Licensing and computer support	13,600	12,151	8,328
Memberships	1,800	1,450	1,684
General library expenses	23,100	20,200	21,508
Office supplies	39,200	56,149	47,524
Professional development	5,500	4,677	4,839
Professional fees	1,000	1,146	1,755
Program expenditures	7,500	9,239	8,019
Public relations	3,000	2,153	5,282
Rent	60,000	60,000	60,000
Telephone	1,800	2,795	2,383
Wage and benefits	517,965	520,809	478,957
Workshops	3,000	3,328	1,917
	683,465	806,141	742,952
Annual surplus	7,620	316,805	161,368
Add: Amortization of tangible capital assets	-	105,551	94,639
Less: Acquisition of tangible capital assets	-	(909,377)	(64,217)
Transfers to reserve fund	28,750	384,767	(18,293)
Adjusted annual (deficit) surplus	\$ 36,370	\$ (102,254)	\$ 173,497



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Town of Niagara-on-the-Lake

We have audited the accompanying financial statements of the trust funds of The Corporation of the Town of Niagara-on-the-Lake, which comprise the statement of financial position as at December 31, 2017, the statements of operations and cash flows for the year then ended, and notes, comprising 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 our 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, we 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 statement of financial position of the trust funds of The Corporation of the Town of Niagara-on-the-Lake as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

May 7, 2018

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Statement of Financial Position – Trust Funds

Year ended December 31, 2017, with comparative figures for 2016

	Cemetery Care & Maintenance	Cemetery Preneeds Internments	2017 Total	2016 Total
Assets				
Cash	\$ 915,415	\$ 147,947	\$1,063,362	\$ 1,007,553
Liabilities				
Due to Town of Niagara-on-the-Lake	6,691	(189)	6,502	(15,011)
	\$ 908,724	\$ 148,136	\$1,056,860	\$ 1,022,564
Fund Balances				
Fund balances	\$ 908,724	\$ 148,136	\$1,056,860	\$ 1,022,564
	\$ 908,724	\$ 148,136	\$1,056,860	\$ 1,022,564

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Statement of Operations – Trust Funds

Year ended December 31, 2017, with comparative figures for 2016

	Cemetery Care & Maintenance	Cemetery Preneeds Internments	2017 Total	2016 Total
Balance, beginning of year	\$ 876,160	\$ 146,404	\$1,022,564	\$ 988,282
Receipts:				
Care & maintenance agreements	32,564	-	32,564	32,894
Interest earned	10,000	1,732	11,732	9,527
	42,564	1,732	44,296	42,421
Expenditures:				
Interest transferred to:				
Cemetery maintenance	10,000	-	10,000	8,139
	10,000	-	10,000	8,139
Excess of receipts over expenditures	32,564	1,732	34,296	34,282
Fund balance, end of year	\$ 908,724	\$ 148,136	\$1,056,860	\$ 1,022,564

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Statement of Cash Flows – Trust Funds

December 31, 2017 with comparative information for 2016

	2017	2016
Operations:		
Excess of receipts over expenditures	\$ 34,296	\$ 34,282
Sources (Uses):		
Change in due to Town of Niagara-on-the-Lake	21,513	(23,118)
	21,513	(23,118)
Increase in cash	55,809	11,164
Cash, beginning of year	1,007,553	996,389
Cash, end of year	\$ 1,063,362	\$ 1,007,553

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Trust Funds Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The financial statements of The Corporation of the Town of Niagara-on-the-Lake (the "Town") trust funds are prepared by management prepared in accordance with Canadian public sector accounting standards ("PSAS") established by the Public Sector Accounting Board ("PSAB") of CPA Canada.

(a) Basis of accounting:

- (i) Receipts 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 and services and the creation of a legal obligation to pay.