

Consolidated Financial Statements of

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

And Independent Auditors' Report Thereon

Year ended December 31, 2020



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of The Corporation of Niagara-on-the-Lake (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes and schedule to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and its consolidated results of operations, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Other Matter – Supplementary Information

The supplementary information included in Schedule of Library Fund Activities does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

June 21, 2021

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

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash	\$ 20,520,786	\$ 22,734,227
Taxes receivable		
Current year	1,643,389	1,494,345
Previous years	916,761	829,178
Accounts receivable	5,135,172	4,563,355
Debt recoverable from others (note 6)	25,049	29,847
Note receivable (note 3)	5,929,872	6,674,812
Long-term investment (note 2)	21,823,531	20,564,632
	<hr/> 55,994,560	<hr/> 56,890,396
Liabilities		
Accounts payable and accrued liabilities	10,776,954	10,958,524
Deferred revenue (note 4)	12,736,571	14,176,482
Post-employment benefits (note 5)	1,225,860	1,147,868
Net long term liabilities (note 6)	5,091,440	3,795,291
	<hr/> 29,830,825	<hr/> 30,078,165
Net financial assets	<hr/> 26,163,735	<hr/> 26,812,231
Non-financial assets		
Tangible capital assets (note 13)	196,048,540	190,447,038
Inventories and prepaid expenses	281,635	330,669
	<hr/> 196,330,175	<hr/> 190,777,707
Commitments (note 8)		
Contingent liabilities (note 9)		
Impact of COVID-19 (note 16)		
Accumulated surplus (note 7)	<hr/> \$ 222,493,910	<hr/> \$ 217,589,938

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, 2020, with comparative information for 2019

	Budget (note 12)	2020	2019
Revenues			
Taxation	\$ 14,211,300	\$ 14,333,245	\$ 13,175,952
User fees and charges	14,278,757	14,938,554	15,595,968
Government of Canada grants (note 14)	539,220	424,072	1,046,981
Province of Ontario grants (note 14)	1,395,336	2,388,747	1,572,233
Other municipality funding (note 14)	45,000	227,060	239,105
Deferred revenues earned	1,741,623	2,819,365	2,181,272
Interest and penalties	330,000	485,387	378,259
Investment income	532,437	479,241	674,892
Donations	24,000	551,871	195,924
Contributed assets	-	-	561,465
Other	2,774,006	1,429,056	1,895,578
Equity income of Niagara-on-the-Lake Energy Inc. (note 2)	-	1,963,711	1,562,369
Total revenues	35,872,679	40,040,309	39,080,098
Expenses			
General government	4,654,969	4,190,201	3,799,652
Protection services	4,241,380	3,678,135	3,425,375
Transportation services	8,067,441	7,380,429	7,691,797
Environmental services	11,274,536	12,116,660	12,027,904
Health services	451,561	712,007	604,533
Recreation	3,900,904	5,440,641	5,645,857
Planning and development	2,105,872	1,607,482	1,565,340
Total expenses	34,696,663	35,125,555	34,760,458
Annual surplus	1,176,016	4,914,754	4,319,640
Other comprehensive income of Niagara-on-the-Lake Energy Inc.	-	(10,782)	-
Accumulated surplus, beginning of year	217,589,938	217,589,938	213,270,298
Accumulated surplus, end of year	\$ 218,765,594	\$ 222,493,910	\$ 217,589,938

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, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ 4,914,754	\$ 4,319,640
Acquisition of tangible capital assets	(11,715,450)	(8,731,389)
Contributed tangible capital assets	-	(561,465)
Amortization of tangible capital assets	5,926,218	5,804,808
Proceeds on disposal of tangible capital assets	62,568	201,133
Loss (gain) on disposal of tangible capital assets	125,162	119,433
Other comprehensive income of Niagara-on-the-Lake Energy Inc.	(10,782)	-
Change in inventories and prepaid expenses	49,034	306,407
	(648,496)	1,458,567
Net financial assets, beginning of year	26,812,231	25,353,664
Net financial assets, end of year	\$ 26,163,735	\$ 26,812,231

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

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Operations		
Annual surplus	\$ 4,914,754	\$ 4,319,640
Items not involving cash:		
Amortization of tangible capital assets	5,926,218	5,804,808
Contributed assets	-	(561,465)
Niagara-on-the-Lake Energy net income	(1,963,711)	(1,562,369)
Loss on disposal of tangible capital assets	125,162	119,433
	9,002,423	8,120,047
Change in non-cash assets and liabilities:		
Taxes receivable	(236,627)	(319,343)
Accounts receivable	(571,817)	266,034
Inventories and prepaid expenses	49,034	306,407
Accounts payable and accrued liabilities	(181,570)	336,708
Deferred revenue	(1,439,911)	1,457,276
Post-employment benefits	77,992	(27,546)
Cash from (used in) operations	6,699,524	10,139,583
Capital		
Proceeds on disposal of tangible capital assets	62,568	201,133
Acquisition of tangible capital assets	(11,715,450)	(8,731,389)
Cash used in capital activities	(11,652,882)	(8,530,256)
Investing		
Dividend received	694,030	500,000
Change in debt recoverable from others	4,798	48,630
Repayment of note receivable	744,940	949,931
Cash from investing	1,443,768	1,498,561
Financing		
Long-term debt issued	1,850,810	1,805,324
Debt principal repayments	(554,661)	(441,165)
Cash from financing	1,296,149	1,364,159
Increase (decrease) in cash	(2,213,441)	4,472,047
Cash, beginning of year	22,734,227	18,262,180
Cash, end of year	\$ 20,520,786	\$22,734,227

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, 2020

The Corporation of the Town of Niagara-on-the-Lake (the "Town") is a municipality in the Province of Ontario 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 wholly owned government business enterprise, Niagara-on-the-Lake Energy Inc., which is accounted for on the modified equity basis of accounting as described below. These reporting entities and organizations include the Public Library Board. Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

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, NOTLEI'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 are 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, 2020

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 prepare the asset for its intended use.

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. Work in progress assets 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 in the year of disposal.

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are recognized 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 have 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, 2020

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
Other	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 Consolidated Statement of Operations in the year incurred.

(ii) Inventories:

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

(d) Deferred revenue:

Deferred revenue represents licenses, 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. 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. Government transfers are paid to community organizations. Government transfers paid are recognized as a liability and expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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. 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 fund balance and forms part of the deferred revenue balance.

(i) Other income:

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

(j) 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 WSIB, 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, 2020

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 disability 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 as revenue in the year received. Interest revenue is recognized as it is earned. Notes receivable with significant concessionary terms, (such as non-interest bearing notes) are accounted for as a grant and presented 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 and the valuation of contributed assets. 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, 2020

2. Long-term investments

The Town holds an investment in Niagara-on-the-Lake Energy Inc. ("NOTLEI") which is represented by 1,001 common shares of the company. NOTLEI is wholly owned by the Town. Summary financial information is as follows:

Financial Position:

	2020	2019
Assets:		
Current	\$ 6,060,966	\$ 5,404,720
Capital	35,992,586	33,762,453
Other non-current	7,016,508	6,730,839
Regulatory balances	1,239,218	1,230,580
Total assets and regulatory balances	\$ 50,309,278	\$ 47,128,592
Liabilities:		
Current	\$ 6,590,148	\$ 5,391,090
Notes payable to Town of Niagara-on-the-Lake	5,929,872	6,674,812
Long-term debt	6,618,685	5,265,857
Other	8,536,718	8,169,853
Regulatory balances	810,324	1,062,348
Equity	21,823,531	20,564,632
Total liabilities, regulatory balances and equity	\$ 50,309,278	\$ 47,128,592

Operations:

	2020	2019
Revenue	\$ 37,096,467	\$ 32,481,247
Expenses (including income tax provision)	(35,393,418)	(31,452,316)
Net movement in regulatory balances (net of tax)	260,662	533,438
Net income and net movement in regulatory balances	1,963,711	1,562,369
Other comprehensive loss	(10,782)	-
Dividend paid to Town of Niagara-on-the-Lake	(694,030)	(500,000)
Change in investment in Niagara-on-the-Lake Energy Inc.	\$ 1,258,899	\$ 1,062,369

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

	2020	2019
Investment in shares of the Corporation	\$ 7,054,844	\$ 7,054,844
Accumulated net income, net of dividends received	14,768,687	13,509,788
Total investment in Niagara-on-the-Lake Energy Inc.	\$ 21,823,531	\$ 20,564,632

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

2. Long-term investments (continued):

NOTLEI delivered electricity to the Town and related organizations in the amount of \$1,012,163 (2019 - \$897,414) and provided locate services to the Town in the amount of \$35,215 (2019 - \$nil).

3. Note receivable:

The notes receivable are comprised of the following:

	2020	2019
Note 1	\$ 1,548,786	\$ 1,739,643
Note 2	1,348,980	1,664,326
Note 3	1,062,106	1,240,843
Note 4	1,970,000	2,030,000
	<u>\$ 5,929,872</u>	<u>\$ 6,674,812</u>

Note 1 bears interest at 7.25%, is unsecured and is repayable annually in the aggregate principal and interest of \$250,000 (2019 - \$500,000). Note 2 bears interest at 3.50%, is due on February 1, 2025 and is repayable in blended monthly payments of \$29,386. Note 3 bears interest at 3.5%, is due on October 1, 2025 and is repayable in blended monthly payments of \$19,625. Note 4 bears interest at 3.0% and is due on demand. The Town has waived its right to demand payment on notes 2 to 4 until January 1, 2022. These notes have been postponed in favour of the demand instalment loan owing by NOTLEI. 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 eligible 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 CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2020

4. Deferred revenue (continued):

The deferred revenues are made up of the following:

	2019	Externally restricted inflows	Revenue earned	2020
Building permit surplus	\$ 1,241,965	\$ -	418,569	823,396
Canada gas tax	264,410	535,342	368,063	431,689
Cash-in-lieu of parking	353,331	-	-	353,331
Development charges	10,427,299	936,533	1,741,623	9,622,209
Ontario Community Infrastructure Fund	-	816,806	645,051	171,755
Recreational land	536,546	251,412	483,758	304,200
Main Street revitalization	53,137	1,917	54,286	768
Provincial Modernization Fund	725,000	-	121,129	603,871
Other deferred	574,794	189,762	375,213	389,343
Safe Restart	-	36,009	-	36,009
	\$14,176,482	\$ 2,767,781	\$ 4,207,692	\$ 12,736,571

5. Post-employment 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.

	2020	2019
Retiree benefits	\$ 576,732	\$ 569,676
Accrued vacation pay	401,924	308,065
Accumulated sick leave	44,520	43,325
Future payments required to WSIB	202,684	226,802
	\$ 1,225,860	\$ 1,147,868

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

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,222,647	\$ 1,257,510
Current benefit cost	102,459	6,004
Interest	26,997	27,168
Benefits paid	(58,431)	(68,035)
Balance, end of year	1,293,672	1,222,647
Unamortized actuarial loss	(67,812)	(74,779)
Liability for benefits	\$ 1,225,860	\$ 1,147,868

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

5. Post-employment benefits and other liabilities (continued):

Amortization of the actuarial loss of \$6,967 (2019 - \$7,317) has been included in expenses on the Consolidated Statement of Operations.

(i) Accumulated Sick Leave

Under the Town's sick leave benefit plan, employees can choose either to 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, 2020 were determined by an actuarial valuation. The last actuarial valuation was performed in 2018 for the December 31, 2017 year-end.

(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, 2020 were determined by an actuarial valuation and analysis of changes made to plans since the last valuation. The last actuarial valuation was performed in 2018 for the December 31, 2017 year-end.

(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 used for the valuations are as follows:

Interest (discount rate):

The accrued benefit obligation was determined using a discount rate of 4% (2019 - 4.0%).

Inflation:

Inflation was assumed to be 1.75% (2019 - 1.75%).

Medical, dental and travel costs:

Medical, dental and travel costs are assumed to increase at a rate of 6.08% in 2020 per year reducing by 0.3333% per year to 3.75% in 2027 and to 3.75% per year thereafter.

Salary escalations:

Future salary has been assumed to escalate at a rate of 2.75% per year (2019 - 2.75%).

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

5. Post-employment benefits and other liabilities (continued):

(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 2020 was \$809,557 (2019 - \$764,601) for current service and is included as an expenditure in the consolidated statement of operations. Employees' contribution to OMERS in 2020 was \$809,557 (2019 - \$764,601).

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 \$58,700 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings.

The OMERS pension plan has a deficit at December 31, 2020 of \$3.2 billion (2019 - \$3.4 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:

	2020	2019
The Town has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities.	\$ 5,091,440	\$ 3,795,291
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage, have been assumed by individuals.	(25,049)	(29,847)
Net long-term liabilities, end of year	\$ 5,066,391	\$ 3,765,444

- (b) The long-term liabilities in (a) issued in the name of the municipality 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.

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

6. Net long-term liabilities (continued):

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

2021	\$ 422,960
2022	436,535
2023	390,542
2024	405,418
2025	391,751
Thereafter	3,019,185
	<u>\$ 5,066,391</u>

(d) Interest charges on long-term debt in the amount of \$114,230 (2019 - \$83,361) 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 2034.

7. Accumulated surplus:

	2020	2019
Invested in tangible capital assets	\$ 196,048,540	\$ 190,447,038
Operating fund	(2,764,763)	(1,977,171)
Reserves and reserve funds	13,678,852	13,468,751
Investment in Niagara-on-the-Lake Energy Inc.	21,823,531	20,564,632
	<u>228,786,160</u>	<u>222,503,250</u>
Amounts to be recovered		
Post-employment benefits	(1,225,860)	(1,147,868)
Net long-term liabilities	(5,066,391)	(3,765,444)
	<u>(6,292,251)</u>	<u>(4,913,312)</u>
	<u>\$ 222,493,909</u>	<u>\$ 217,589,938</u>

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

7. Accumulated surplus (continued):

Reserve and reserve balances:

	2020	2019
Reserves set aside by Council for specific purposes:		
Base mapping	\$ 700	\$ 700
Bridges and culverts	31,020	31,020
Building vehicle and equipment	51,643	42,643
By-law vehicle and equipment	46,221	32,096
Capital levy	1,915,655	1,837,720
Community centre	13,591	7,654
Contingencies	130,099	325,786
Corporate studies	143,249	202,692
COVID 19	129,841	-
Debt reduction	34,191	-
Dock area improvement	171,026	186,942
Donations	404,695	146,670
Election expenses	36,059	16,059
Fleet replacement	96,182	267,943
Grant and other	(94,161)	40,168
Irrigation	460,170	521,750
Ontario disabilities	156,813	135,213
OMB appeals	155,731	155,731
Parking revenue	1,071,014	1,266,096
Sidewalk improvements	31,694	(8,118)
Storm water management	(66,768)	(52,797)
Street lighting	27,633	33,551
Tax rate stabilization	52,500	-
Training and development	11,857	11,857
Wastewater capital improvements	2,635,574	2,172,994
Wastewater rate stabilization	228,428	228,428
Water capital improvements	5,295,116	5,468,382
Water rate stabilization	194,486	194,486
Winter maintenance	85,192	85,192
Working funds	50,000	50,000
Total reserves	\$ 13,499,451	\$ 13,400,858
Reserve funds set aside by Council for specific purposes:		
Bequest/Garden	4,498	4,422
Library development and computer	24,257	(5,897)
Library donations	20,757	12,757
Library stabilization	73,278	-
Recreation enhancement	56,611	56,611
	179,401	67,893
Total reserves and reserve funds	\$ 13,678,852	\$ 13,468,751

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

8. Commitments:

(a) Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2020 is approximately \$6,161,591 (2019 - \$5,785,648) after deducting the expenditures incurred as at December 31, 2020. 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 \$1,318,092 is owing on this commitment at December 31, 2020 (2019 - \$1,606,042)

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 most outstanding claims, the Town believes that insurance coverage is adequate and that no material exposure exists on the eventual outcome of such litigation, therefore no provision has been made in the accompanying financial statements. The Town is currently named as a defendant in two matters related to former employees for which damages are unknown at this time. There may be exposure that exceeds the Town's insurance coverage. As of the date of these consolidated financial statements, the ultimate outcome is not yet known and the amount cannot be reasonably estimate.

10. Contributions to Joint Board:

The following contributions were made by the Town to:

	2020	2019
Niagara District Airport Commission	\$ 53,766	\$ 56,179

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

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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.

(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. Also included here is the Town's commitment to the Niagara Health System hospital.

(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 Town.

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

11. Segmented reporting (continued):

(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. Tax revenue is allocated to the segments based on budgeted expenditures. For grants received, the allocation is based on the purpose of the grant. For user fees and charges, the allocation is based on the nature of the user fee generated. 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, 2020

11. Segmented reporting (continued):

2020								
	General Government	Protection	Transportation	Environment	Health	Recreation	Planning and Development	Total
Revenues:								
Taxation	\$ 4,499,376	\$ 1,876,892	\$ 3,681,278	\$ -	\$ 117,340	\$ 3,610,401	\$ 547,958	\$ 14,333,245
User fees and charges	226,558	758,922	1,514,579	11,397,896	261,202	169,945	609,452	14,938,554
Government grants	1,466,453	25,114	1,215,878	273,988	-	61,418	(2,972)	3,039,879
Other	1,968,851	453,257	527,173	857,809	-	1,957,830	-	5,764,920
Contributed assets	-	-	-	-	-	-	-	-
Equity income in NOTLEI Inc.	1,963,711	-	-	-	-	-	-	1,963,711
Total revenues	10,124,949	3,114,185	6,938,908	12,529,693	378,542	5,799,594	1,154,438	40,040,309
Expenses:								
Salaries and wages	3,001,693	2,043,728	2,221,313	1,212,548	183,489	2,431,271	1,078,639	12,172,681
Operating materials and supplies	1,097,857	520,657	1,240,787	434,526	179,664	1,343,956	113,771	4,931,218
Contracted services	1,583,957	119,233	1,626,519	6,991,042	550	114,630	152,489	10,588,420
Rents and financial expenses	346,229	-	-	3,342	-	7,461	-	357,032
Interfunctional transfers	(2,863,718)	429,037	475,750	1,227,292	37,916	514,937	178,786	-
Amortization	337,514	565,480	1,797,186	2,228,327	22,438	967,225	8,048	5,926,218
Loss on sale of tangible capital assets	125,162	-	-	-	-	-	-	125,162
External transfers	534,801	-	-	-	287,950	-	26,057	848,808
Debt service	26,706	-	18,874	19,583	-	61,161	49,692	176,016
Total expenses	4,190,201	3,678,135	7,380,429	12,116,660	712,007	5,440,641	1,607,482	35,125,555
Annual surplus (deficit)	\$ 5,923,748	\$ (563,950)	\$ (441,521)	\$ 413,033	\$ (333,465)	\$ 358,953	\$ (453,044)	\$ 4,914,754

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

11. Segmented reporting (continued):

2019									
	General Government		Protection	Transportation	Environment	Health	Recreation	Planning and Development	Total
Revenues:									
Taxation	\$ 3,821,154	\$ 1,676,187	\$ 3,557,987	\$ -	\$ 100,985	\$ 3,452,994	\$ 566,645	\$ 13,175,952	
User fees and charges	183,658	732,855	2,342,068	11,217,252	281,935	355,093	483,107	15,595,968	
Government grants	427,365	94,726	2,126,450	93,938	-	72,761	43,079	2,858,319	
Other	1,858,363	851,530	918,469	116,816	-	1,580,847	-	5,326,025	
Contributed assets	561,465	-	-	-	-	-	-	561,465	
Government business enterprise	1,562,369	-	-	-	-	-	-	1,562,369	
Total revenues	8,414,374	3,355,298	8,944,974	11,428,006	382,920	5,461,695	1,092,831	39,080,098	
Expenses:									
Salaries and wages	3,207,614	1,884,704	2,278,438	1,168,065	151,137	2,561,934	1,064,708	12,316,600	
Operating materials and supplies	649,024	507,697	1,128,369	773,963	115,267	1,446,095	134,176	4,754,591	
Contracted services	1,213,619	108,833	2,042,435	6,640,398	440	88,660	153,770	10,248,155	
Rents and financial expenses	231,287	-	-	10,354	-	8,738	-	250,379	
Interfunctional transfers	(2,778,614)	399,187	500,278	1,194,172	27,614	521,010	136,353	-	
Amortization	363,668	524,954	1,721,342	2,208,212	22,125	956,459	8,048	5,804,808	
Loss on sale of tangible capital assets	119,433	-	-	-	-	-	-	119,433	
External transfers	765,737	-	-	-	287,950	1,800	66,158	1,121,645	
Debt service	27,884	-	20,935	32,740	-	61,161	2,127	144,847	
Total expenses	3,799,652	3,425,375	7,691,797	12,027,904	604,533	5,645,857	1,565,340	34,760,458	
Annual surplus (deficit)	\$ 4,614,722	\$ (70,077)	\$ 1,253,177	\$ (599,898)	\$ (221,613)	\$ (184,162)	\$ (472,509)	\$ 4,319,640	

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

12. Budget data:

The audited budget data presented in these consolidated financial statements are based upon the 2020 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 2020 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	\$ 37,669,104
Add:	
Development charges	1,741,623
Building Code Act	539,698
Recreational Land (the Planning Act)	483,758
Less:	
Transfers from other funds	(3,674,528)
Principal and dividends from NOTLEI	(886,976)
Total revenue	35,872,679
Expenses:	
Operating budget as approved	37,669,104
Add:	
Amortization	5,926,218
Employee future benefits	77,991
Capital projects resulting in operating expenses	193,120
Loss on Disposal of TCA	125,162
Less:	
Transfer to reserves, including capital	(8,685,234)
Debt principal payments	(609,698)
Total expenses	34,696,663
Annual surplus	\$ 1,176,016

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

13. Tangible capital assets:

(a) Work in progress:

Work in progress having a value of \$8,900,354 (2019 - \$7,471,124) 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 \$nil (2019 - \$561,465). In 2019, 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 \$nil (2019 - \$nil) 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, 2020

13. Tangible capital assets (continued):

2020 General	Opening NBV	Opening Cost	Additions	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Total
Land	\$6,845,841	\$6,845,841	\$ -	\$ -	\$6,845,841	\$ -	\$ -	\$ -	\$ -	\$6,845,841
Land improvements	4,736,429	7,100,653	447,629	55,431	7,492,851	2,364,224	258,569	34,674	2,588,119	4,904,732
Buildings and fixtures	17,749,533	28,930,914	148,910	-	29,079,824	11,181,381	761,173	-	11,942,554	17,137,270
Machinery and equipment	5,102,337	8,322,604	233,852	58,051	8,498,405	3,220,267	482,154	49,861	3,652,560	4,845,845
Vehicles	4,189,834	8,977,494	1,987,031	608,009	10,356,516	4,787,660	579,094	535,573	4,831,181	5,525,335
Information technology	492,369	1,779,425	112,318	63,567	1,828,176	1,287,056	167,690	60,416	1,394,330	433,846
Exterior lighting	1,895,151	3,458,706	197,481	60,146	3,596,041	1,563,555	165,575	53,949	1,675,181	1,920,860
Subtotal: General assets	41,011,494	65,415,637	3,127,221	845,204	67,697,654	24,404,143	2,414,255	734,473	26,083,925	41,613,729
Infrastructure										
Linear assets	137,875,775	195,822,765	5,881,287	323,021	201,381,031	57,946,990	3,340,897	246,022	61,041,865	140,339,156
Streetlighting	1,526,796	2,520,548	1,055,943	-	3,576,491	993,752	86,121	-	1,079,873	2,496,618
Other	2,561,849	3,999,163	221,769	-	4,220,932	1,437,314	84,945	-	1,522,259	2,698,673
Subtotal: Infrastructure assets	141,964,420	202,342,476	7,158,999	323,021	209,178,454	60,378,056	3,511,963	246,022	63,643,997	145,534,457
Work in progress										
Opening balance	7,471,124	7,471,124	11,715,449	-	19,186,573	-	-	-	-	19,186,573
Internally transferred			(10,286,219)	-	(10,286,219)	-	-	-	-	(10,286,219)
Subtotal: Work in progress	7,471,124	7,471,124	1,429,230	-	8,900,354					8,900,354
Grand total as at December 31, 2020	\$190,447,038	\$275,229,237	\$11,715,450	\$1,168,225	285,776,462	\$84,782,199	\$5,926,218	\$980,495	\$89,727,922	\$196,048,540

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

13. Tangible capital assets (continued):

2019 General	Opening NBV	Opening Cost	Additions	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Total
Land	\$6,284,376	\$6,284,376	\$561,465	\$ -	\$6,845,841	\$ -	\$ -	\$ -	\$ -	\$6,845,841
Land improvements	4,502,200	6,620,577	486,577	6,501	7,100,653	2,118,377	252,348	6,501	2,364,244	4,736,429
Buildings and fixtures	18,387,072	28,812,142	118,772	-	28,930,914	10,425,070	756,311	-	11,181,381	17,749,533
Machinery and equipment	5,019,440	7,796,346	558,874	32,616	8,322,604	2,776,906	470,227	26,866	3,220,267	5,102,337
Vehicles	3,973,660	8,558,589	889,546	470,641	8,977,494	4,584,929	559,431	356,700	4,787,660	4,189,834
Information technology	562,384	1,753,731	126,087	100,393	1,779,425	1,191,347	196,102	100,393	1,287,056	492,369
Exterior lighting	1,901,738	3,330,540	168,166	40,000	3,458,706	1,428,802	174,753	40,000	1,563,555	1,895,151
Subtotal: General assets	40,630,870	63,156,301	2,909,487	650,151	65,415,637	22,525,431	2,409,172	530,460	24,404,143	41,011,494
Infrastructure										
Linear assets	137,282,951	192,206,149	4,032,287	415,671	195,822,765	54,923,198	3,240,622	216,830	57,946,990	137,875,775
Streetlighting	1,572,045	2,494,873	27,711	2,036	2,520,548	922,828	70,924	-	993,752	1,526,796
Other	2,646,681	4,087,214	-	88,051	3,999,163	1,440,533	84,090	87,309	1,437,314	2,561,849
Subtotal: Infrastructure assets	141,501,677	198,788,236	4,059,998	505,758	202,342,476	57,286,559	3,395,636	304,139	60,378,056	141,964,420
Work in progress										
Opening balance	5,147,011	5,147,011	9,292,853	(744)	14,440,608	-	-	-	-	14,440,608
Internally transferred	-	-	(6,969,484)	-	(6,969,484)	-	-	-	-	(6,969,484)
Subtotal: Work in progress	5,147,011	5,147,011	2,323,369	(744)	7,471,124	-	-	-	-	7,471,124
Grand total as at December 31, 2019	\$187,279,558	\$267,091,548	\$9,292,854	\$1,155,165	\$275,229,237	\$79,811,990	\$5,804,808	\$834,599	\$84,782,199	\$190,447,038

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

Notes to Consolidated Financial Statements

Year ended December 31, 2020

14. Government transfers:

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

	Budget	2020	2019
Operating transfers:			
Federal	\$ 8,000	\$ 56,009	\$ 95,293
Provincial	579,921	1,743,696	653,669
Upper-Tier/Other Municipalities	45,000	227,060	239,105
	632,921	2,026,765	988,067
Capital transfers:			
Federal	531,220	368,063	951,688
Provincial	815,415	645,051	918,564
	1,346,635	1,013,114	1,870,252
Total transfers	\$ 1,979,556	\$ 3,039,879	\$ 2,858,319

Government transfers paid are included in the Consolidated Statement of Operations and are summarized in Note 11 - Segmented Information under External Transfers.

15. Trust funds:

Trust funds administered by the Town amounting to \$1,164,356 (2019 - \$1,116,044) have not been 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, 2020

16. Impact of COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows and working capital levels due to changes in patient volumes, which may also have a direct impact on the Town's operating results and financial position in the future.

At the date of the audit report, The Town of Niagara-on-the Lake experienced the following operating and financial implications in relation to the COVID-19 pandemic:

- Closure of parks and recreation facilities and administrative buildings throughout the year based on public health recommendations
- Temporary termination of employees in non-essential services
- Suspension of penalties and interest on overdue amounts
- Mandatory working from home requirements for those able to do so

In response to the COVID-19 pressures, the Town obtained a \$10 million line of credit which bears interest at prime minus 0.75% per annum. No amounts were drawn on this line at December 31, 2020. For the year ended December 31, 2020, the Town recognized \$919,154 of one-time funding as a result of the COVID-19 pandemic. The Town has also deferred \$137,856 received in relation to COVID-19 funding for use on Community development expenses relating to COVID-19 and transit expenditures in future periods. As of the approval date of these financial statements, the outcome and timeframe to a full recovery from the current pandemic is undeterminable and it is not practicable to estimate and disclose the financial effect on future operations.

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

Schedule of Library Fund Activities (Unaudited)

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Revenues:			
Development charges	\$ -	\$ 14,524	\$ 27,406
Municipal grant	750,796	750,796	717,459
Donations	2,000	5,714	3,960
Provincial grants	41,276	35,476	59,488
Miscellaneous	31,200	35,905	37,585
Other grants	8,000	17,648	12,274
	<u>833,272</u>	<u>860,063</u>	<u>858,172</u>
Expenditures:			
Amortization	123,887	123,887	125,100
Building maintenance	4,500	1,208	
Insurance	7,077	6,923	6,740
Licensing and computer support	23,500	14,859	22,108
Memberships	1,500	1,401	2,002
General library expenses	19,000	14,518	22,958
Office supplies	40,500	56,657	55,732
Professional development	5,500	4,004	3,717
Professional fees	3,000	839	1,520
Program expenditures	11,000	5,162	18,894
Public relations	1,500	959	1,469
Rent	60,000	60,000	60,000
Telephone	1,800	3,218	3,177
Wage and benefits	647,295	572,582	644,502
Workshops	3,000	1,406	1,534
	<u>953,059</u>	<u>867,623</u>	<u>969,453</u>
Annual deficit	(119,787)	(7,560)	(111,281)
Add: Amortization of tangible capital assets	-	123,887	125,100
Less: Acquisition of tangible capital assets	-	(38,478)	(53,084)
Transfers to reserve fund	18,500	116,204	5,041
Adjusted annual surplus (deficit)	\$ (101,287)	\$ 194,053	\$ (34,224)



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the trust funds of The Corporation of the Town of Niagara-on-the-Lake (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020,
- the statement of operations and accumulated surplus for the year then ended,
- the statement of cash flows for the year then ended,
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

July 26, 2020

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

Statement of Financial Position – Trust Funds

As at December 31, 2020, with comparative information for 2019

	Cemetery Care & Maintenance	Cemetery Preneeds Internments	2020 Total	2019 Total
Financial Assets				
Cash	\$ 1,047,308	\$ 130,333	\$1,177,641	\$ 1,140,336
Liabilities				
Due to Town of Niagara-on-the-Lake (note 2)	11,583	1,702	13,285	24,292
Net financial assets and accumulated surplus	\$ 1,035,725	\$ 128,631	\$1,164,356	\$ 1,116,044

See accompanying notes to financial statements.

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

Statement of Operations and Accumulated Surplus – Trust Funds

Year ended December 31, 2020, with comparative information for 2019

	Cemetery Care & Maintenance	Cemetery Preneeds Internments	2020 Total	2019 Total
Revenues:				
Care & maintenance agreements	\$ 52,393	\$ -	\$ 52,393	\$ 35,582
Interest earned	10,835	1,502	12,337	25,398
	63,228	1,502	64,730	60,980
Expenditures:				
Interest transferred	10,835	-	10,835	22,041
Cemetery preneeds	-	5,583	5,583	21,625
	10,835	5,583	16,418	43,666
Annual surplus (deficit)	52,393	(4,081)	48,312	17,314
Accumulated surplus, beginning of year	983,332	132,712	1,116,044	1,098,730
Accumulated surplus, end of year	\$ 1,035,725	\$ 128,631	\$ 1,164,356	\$ 1,116,044

See accompanying notes to financial statements.

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

Statement of Cash Flows – Trust Funds

Year ended December 31, 2020 with comparative information for 2019

	2020	2019
Operations:		
Annual surplus	\$ 48,312	\$ 17,314
Sources (Uses):		
Change in due to Town of Niagara-on-the-Lake	(11,007)	7,315
Increase in cash	37,305	24,629
Cash, beginning of year	1,140,336	1,115,707
Cash, end of year	\$ 1,177,641	\$ 1,140,336

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, 2020

1. Significant accounting policies:

The financial statements of The Corporation of the Town of Niagara-on-the-Lake trust funds are prepared by management 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.

2. Due to Town of Niagara-on-the-Lake:

The amounts owing to The Corporation of the Town of Niagara-on-the-Lake are non-interest bearing with no fixed terms of repayment.