

Consolidated Financial Statements of

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

Year ended December 31, 2018



KPMG LLP  
80 King Street, Suite 620  
St. Catharines ON L2R 7G1  
Canada  
Tel 905-685-4811  
Fax 905-682-2008

## INDEPENDENT AUDITORS' REPORT

To The Members of Council, Inhabitants and Ratepayers 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, 2018;
- 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 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 Corporation of the Town of Niagara-on-the-Lake as at December 31, 2018 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.



## ***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.

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*

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Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

May 13, 2019


|  | 2018          | 2017           |
|--|---------------|----------------|
| <b>Financial assets</b>                  |               |                |
| Cash                                     | \$ 18,262,180 | \$ 20,043,087  |
| Investments                              | 43,026        | 42,640         |
| Taxes receivable                         |               |                |
| Current year                             | 1,241,090     | 965,611        |
| Previous years                           | 763,090       | 693,429        |
| Accounts receivable                      | 4,829,389     | 4,787,721      |
| Debt recoverable from others (note 6)    | 35,451        | 40,737         |
| Note receivable (note 3)                 | 7,624,743     | 8,478,901      |
| Long-term investment (note 2)            | 19,502,263    | 18,755,744     |
|  | 52,301,232    | 53,807,870     |
| <b>Financial liabilities</b>             |               |                |
| Accounts payable and accrued liabilities | 10,621,816    | 9,140,859      |
| Deferred revenue (note 4)                | 12,719,206    | 12,594,905     |
| Post-employment benefits (note 5)        | 1,175,414     | 1,116,462      |
| Net long term liabilities (note 6)       | 2,431,132     | 3,047,855      |
|  | 26,947,568    | 25,900,081     |
| <b>Net financial assets</b>              | 25,353,664    | 27,907,789     |
| <b>Non-financial assets</b>              |               |                |
| Tangible capital assets (note 13)        | 187,279,558   | 178,633,477    |
| Inventories and prepaid expenses         | 637,076       | 519,503        |
|  | 187,916,634   | 179,152,980    |
| Commitments (note 8)                     |               |                |
| Contingent liabilities (note 9)          |               |                |
| <b>Accumulated surplus (note 7)</b>      | \$213,270,298 | \$ 207,060,769 |

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, 2018, with comparative information for 2017

|  | Budget<br>(note 12)  | 2018                  | 2017                  |
|--|----------------------|-----------------------|-----------------------|
| <b>Revenues</b>  |                      |                       |                       |
| Taxation   | \$ 12,183,062        | \$ 12,410,221         | \$ 11,786,633         |
| User fees and charges  | 12,905,679           | 15,129,117            | 14,114,544            |
| Government of Canada grants (note 14)                            | 449,913              | 1,695,817             | 1,345,431             |
| Province of Ontario grants (note 14)                             | 1,203,209            | 1,547,102             | 1,478,502             |
| Other municipality funding (note 14)                             | 99,000               | 196,255               | 153,909               |
| Deferred revenues earned   | 1,716,489            | 2,324,739             | 1,795,008             |
| Interest and penalties   | 443,000              | 342,024               | 323,552               |
| Investment income  | 382,616              | 638,260               | 556,820               |
| Donations  | 33,000               | 372,120               | 419,093               |
| Contributed assets   | 114,269              | 114,269               | 167,778               |
| Gain on disposition of tangible capital assets                   | 576,618              | 576,618               | -                     |
| Other  | 1,822,928            | 1,568,364             | 1,449,827             |
| Niagara-on-the-Lake Energy Inc.<br>net income (note 2)           | -                    | 1,246,519             | 1,663,472             |
| <b>Total revenues</b>  | <b>31,929,783</b>    | <b>38,161,425</b>     | <b>35,254,569</b>     |
| <b>Expenses</b>  |                      |                       |                       |
| General government   | 3,007,244            | 2,409,147             | 2,375,773             |
| Protection services  | 3,526,011            | 3,345,149             | 3,021,714             |
| Transportation services  | 7,240,961            | 7,349,169             | 6,765,464             |
| Environmental services   | 10,429,917           | 10,696,416            | 9,856,149             |
| Health services  | 436,479              | 644,511               | 564,610               |
| Recreation   | 3,409,661            | 5,403,102             | 5,542,527             |
| Planning and development   | 1,858,961            | 2,104,402             | 1,768,481             |
| <b>Total expenses</b>  | <b>29,909,234</b>    | <b>31,951,896</b>     | <b>29,894,718</b>     |
| Annual surplus   | 2,020,549            | 6,209,529             | 5,359,851             |
| Other comprehensive income of<br>Niagara-on-the-Lake Energy Inc. | -                    | -                     | (107,457)             |
| Accumulated surplus, beginning of year                           | 207,060,769          | 207,060,769           | 201,808,375           |
| <b>Accumulated surplus, end of year</b>                          | <b>\$209,081,318</b> | <b>\$ 213,270,298</b> | <b>\$ 207,060,769</b> |

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, 2018, with comparative information for 2017

|  | 2018          | 2017          |
|--|---------------|---------------|
| Annual surplus   | \$ 6,209,529  | \$ 5,359,851  |
| Acquisition of tangible capital assets                           | (14,258,143)  | (9,716,547)   |
| Contributed tangible capital assets                              | (114,269)     | (167,778)     |
| Amortization of tangible capital assets                          | 5,621,136     | 5,326,093     |
| Proceeds on disposal of tangible capital assets                  | 681,813       | 65,383        |
| (Gain) loss on disposal of tangible capital assets               | (576,618)     | 284,096       |
| Other comprehensive income of<br>Niagara-on-the-Lake Energy Inc. | -             | (107,457)     |
| Change in inventories and prepaid expenses                       | (117,573)     | (123,530)     |
|  | (2,554,125)   | 920,111       |
| Net financial assets, beginning of year                          | 27,907,789    | 26,987,678    |
| Net financial assets, end of year                                | \$ 25,353,664 | \$ 27,907,789 |

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, 2018 with comparative information for 2017

|  | 2018                 | 2017                |
|--|----------------------|---------------------|
| <b>Operations</b>                                  |                      |                     |
| Annual surplus                                     | \$ 6,209,529         | \$ 5,359,851        |
| Items not involving cash:                          |                      |                     |
| Amortization of tangible capital assets            | 5,621,136            | 5,326,093           |
| Contributed assets                                 | (114,269)            | (167,778)           |
| Niagara-on-the-Lake Energy net income              | (1,246,519)          | (1,663,472)         |
| (Gain) loss on disposal of tangible capital assets | (576,618)            | 284,096             |
|  | 9,893,259            | 9,138,790           |
| Change in non-cash assets and liabilities:         |                      |                     |
| Taxes receivable                                   | (345,140)            | (13,203)            |
| Accounts receivable                                | (41,668)             | (1,648,994)         |
| Inventories and prepaid expenses                   | (117,573)            | (123,530)           |
| Accounts payable and accrued liabilities           | 1,480,957            | 1,030,677           |
| Deferred revenue                                   | 124,301              | 619,848             |
| Post-employment benefits                           | 58,952               | (4,684)             |
| Cash from operations                               | 11,053,088           | 8,998,904           |
| <b>Capital</b>                                     |                      |                     |
| Proceeds on disposal of tangible capital assets    | 681,813              | 65,383              |
| Acquisition of tangible capital assets             | (14,258,143)         | (9,716,547)         |
| Cash from capital activities                       | (13,576,330)         | (9,651,164)         |
| <b>Investing</b>                                   |                      |                     |
| Dividend received                                  | 500,000              | 500,000             |
| Increase in short term investments                 | (386)                | (42,640)            |
| Decrease in note receivable                        | 854,158              | 827,822             |
| Cash from investing                                | 1,353,772            | 1,285,182           |
| <b>Financing</b>                                   |                      |                     |
| Debt principal repayments                          | (611,437)            | (590,392)           |
| Cash from financing                                | (611,437)            | (590,392)           |
| <b>(Decrease) Increase in cash</b>                 | <b>(1,780,907)</b>   | <b>42,530</b>       |
| <b>Cash, beginning of year</b>                     | <b>20,043,087</b>    | <b>20,000,557</b>   |
| <b>Cash, end of year</b>                           | <b>\$ 18,262,180</b> | <b>\$20,043,087</b> |

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, 2018

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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, 2018

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### 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 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 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, 2018

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### 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             |

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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, 2018

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### 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) 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, 2018

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### 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. Note 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. 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, 2018

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

Summary financial information is as follows:

#### Financial Position:

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>Assets:</b>   |                      |                      |
| Current  | \$ 5,594,644         | \$ 6,494,120         |
| Capital  | 31,558,760           | 29,775,011           |
| Other non-current  | 6,159,333            | 5,855,004            |
| Regulatory balances                                      | 823,319              | 1,068,620            |
| <b>Total assets and regulatory balances</b>              | <b>\$ 44,136,056</b> | <b>\$ 43,192,755</b> |
| <b>Liabilities:</b>                                      |                      |                      |
| Current  | \$ 6,208,393         | \$ 5,841,389         |
| Notes payable to Town of Niagara-on-the-Lake             | 7,624,743            | 8,478,901            |
| Long-term debt   | 3,762,704            | 3,319,704            |
| Other  | 5,849,837            | 4,646,639            |
| Regulatory balances                                      | 1,188,525            | 2,150,787            |
| <b>Equity</b>  | <b>19,501,854</b>    | <b>18,755,335</b>    |
| <b>Total liabilities, regulatory balances and equity</b> | <b>\$ 44,136,056</b> | <b>\$ 43,192,755</b> |

#### Operations:

|  | 2018              | 2017                |
|--|-------------------|---------------------|
| Revenue  | \$ 29,713,437     | \$ 30,032,414       |
| Expenses (including income tax provision)                      | 29,183,879        | 27,832,849          |
| Net movement in regulatory balances (net of tax)               | 716,961           | (536,093)           |
| Net income and net movement in regulatory balances             | 1,246,519         | 1,663,472           |
| Other comprehensive income                                     | -                 | (107,457)           |
| Dividend paid to Town of Niagara-on-the-Lake                   | (500,000)         | (500,000)           |
| <b>Change in investment in Niagara-on-the-Lake Energy Inc.</b> | <b>\$ 746,519</b> | <b>\$ 1,056,015</b> |

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

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| Investment in shares of the Corporation                    | \$ 7,054,844         | \$ 7,054,844         |
| Accumulated net income, net of dividends received          | 12,447,419           | 11,700,900           |
| <b>Total investment in Niagara-on-the-Lake Energy Inc.</b> | <b>\$ 19,502,263</b> | <b>\$ 18,755,744</b> |

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, 2018

### 3. Note receivable:

The notes receivable are comprised of the following:

|        | 2018                | 2017                |
|--------|---------------------|---------------------|
| Note 1 | \$ 2,099,635        | \$ 2,433,659        |
| Note 2 | 1,954,706           | 2,239,035           |
| Note 3 | 1,430,402           | 1,616,207           |
| Note 4 | 2,140,000           | 2,190,000           |
|        | <b>\$ 7,624,743</b> | <b>\$ 8,478,901</b> |

Note 1 bears interest at 7.25%, is unsecured and is repayable in the aggregate principal and interest of \$500,000. Note 2 bears interest at 3%, is due on demand and is repayable in blended monthly payments of \$29,409. Note 3 bears interest at 3%, is due on demand and is repayable in blended monthly payments of \$19,640. Note 4 bears interest at 3% and is due on demand. The Town has waived its right to demand payment on notes 2 to 4 until January 1, 2020. 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 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:

|                                       | 2017                | Externally<br>restricted<br>inflows | Revenue<br>earned   | 2018                 |
|---------------------------------------|---------------------|-------------------------------------|---------------------|----------------------|
| Building permit surplus               | \$ 1,562,769        | \$ 173,906                          | \$ 256,200          | \$ 1,480,475         |
| Canada gas tax                        | 41,355              | 490,506                             | 354,548             | 177,313              |
| Cash-in-lieu of parking               | 386,064             | -                                   | 29,446              | 356,618              |
| Development charges                   | 9,722,904           | 1,819,796                           | 1,716,489           | 9,826,211            |
| Ontario Community Infrastructure Fund | -                   | 518,451                             | 399,056             | 119,395              |
| Recreational land                     | 573,921             | 75,932                              | 322,604             | 327,249              |
| Main Street revitalization            | -                   | 53,137                              | -                   | 53,137               |
| Other deferred                        | 307,892             | 258,646                             | 187,730             | 378,808              |
|                                       | <b>\$12,594,905</b> | <b>\$ 3,390,374</b>                 | <b>\$ 3,266,073</b> | <b>\$ 12,719,206</b> |

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

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 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.

|                                  | 2018                | 2017                |
|----------------------------------|---------------------|---------------------|
| Retiree benefits                 | \$ 575,424          | \$ 582,087          |
| Accrued vacation pay             | 328,339             | 270,712             |
| Accumulated sick leave           | 40,285              | 37,992              |
| Future payments required to WSIB | 231,366             | 225,671             |
|                                  | <u>\$ 1,175,414</u> | <u>\$ 1,116,462</u> |

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

|                                   | 2018                | 2017                |
|-----------------------------------|---------------------|---------------------|
| Accrued benefit obligation:       |                     |                     |
| Balance, beginning of year        | \$ 1,063,502        | \$ 1,075,764        |
| Current benefit cost              | 92,397              | (4,799)             |
| Interest                          | 27,805              | 24,531              |
| Actuarial loss                    | 153,138             | -                   |
| Benefits paid                     | (79,332)            | (31,994)            |
| Balance, end of year              | <u>1,257,510</u>    | <u>1,063,502</u>    |
| Unamortized actuarial (loss) gain | (82,096)            | 53,140              |
| Liability for benefits            | <u>\$ 1,175,414</u> | <u>\$ 1,116,642</u> |

Amortization of the actuarial (loss) gain of \$18,082 (2017 - \$7,758) 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, 2018 were determined by an actuarial valuation. The last actuarial valuation was performed in 2018 as at December 31, 2017 year-end.



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

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

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### 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, 2018 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 employed for the valuations are as follows:

*Interest (discount rate):*

The accrued benefit obligation was determined using a discount rate of 4.0% (2017 – 4.5%).

*Inflation:*

Inflation was assumed to be 1.75% (2017 – 2%).

*Medical, dental and travel costs:*

Medical, dental and travel costs are assumed to increase at a rate of 6.75% 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 (2017 – 3.0%).

#### (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 2018 was \$706,011 (2017 - \$639,057) for current service and is included as an expenditure in the consolidated statement of operations. Employees' contribution to OMERS in 2018 was \$706,011 (2017 - \$639,057).

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, 2018

### 5. Employee benefits and other liabilities (continued):

#### (v) Pension Agreements (continued)

The OMERS pension plan has a deficit at December 31, 2018 of \$4.2 billion (2017 - \$5.4 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:

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| The Town has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities.          | \$ 2,431,132        | \$ 3,047,855        |
| Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage, have been assumed by individuals. | (35,451)            | (40,737)            |
| <b>Net long-term liabilities, end of year</b>   | <b>\$ 2,395,681</b> | <b>\$ 3,007,118</b> |

(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.

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

|            |                     |
|------------|---------------------|
| 2019       | \$ 436,157          |
| 2020       | 451,604             |
| 2021       | 232,949             |
| 2022       | 241,278             |
| 2023       | 188,116             |
| Thereafter | 845,577             |
|            | <b>\$ 2,395,681</b> |

(d) Interest charges on long-term debt in the amount of \$122,542 (2017 - \$131,490) 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, 2018

### 7. Accumulated surplus:

|   | 2018           | 2017           |
|---|----------------|----------------|
| Invested in tangible capital assets         | \$ 182,279,558 | \$ 178,633,477 |
| Operating fund                              | 1,713,132      | 1,387,589      |
| Reserves and reserve funds                  | 13,346,440     | 12,407,539     |
| Niagara-on-the-Lake Energy Inc., net equity | 19,502,263     | 18,755,744     |
|   | 216,841,393    | 211,184,349    |
| Amounts to be recovered                     |                |                |
| Post-employment benefits                    | (1,175,414)    | (1,116,462)    |
| Net long-term liabilities                   | (2,395,681)    | (3,007,118)    |
|   | (3,571,095)    | (4,123,580)    |
|   | \$ 213,270,298 | \$ 207,060,769 |

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

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 7. Accumulated surplus (continued):

Reserve and reserve balances:

|   | 2018                 | 2017                 |
|---|----------------------|----------------------|
| Reserves set aside by Council for specific purposes:      |                      |                      |
| Base mapping  | \$ 700               | \$ 7,000             |
| Bridges and culverts                                      | 75,146               | 110,837              |
| Building vehicle and equipment                            | 33,643               | 24,198               |
| By-law vehicle and equipment                              | 26,096               | 46,000               |
| Capital levy  | 2,571,414            | 2,729,881            |
| Capital variance  | 53,117               | 64,310               |
| Community centre  | 7,654                | 60,773               |
| Contingencies   | 325,786              | 325,786              |
| Corporate studies   | 277,109              | 328,620              |
| Dock area improvement                                     | 258,220              | 391,934              |
| Donations   | 54,194               | 27,131               |
| Election expenses   | (3,941)              | 49,234               |
| Fleet replacement   | 359,115              | 267,079              |
| Grant and other   | (13,411)             | 4,468                |
| Irrigation  | 416,680              | 284,385              |
| Ontario disabilities                                      | 116,875              | 96,875               |
| OMB appeals   | 155,731              | 200,000              |
| Parking revenue   | 1,169,927            | 1,068,996            |
| Sidewalk improvements                                     | (8,118)              | -                    |
| Storm water management                                    | -                    | 712                  |
| Street lighting   | 33,619               | 18,494               |
| Tax rate stabilization                                    | -                    | 150,000              |
| Training and development                                  | 11,857               | 11,857               |
| Underfunded capital                                       | -                    | (469,171)            |
| Wastewater capital improvements                           | 2,355,059            | 1,847,813            |
| Wastewater rate stabilization                             | 228,428              | 228,428              |
| Water capital improvements                                | 4,421,851            | 4,038,606            |
| Water rate stabilization                                  | 194,486              | 194,486              |
| Winter maintenance  | 85,192               | 85,192               |
| Working funds   | 50,000               | 100,000              |
| <b>Total reserves</b>                                     | <b>\$ 13,256,429</b> | <b>\$ 12,293,924</b> |
| Reserve funds set aside by Council for specific purposes: |                      |                      |
| Bequest/Garden  | \$ 4,027             | \$ 3,770             |
| Library development and computer                          | 21,657               | 47,890               |
| Library donations   | 7,716                | 5,345                |
| Recreation enhancement                                    | 56,611               | 56,610               |
|   | 90,011               | 113,615              |
| <b>Total reserves and reserve funds</b>                   | <b>\$ 13,346,440</b> | <b>\$ 12,407,539</b> |

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

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

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### 8. Commitments:

#### (a) Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2018 is approximately \$5,515,778 (2017 - \$5,577,463) after deducting the expenditures incurred as at December 31, 2018. 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 \$1,893,993 is owing on this commitment at December 31, 2018 (2017 - \$2,181,944)

### 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:

|                                     | 2018      | 2017      |
|-------------------------------------|-----------|-----------|
| Niagara District Airport Commission | \$ 51,778 | \$ 42,756 |

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, 2018

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### 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, 2018

## 11. Segmented reporting (continued):

| <b>2018</b>                             |                     |           |                   |                       |                    |               |                   |                     |                  |           |                  |           |                  |           |                   |
|---|---------------------|-----------|-------------------|-----------------------|--------------------|---------------|-------------------|---------------------|------------------|-----------|------------------|-----------|------------------|-----------|-------------------|
|   | <b>General</b>      |           | <b>Protection</b> | <b>Transportation</b> | <b>Environment</b> | <b>Health</b> | <b>Recreation</b> | <b>Planning and</b> | <b>Total</b>     |           |                  |           |                  |           |                   |
|   | <b>Government</b>   |           |                   |                       |                    |               |                   | <b>Development</b>  |                  |           |                  |           |                  |           |                   |
| <b>Revenues:</b>                        |                     |           |                   |                       |                    |               |                   |                     |                  |           |                  |           |                  |           |                   |
| Taxation                                | \$ 3,814,617        | \$        | 1,503,281         | \$                    | 3,459,225          | \$            | -                 | \$                  | 79,135           | \$        | 3,109,204        | \$        | 444,759          | \$        | 12,410,221        |
| User fees and charges                   | 214,445             |           | 778,424           |                       | 2,209,378          |               | 10,421,007        |                     | 221,652          |           | 366,574          |           | 917,637          |           | 15,129,117        |
| Government grants                       | 484,100             |           | 90,398            |                       | 950,122            |               | 1,387,533         |                     | -                |           | 506,697          |           | 20,324           |           | 3,439,174         |
| Other                                   | 2,287,905           |           | 512,092           |                       | 540,464            |               | 731,188           |                     | --               |           | 1,750,476        |           | -                |           | 5,822,125         |
| Contributed assets                      | 114,269             |           | -                 |                       | -                  |               | -                 |                     | -                |           | -                |           | -                |           | 114,269           |
| Government business enterprise          | 1,246,519           |           | -                 |                       | -                  |               | -                 |                     | -                |           | -                |           | -                |           | 1,246,519         |
| <b>Total revenues</b>                   | <b>8,161,855</b>    |           | <b>2,884,195</b>  |                       | <b>7,159,189</b>   |               | <b>12,539,728</b> |                     | <b>300,787</b>   |           | <b>5,732,951</b> |           | <b>1,382,720</b> |           | <b>38,161,425</b> |
| <b>Expenses:</b>                        |                     |           |                   |                       |                    |               |                   |                     |                  |           |                  |           |                  |           |                   |
| Salaries and wages                      | 2,783,903           |           | 1,875,656         |                       | 2,194,374          |               | 907,062           |                     | 175,894          |           | 2,417,476        |           | 1,131,211        |           | 11,485,576        |
| Operating materials and supplies        | 644,417             |           | 469,382           |                       | 1,078,258          |               | 530,006           |                     | 129,417          |           | 1,442,252        |           | 161,474          |           | 4,455,206         |
| Contracted services                     | 637,996             |           | 117,128           |                       | 1,872,325          |               | 5,989,051         |                     | 1,840            |           | 115,662          |           | 576,102          |           | 9,310,104         |
| Rents and financial expenses            | 136,081             |           | -                 |                       | -                  |               | 27,930            |                     | -                |           | 8,962            |           | -                |           | 172,973           |
| Interfunctional transfers               | (2,595,489)         |           | 385,614           |                       | 460,551            |               | 1,051,991         |                     | 30,377           |           | 487,882          |           | 179,074          |           | -                 |
| External transfers                      | 448,835             |           | -                 |                       | -                  |               | -                 |                     | 287,951          |           | -                |           | 47,573           |           | 784,359           |
| Amortization                            | 324,533             |           | 488,157           |                       | 1,721,030          |               | 2,145,190         |                     | 19,032           |           | 916,670          |           | 6,524            |           | 5,621,136         |
| Loss on sale of tangible capital assets | -                   |           | -                 |                       | -                  |               | -                 |                     | -                |           | -                |           | -                |           | -                 |
| Debt service                            | 28,871              |           | 9,212             |                       | 22,631             |               | 45,186            |                     | -                |           | 14,198           |           | 2,444            |           | 122,542           |
| <b>Total expenses</b>                   | <b>2,409,147</b>    |           | <b>3,345,149</b>  |                       | <b>7,349,169</b>   |               | <b>10,696,416</b> |                     | <b>644,511</b>   |           | <b>5,403,102</b> |           | <b>2,104,402</b> |           | <b>31,951,896</b> |
| <b>Annual surplus (deficit)</b>         | <b>\$ 5,752,708</b> | <b>\$</b> | <b>(460,954)</b>  | <b>\$</b>             | <b>(189,980)</b>   | <b>\$</b>     | <b>1,843,312</b>  | <b>\$</b>           | <b>(343,724)</b> | <b>\$</b> | <b>329,849</b>   | <b>\$</b> | <b>(721,682)</b> | <b>\$</b> | <b>6,209,529</b>  |

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

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 11. Segmented reporting (continued):

| <b>2017</b>                             |                               |                     |                       |                    |                     |                       |                                     |                     |  |
|---|-------------------------------|---------------------|-----------------------|--------------------|---------------------|-----------------------|-------------------------------------|---------------------|--|
|   | <b>General<br/>Government</b> | <b>Protection</b>   | <b>Transportation</b> | <b>Environment</b> | <b>Health</b>       | <b>Recreation</b>     | <b>Planning and<br/>Development</b> | <b>Total</b>        |  |
| <b>Revenues:</b>                        |                               |                     |                       |                    |                     |                       |                                     |                     |  |
| 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           |  |
| <b>Total revenues</b>                   | <b>11,186,907</b>             | <b>2,130,883</b>    | <b>6,195,112</b>      | <b>10,190,700</b>  | <b>293,091</b>      | <b>3,799,292</b>      | <b>1,458,584</b>                    | <b>35,254,569</b>   |  |
| <b>Expenses:</b>                        |                               |                     |                       |                    |                     |                       |                                     |                     |  |
| 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             |  |
| <b>Total expenses</b>                   | <b>2,375,773</b>              | <b>3,021,714</b>    | <b>6,765,464</b>      | <b>9,856,149</b>   | <b>564,610</b>      | <b>5,542,527</b>      | <b>1,768,481</b>                    | <b>29,894,718</b>   |  |
| <b>Annual surplus (deficit)</b>         | <b>\$ 8,811,134</b>           | <b>\$ (890,831)</b> | <b>\$ (570,352)</b>   | <b>\$ 334,551</b>  | <b>\$ (271,519)</b> | <b>\$ (1,743,235)</b> | <b>\$ (309,897)</b>                 | <b>\$ 5,359,851</b> |  |



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

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 12. Budget data:

The audited budget data presented in these consolidated financial statements are based upon the 2018 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 2018 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       |
|--|---------------------|
| <b>Revenue:</b>                                  |                     |
| Operating budget as approved                     | \$ 33,045,776       |
| Add:   |                     |
| Development charges                              | 1,716,489           |
| Contributed capital assets                       | 114,269             |
| Gain on sale of TCA                              | 576,618             |
| Building Code Act                                | 256,200             |
| Recreational Land (the Planning Act)             | 322,604             |
| Less:  |                     |
| Transfers from other funds                       | (3,267,284)         |
| Principal and dividends from NOTLEI              | (834,889)           |
| <b>Total revenue</b>                             | <b>31,929,783</b>   |
| <b>Expenses:</b>                                 |                     |
| Operating budget as approved                     | 33,045,776          |
| Add:   |                     |
| Amortization                                     | 5,621,136           |
| Employee future benefits                         | 58,952              |
| Capital projects resulting in operating expenses | 282,125             |
| Less:  |                     |
| Transfer to reserves, including capital          | (8,487,318)         |
| Debt principal payments                          | (611,437)           |
| <b>Total expenses</b>                            | <b>29,909,234</b>   |
| <b>Annual surplus</b>                            | <b>\$ 2,020,549</b> |

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

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

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### 13. Tangible capital assets:

(a) Work in progress:

Work in progress having a value of \$5,147,011 (2017 - \$5,379,722) 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 \$114,269 (2017 - \$167,778). In 2018, 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, 2018

### 13. Tangible capital assets (continued):

| 2018<br>General                            | Opening<br>NBV       | Opening<br>Cost      | Additions           | Disposals        | Closing<br>Balance   | Opening<br>Accumulated<br>Amortization | Amortization       | Deletions        | Closing<br>Accumulated<br>Amortization | Total                |
|--|----------------------|----------------------|---------------------|------------------|----------------------|--|--------------------|------------------|--|----------------------|
| Land                                       | \$5,864,649          | \$5,864,649          | \$421,094           | \$1,367          | \$6,284,376          | \$ -                                   | \$ -               | \$ -             | \$ -                                   | 6,284,376            |
| Land improvements                          | 2,764,537            | 4,663,618            | 1,956,959           | -                | 6,620,577            | 1,899,081                              | 219,296            | -                | 2,118,377                              | 4,502,200            |
| Buildings and fixtures                     | 15,598,328           | 25,395,533           | 3,499,311           | 82,702           | 28,812,142           | 9,797,205                              | 705,216            | 77,351           | 10,425,070                             | 18,387,072           |
| Machinery and equipment                    | 3,695,670            | 6,077,278            | 1,755,161           | 36,093           | 7,796,346            | 2,381,608                              | 421,776            | 26,478           | 2,776,906                              | 5,019,440            |
| Vehicles                                   | 4,282,016            | 8,530,743            | 304,600             | 276,754          | 8,558,589            | 4,248,727                              | 578,858            | 242,656          | 4,584,929                              | 3,973,660            |
| Information technology                     | 503,977              | 1,617,473            | 273,104             | 136,846          | 1,753,731            | 1,113,496                              | 213,831            | 135,980          | 1,191,347                              | 562,384              |
| Exterior lighting                          | 1,682,672            | 2,953,533            | 379,678             | 2,671            | 3,330,540            | 1,270,861                              | 160,434            | 2,493            | 1,428,802                              | 1,901,738            |
| <b>Subtotal: General assets</b>            | <b>34,391,849</b>    | <b>55,102,827</b>    | <b>8,589,907</b>    | <b>536,433</b>   | <b>63,156,301</b>    | <b>20,710,978</b>                      | <b>2,299,411</b>   | <b>484,958</b>   | <b>22,525,431</b>                      | <b>40,630,870</b>    |
| <b>Infrastructure</b>                      |                      |                      |                     |                  |                      |  |                    |                  |  |                      |
| Linear assets                              | 134,587,854          | 186,508,652          | 5,915,115           | 217,618          | 192,206,149          | 51,920,798                             | 3,166,296          | 163,896          | 54,923,198                             | 137,282,951          |
| Streetlighting                             | 1,605,109            | 2,456,355            | 38,518              | -                | 2,494,873            | 851,246                                | 71,582             | -                | 922,828                                | 1,572,045            |
| Other                                      | 2,668,943            | 4,025,629            | 61,585              | -                | 4,087,214            | 1,356,686                              | 83,847             | -                | 1,440,533                              | 2,646,681            |
| <b>Subtotal: Infrastructure assets</b>     | <b>138,861,906</b>   | <b>192,990,636</b>   | <b>6,015,218</b>    | <b>217,618</b>   | <b>198,788,236</b>   | <b>54,128,730</b>                      | <b>3,321,725</b>   | <b>163,896</b>   | <b>57,286,559</b>                      | <b>141,501,677</b>   |
| <b>Work in progress</b>                    |                      |                      |                     |                  |                      |  |                    |                  |  |                      |
| Opening balance                            | 5,379,722            | 5,379,722            | 14,371,661          | -                | 19,751,383           | -                                      | -                  | -                | -                                      | -                    |
| Internally transferred                     | -                    | -                    | (14,604,372)        | -                | (14,604,372)         | -                                      | -                  | -                | -                                      | -                    |
| <b>Subtotal: Work in progress</b>          | <b>5,379,722</b>     | <b>5,379,722</b>     | <b>(232,711)</b>    | <b>-</b>         | <b>5,147,011</b>     | <b>-</b>                               | <b>-</b>           | <b>-</b>         | <b>-</b>                               | <b>5,147,011</b>     |
| <b>Grand total as at December 31, 2018</b> | <b>\$178,633,477</b> | <b>\$253,473,185</b> | <b>\$14,372,414</b> | <b>\$754,051</b> | <b>\$267,091,548</b> | <b>\$74,839,708</b>                    | <b>\$5,621,136</b> | <b>\$648,854</b> | <b>\$79,811,990</b>                    | <b>\$187,279,558</b> |

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

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 13. Tangible capital assets (continued):

| 2017<br>General                            | Opening<br>NBV       | Opening<br>Cost       | Additions          | Disposals          | Closing<br>Balance   | Opening<br>Accumulated<br>Amortization | Amortization        | Deletions          | Closing<br>Accumulated<br>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            |
| <b>Subtotal: General assets</b>            | <b>32,931,578</b>    | <b>52,582,938</b>     | <b>3,778,635</b>   | <b>1,258,746</b>   | <b>55,102,827</b>    | <b>19,651,360</b>                      | <b>2,080,360</b>    | <b>1,020,742</b>   | <b>20,710,978</b>                      | <b>34,391,849</b>    |
| <b>Infrastructure</b>                      |                      |                       |                    |                    |                      |  |                     |                    |  |                      |
| 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            |
| <b>Subtotal: Infrastructure assets</b>     | <b>139,181,190</b>   | <b>190,289,810</b>    | <b>3,037,924</b>   | <b>337,098</b>     | <b>192,990,636</b>   | <b>51,108,620</b>                      | <b>3,245,733</b>    | <b>225,623</b>     | <b>54,128,730</b>                      | <b>138,861,906</b>   |
| <b>Work in progress</b>                    |                      |                       |                    |                    |                      |  |                     |                    |  |                      |
| Opening balance                            | 2,311,956            | 2,311,956             | 9,884,325          | -                  | 12,196,281           | -                                      | -                   | -                  | -                                      | -                    |
| Internally transferred                     | -                    | -                     | (6,816,559)        | -                  | (6,816,559)          | -                                      | -                   | -                  | -                                      | -                    |
| <b>Subtotal: Work in progress</b>          | <b>2,311,956</b>     | <b>2,311,956</b>      | <b>3,067,766</b>   | <b>-</b>           | <b>5,379,722</b>     | <b>-</b>                               | <b>-</b>            | <b>-</b>           | <b>-</b>                               | <b>5,379,722</b>     |
| <b>Grand total as at December 31, 2017</b> | <b>\$174,424,724</b> | <b>\$ 245,184,704</b> | <b>\$9,884,325</b> | <b>\$1,595,844</b> | <b>\$253,473,185</b> | <b>\$ 70,759,980</b>                   | <b>\$ 5,326,093</b> | <b>\$1,246,365</b> | <b>\$ 74,839,708</b>                   | <b>\$178,633,477</b> |

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

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 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              | 2018             | 2017                |
|----------------------------------|---------------------|------------------|---------------------|
| Operating transfers:             |                     |                  |                     |
| Federal                          | \$ 4,000            | \$ 20,221        | \$ 16,500           |
| Provincial                       | 664,758             | 682,175          | 776,295             |
| Upper-Tier/Other Municipalities  | 99,000              | 189,948          | 153,909             |
|                                  | <u>767,758</u>      | <u>892,344</u>   | <u>946,704</u>      |
| Capital transfers:               |                     |                  |                     |
| Federal                          | 445,913             | 1,675,596        | 1,328,931           |
| Provincial                       | 518,451             | 864,927          | 702,207             |
| Upper –Tier/Other Municipalities | -                   | 6,307            | -                   |
|                                  | <u>964,364</u>      | <u>2,546,830</u> | <u>2,031,138</u>    |
| Total transfers                  | <u>\$ 1,732,122</u> | <u>3,439,174</u> | <u>\$ 2,977,842</u> |

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 \$1,098,730 (2017 - \$1,056,860) have not been included in these Consolidated financial statements.

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

## SCHEDULE OF LIBRARY FUND ACTIVITIES

Year ended December 31, 2018

|  | Budget           | 2018               | 2017                |
|--|------------------|--------------------|---------------------|
| <b>Revenues:</b>                             |                  |                    |                     |
| Development charges                          | \$ -             | \$ 60,189          | \$ 56,887           |
| Municipal grant                              | 686,377          | 686,377            | 622,539             |
| Donations                                    | 1,000            | 8,465              | 162,533             |
| Provincial grants                            | 28,158           | 34,824             | 250,078             |
| Miscellaneous                                | 27,770           | 36,104             | 19,998              |
| Other grants                                 | 4,000            | 10,673             | 10,911              |
|  | <u>747,305</u>   | <u>836,634</u>     | <u>1,122,946</u>    |
| <b>Expenditures:</b>                         |                  |                    |                     |
| Amortization                                 | -                | 121,061            | 105,551             |
| Insurance                                    | 7,570            | 7,427              | 6,493               |
| Licensing and computer support               | 11,500           | 16,327             | 12,151              |
| Memberships                                  | 1,800            | 2,078              | 1,450               |
| General library expenses                     | 25,100           | 27,804             | 20,200              |
| Office supplies                              | 35,800           | 50,105             | 56,149              |
| Professional development                     | 5,500            | 5,359              | 4,677               |
| Professional fees                            | 1,000            | 6,709              | 1,146               |
| Program expenditures                         | 7,500            | 12,730             | 9,239               |
| Public relations                             | 3,000            | 2,838              | 2,153               |
| Rent   | 60,000           | 60,000             | 60,000              |
| Telephone                                    | 2,050            | 2,819              | 2,795               |
| Wage and benefits                            | 579,885          | 605,740            | 520,809             |
| Workshops                                    | 3,000            | 1,376              | 3,328               |
|  | <u>743,705</u>   | <u>922,373</u>     | <u>806,141</u>      |
| Annual (deficit) surplus                     | 3,600            | (85,739)           | 316,805             |
| Add: Amortization of tangible capital assets | -                | 121,061            | 105,551             |
| Less: Acquisition of tangible capital assets | -                | (140,613)          | (909,377)           |
| Transfers to reserve fund                    | 18,500           | 18,915             | 384,767             |
| Adjusted annual (deficit) surplus            | <u>\$ 22,100</u> | <u>\$ (86,376)</u> | <u>\$ (102,254)</u> |



KPMG LLP  
80 King Street, Suite 620  
St. Catharines ON L2R 7G1  
Canada  
Tel 905-685-4811  
Fax 905-682-2008

## 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 accompanying 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, 2018,
- the statement of operations 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, 2018, and its results of operations and accumulated surplus 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*

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Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

May 13, 2019201

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

## Statement of Financial Position – Trust Funds

Year ended December 31, 2018, with comparative figures for 2017

|                                    | Cemetery<br>Care &<br>Maintenance | Cemetery<br>Preneeds<br>Internments | 2018<br>Total      | 2017<br>Total       |
|------------------------------------|-----------------------------------|-------------------------------------|--------------------|---------------------|
| <b>Assets</b>                      |                                   |                                     |                    |                     |
| Cash                               | \$ 965,015                        | \$ 150,692                          | \$1,115,707        | \$ 1,063,362        |
| <b>Liabilities</b>                 |                                   |                                     |                    |                     |
| Due to Town of Niagara-on-the-Lake | 17,265                            | (288)                               | 16,977             | 6,502               |
|                                    | <u>\$ 947,750</u>                 | <u>\$ 150,980</u>                   | <u>\$1,098,730</u> | <u>\$ 1,056,860</u> |
| <b>Fund Balances</b>               |                                   |                                     |                    |                     |
| Fund balances                      | \$ 947,750                        | \$ 150,980                          | \$1,098,730        | \$ 1,056,860        |
|                                    | <u>\$ 947,750</u>                 | <u>\$ 150,980</u>                   | <u>\$1,098,730</u> | <u>\$ 1,056,860</u> |

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, 2018, with comparative figures for 2017

|                                      | Cemetery<br>Care &<br>Maintenance | Cemetery<br>Preneeds<br>Internments | 2018<br>Total | 2017<br>Total |
|--------------------------------------|-----------------------------------|-------------------------------------|---------------|---------------|
| Balance, beginning of year           | \$ 908,724                        | \$ 148,136                          | \$1,056,860   | \$ 1,022,564  |
| Receipts:                            |                                   |                                     |               |               |
| Care & maintenance agreements        | 39,026                            | -                                   | 39,026        | 32,564        |
| Interest earned                      | 17,892                            | 2,844                               | 20,736        | 11,732        |
|                                      | 56,918                            | 2,844                               | 59,762        | 44,296        |
| Expenditures:                        |                                   |                                     |               |               |
| Interest transferred to:             |                                   |                                     |               |               |
| Cemetery maintenance                 | 17,892                            | -                                   | 17,892        | 10,000        |
|                                      | 17,892                            | -                                   | 17,892        | 10,000        |
| Excess of receipts over expenditures | 39,026                            | 2,844                               | 41,870        | 34,296        |
| Fund balance, end of year            | \$ 947,750                        | \$ 150,980                          | \$1,098,730   | \$ 1,056,860  |

See accompanying notes to financial statements.

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

## Statement of Cash Flows – Trust Funds

December 31, 2018 with comparative information for 2017

|  | 2018         | 2017         |
|--|--------------|--------------|
| Operations:                                  |              |              |
| Excess of receipts over expenditures         | \$ 41,870    | \$ 34,296    |
| Sources (Uses):                              |              |              |
| Change in due to Town of Niagara-on-the-Lake | 10,475       | 21,513       |
|  | 10,475       | 21,513       |
| Increase in cash                             | 52,345       | 55,809       |
| Cash, beginning of year                      | 1,063,362    | 1,007,553    |
| Cash, end of year                            | \$ 1,115,707 | \$ 1,063,362 |

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, 2018

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## 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.