

*crawford  
smith &  
swallow*

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

**Consolidated Financial Statements**

**December 31, 2007**



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

### **Consolidated Financial Statements**

**December 31, 2007**

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#### **Table of Contents**

	<b>Page</b>
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities	3
Consolidated Statement of Changes in Financial Position	4
Notes to Consolidated Financial Statements	5-15
Consolidated Schedule of Operating Fund Activities	16
Consolidated Schedule of Capital Fund Activities	17
Consolidated Schedule of Reserves and Reserve Funds	18
Auditors' Report - Trust Funds	19
Statement of Financial Position - Trust Funds	20
Statement of Financial Activities and Changes in Fund Balances - Trust Funds	21
Notes to Financial Statements - Trust Funds	22
Auditors' Report - Supplementary Information	23
Schedule of Library Fund Activities	24

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## AUDITORS' REPORT

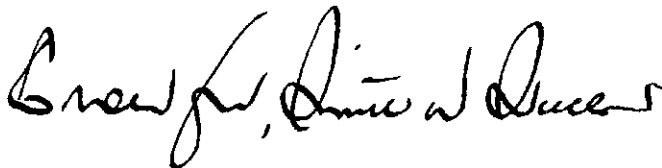
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To the Members of Council, Inhabitants and Ratepayers  
of The Corporation of the Town of Niagara-on-the-Lake

We have audited the consolidated statement of financial position of The Corporation of the Town of Niagara-on-the-Lake as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the town as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Niagara-on-the-Lake, Ontario  
March 24, 2008

CRAWFORD, SMITH AND SWALLOW  
CHARTERED ACCOUNTANTS LLP

LICENSED PUBLIC ACCOUNTANTS

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2007

	2007 \$	2006 \$
<b>Financial Assets</b>		
Cash - note 3	8,477,958	7,979,693
Taxes receivable - note 4		
Current year	1,702,384	1,823,403
Prior years	1,519,125	1,182,898
User charges receivable	517,052	492,016
Accounts receivable - note 5	917,720	612,072
Other current assets		15,188
Long-term receivables		44,495
Note receivable - note 6	6,566,333	6,666,333
Long-term investment - note 6	9,487,531	8,614,808
	<b>29,188,103</b>	<b>27,430,906</b>
<b>Contingent Liabilities - note 13</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,985,662	4,873,696
Deferred revenue - obligatory reserve funds - note 8	4,030,992	4,366,206
Other current liabilities	1,808,522	1,533,945
Post-employment benefits - note 9	660,967	662,935
Net long-term liabilities - note 10	4,163,247	4,742,208
	<b>13,649,390</b>	<b>16,178,990</b>
<b>Net Financial Assets</b>	<b>15,538,713</b>	<b>11,251,916</b>
<b>Non Financial Assets</b>		
Inventories and prepaid expenses	138,754	179,967
<b>Net Assets</b>	<b>15,677,467</b>	<b>11,431,883</b>
<b>Municipal Position</b>		
Operating fund - note 11(a)	62,254	121,740
Capital fund - note 11(b)	(1,883,461)	(4,903,302)
Reserves and reserve funds - note 11(c)	6,269,024	6,337,447
Niagara-on-the-Lake Energy Inc. net equity - note 11(d)	16,053,864	15,281,141
	<b>20,501,681</b>	<b>16,837,026</b>
Amounts to be recovered	(4,824,214)	(5,405,143)
	<b>15,677,467</b>	<b>11,431,883</b>

See accompanying notes

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

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**

for the year ended December 31, 2007

	2007 \$	2006 \$
<b>Revenues</b>		
Taxation - note 4	6,533,679	6,279,440
User fees and charges	8,798,928	7,667,362
Government of Canada grants	182,736	
Province of Ontario grants	3,244,992	1,970,852
Other municipality funding	110,416	78,283
Contributions from obligatory reserve funds	1,709,066	1,667,150
Interest and penalties	608,347	568,164
Investment income	598,512	746,100
Donations	109,725	112,835
Prepaid special charges		298,185
Proceeds on the sale of property	49,182	176,417
Other	1,667,957	721,657
Niagara-on-the-Lake Energy Inc. net income - note 6	872,723	448,178
	<b>24,486,263</b>	<b>20,734,623</b>
<b>Expenditures</b>		
General government	1,894,062	2,010,293
Protection to persons and property	2,193,379	1,856,791
Transportation services	4,328,192	4,734,922
Environmental services	6,735,040	6,793,953
Health services	266,714	314,512
Social and family services	25,516	25,388
Recreation and cultural services	3,411,525	3,444,093
Planning and development	1,386,251	1,265,673
	<b>20,240,679</b>	<b>20,445,625</b>
<b>Net Revenues</b>	<b>4,245,584</b>	<b>288,998</b>
Add: Post-employment benefits	(1,968)	28,641
Add: New debt issued	50,851	
Less: Debt principal repayments	(629,812)	(615,707)
Decrease in amounts to be recovered	(580,929)	(587,066)
<b>Change in Fund Balances</b>	<b>3,664,655</b>	<b>(298,068)</b>

See accompanying notes

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
for the year ended December 31, 2007

	2007 \$	2006 \$
<b>Operations</b>		
Net revenues	4,245,584	288,998
<b>Uses</b>		
Increase in taxes receivable	(215,208)	(742,004)
Increase in user charges receivable	(25,036)	
Increase in accounts receivable	(305,648)	
Increase in other current assets		(5,001)
Increase in long-term receivables		(1,859)
Decrease in accounts payable and accrued liabilities	(1,888,034)	
Decrease in deferred revenue - obligatory reserve funds	(335,214)	
Decrease in post-employment benefits	(1,968)	
	(2,771,108)	(748,864)
<b>Sources</b>		
Decrease in user charges receivable		68,125
Decrease in accounts receivable		731,739
Decrease in other current assets	15,188	
Decrease in long-term receivables	44,495	
Decrease in inventories and prepaid expenses	41,213	6,517
Increase in accounts payable and accrued liabilities		1,867,368
Increase in deferred revenue - obligatory reserve funds		683,640
Increase in other current liabilities	274,577	322,925
Increase in post-employment benefits		28,641
	375,473	3,708,955
Net income of Niagara-on-the-Lake Energy Inc.	(872,723)	(448,178)
Net increase in cash from operations	977,226	2,800,911
<b>Investing</b>		
Decrease in note receivable - note 6	100,000	235,000
<b>Financing</b>		
New debt issued	50,851	
Debt principal repayments	(629,812)	(615,707)
Net decrease in cash from financing	(578,961)	(615,707)
<b>Increase in Cash Position</b>	498,265	2,420,204
<b>Cash Position, Beginning of Year</b>	7,979,693	5,559,489
<b>Cash Position, End of Year</b>	8,477,958	7,979,693

See accompanying notes

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

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### 1. Significant Accounting Policies

The consolidated financial statements of the The Corporation of the Town of Niagara-on-the-Lake (the "Municipality") are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants with the exception of providing budget figures (note 17).

#### (a) Basis of consolidation

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

Public Library Board  
Niagara-on-the-Lake Energy Inc.

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

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

- (ii) Partial-consolidated entities

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

Niagara District Airport Commission

- (iii) Accounting for Region and School Board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the Region of Niagara are not reflected in the municipal fund balances of these consolidated financial statements.

- (iv) Trust funds

Trust funds and their related operations administered by the Municipality amounting to \$ 1,564,996 (\$ 1,420,404 - 2006) are not consolidated, but are reported separately on the "Trust Funds Statement of Financial Position and Statement of Financial Activities and Changes in Fund Balances".

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

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### 1. Significant Accounting Policies - continued

#### (b) Basis of accounting

- (i) Revenues and expenditures are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
- (iii) Inventories  
Inventories are valued at average cost.
- (iv) Capital assets  
Capital assets are recorded as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.
- (v) Deferred revenue  
Funds received for specific purposes are accounted for as deferred revenue until the Municipality discharges the obligation which led to the receipt of the funds.
- (vi) Amounts to be recovered  
The balance referred to as "Amounts to be recovered", includes balances for post-employment benefits and net long-term liabilities.
- (vii) Investment income  
Investment income earned on current surplus funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) is recorded as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.
- (viii) Use of estimates  
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect 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 expenditures during the year. Actual results could differ from those estimates.



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

### 2. Operations of School Boards and the Region of Niagara

Further to note 1(a)(iii), the taxation, other revenues, expenditures and overlevies of the school boards and the Region of Niagara are comprised of the following:

	School Boards		Region	
	2007	2006	2007	2006
	\$	\$	\$	\$
Taxation and user charges	10,696,558	10,688,122	19,329,605	18,690,122
Grants	22,064	31,594	397,428	387,172
	10,718,622	10,719,716	19,727,033	19,077,294
Requisitions	10,718,622	10,719,716	19,727,033	19,077,294
Overlevies (Underlevies) for the year				
Overlevies (Underlevies) at the end of year				

### 3. Cash

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

	2007	2006
	\$	\$
Operating Fund	4,403,937	3,426,190
Reserve Funds	4,074,021	4,553,503
	<b>8,477,958</b>	<b>7,979,693</b>

### 4. Tax Receivables and Revenues

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a significant number of appeals submitted by ratepayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$ 65,000 (\$ 65,000 - 2006).

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

### 5. Interfund Receivables

As a means of financing certain activities, funds are borrowed by the operating fund from several reserve funds. Both financing and repayments are reflected as interfund transfers and therefore are eliminated from the "Consolidated Statement of Financial Activities". Likewise interfund receivable and payable balances are not reflected on the "Consolidated Statement of Financial Position". The interfund receivable and payable balance as at December 31, 2007 was \$ 813,207 (\$ 4,153,136 - 2006).

### 6. Investment in Niagara-on-the-Lake Energy Inc.

	2007 \$	2006 \$
Statement of Financial Position		
Current assets	4,762,161	4,172,620
Other non-current assets	38,766	26,572
Capital assets	20,101,470	19,900,161
Other assets	591,132	623,249
<b>Total Assets</b>	<b>25,493,529</b>	<b>24,722,602</b>
Current liabilities	7,929,788	7,588,353
Other liabilities	1,509,877	1,853,108
Long-term note payable	6,566,333	6,666,333
<b>Total Liabilities</b>	<b>16,005,998</b>	<b>16,107,794</b>
<b>Net Assets</b>	<b>9,487,531</b>	<b>8,614,808</b>
Statement of Financial Activities		
Revenues	18,348,505	17,435,730
Operating expenses	17,429,399	16,987,552
<b>Net Income</b>	<b>919,106</b>	<b>448,178</b>

Retained earnings for the company reflected a reduction of \$ 46,383 related to a change in accounting policy related to Financial Instruments on a retroactive basis without restatement.

The Municipality has provided an assignment and postponement of claim on behalf of Niagara-on-the-Lake Energy Inc. for a demand instalment loan in the amount of \$ 4,376,767 (\$ 4,628,153 - 2006) used to finance the construction of a new transformer station.

During the year, the municipality received \$ 100,000 (\$ 235,000 - 2006) as a partial repayment of the note receivable outstanding.

### 7. Temporary Loan

The Municipality has a revolving demand facility in the amount of \$ 1,500,000 bearing interest at prime less 0.375%. NIL has been drawn upon as at December 31, 2007.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

### 8. Deferred Revenue - Obligatory Reserve Funds

The following balances are reflected as deferred revenue - obligatory reserve funds as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

	2007	2006
	\$	\$
Building fund	1,588	69,179
Development charges	3,881,167	4,139,441
Recreational land	49,866	59,215
Subdivider contributions	98,371	98,371
	<b>4,030,992</b>	<b>4,366,206</b>

### 9. Post-Employment Benefits

	2007	2006
	\$	\$
Accrued vacation pay	191,256	200,762
Accumulated sick leave	29,608	34,833
Post-employment benefits	440,103	427,340
	<b>660,967</b>	<b>662,935</b>

#### Accrued Vacation Pay and Accumulated Sick Leave

As at December 31, 2007, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 191,256 (\$ 200,762 - 2006). Up to one year's vacation entitlement may be carried forward to the next year.

Under the Municipality's sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment at a rate of 50% of entitlement.

The liability for accumulated sick leave as reflected in these consolidated financial statements has not been determined on an actuarial basis.

#### Post-Employment Benefits

The Municipality pays certain medical and dental benefits for early retirees and life insurance benefits on behalf of its retired employees. The Municipality recognizes these post-retirement costs in the period in which the employees rendered the services.

The liability for post-employment benefits as reflected in these consolidated financial statements has been determined on an actuarial basis using a discount rate of 5%.

As a result of an actuarial valuation on post-employment benefits conducted in 2008 for the year ending December 31, 2007, it was determined that an actuarial loss of \$ 140,467 existed. This amount is being amortized over the expected average remaining service lives of the employee group. The unamortized amount is \$ 129,698. The actual obligation is \$ 569,801.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

### 9. Post-Employment Benefits - continued

#### Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of 88 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2007 was \$ 304,773 (\$ 286,744 - 2006) for current service and is included as an expenditure in the statement of financial activities.

The Municipality has no past service obligation.

### 10. Net Long-Term Liabilities

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

	2007 \$	2006 \$
Total long-term liabilities incurred or assumed by the Municipality and outstanding at the end of the year amount to	2,195,000	2,487,000
In addition, the Municipality has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities. At the end of the year, the outstanding principal amount of this liability is	2,109,043	2,402,031
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans have been assumed by individuals. At the end of the year, the outstanding principal amount of the liability is	(140,796)	(146,823)
<b>Net long-term liabilities, end of year</b>	<b>4,163,247</b>	<b>4,742,208</b>

(b) Of the net long-term liabilities reported in (a) of this note, \$ 2,740,696 in principal payments are payable from 2008 to 2012 and \$ 878,905 from 2013 to 2017.

(c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2007

**10. Net Long-Term Liabilities - continued**

d) Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	2007 \$	2006 \$
Principal	629,812	615,707
Interest	169,342	186,600
	<b>799,154</b>	<b>802,307</b>

**11. Municipal Fund Balances at the End of the Year**

(a) Operating fund balance

	2007 \$	2006 \$
To be applied in the following year to operations of the:		
Operating fund	28,715	90,795
Library	6,625	12,541
For general use by Airport Commission	26,914	18,404
	<b>62,254</b>	<b>121,740</b>

(b) Capital fund balance

	2007 \$	2006 \$
Acquisition of capital assets to be recovered through taxation or user charges	(1,124,745)	(1,801,388)
Acquisition of capital assets to be financed from the proceeds of long-term liabilities	(206,360)	(205,858)
Acquisition of capital assets to be recovered from proceeds of reserves and reserve funds	(552,356)	(2,896,056)
	<b>(1,883,461)</b>	<b>(4,903,302)</b>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2007

**11. Municipal Fund Balances at the End of the Year - continued**

(c) Reserves and reserve fund balances

	2007 \$	2006 \$
Reserves set aside by council for specific purposes:		
Working funds	100,000	100,000
Contingencies	285,171	225,446
Waterfront acquisition	15,555	211,968
Replacement of road equipment	540,183	523,849
Replacement of building department equipment	10,078	7,078
Replacement of recreation equipment - note 18	(8,090)	57,578
Upgrade to public works building	29,000	20,000
Road improvements	267,550	1,269,876
Consolidated sewer area	1,357,437	688,635
NUSA sewer area	318,172	408,626
Glendale sewer area	94,275	137,048
Replacement of fire equipment	73,966	263,867
Replacements of watermains - note 18	(765,563)	8,900
St. Davids storm sewers	15,050	40,732
Election expenses	15,000	
Computer equipment	44,011	34,011
Cemetery roadway	10,000	
Machine shop	30,715	27,215
Parks and recreation - note 18	(36,602)	19,675
Streetlighting	27,452	11,481
Fire training tower	38,313	10,333
Sidewalk improvements	12,009	18,726
Industrial development	11,192	11,192
Planning services	63,195	50,017
Dock area improvement	186,600	281,560
Winter maintenance	40,794	
Farm irrigation study	142,297	144,852
Hydro interest reserve	544,383	372,728
Community Centre	1,849,985	250,000
Provision for debt reduction	6,873	
Rate stabilization	790,000	790,000
<b>Total Reserves</b>	<b>6,109,001</b>	<b>5,985,393</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

### 11. Municipal Fund Balances at the End of the Year - continued

#### (c) Reserves and reserve fund balances - continued

	2007 \$	2006 \$
Reserve Funds set aside by council for specific purposes:		
Parking purposes	125,106	322,115
Library building renovations	34,917	29,939
Total Reserve Funds	160,023	352,054
	<b>6,269,024</b>	<b>6,337,447</b>

#### (d) Niagara-on-the-Lake Energy Inc. net equity

	2007 \$	2006 \$
Niagara-on-the-Lake Energy Inc. net equity - note 6	16,053,864	15,281,141

### 12. Contractual Obligations and Commitments

#### Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2007 is approximately \$ 3,312,640 (\$ 2,985,500 - 2006) after deducting the expenditures incurred as at December 31, 2007. These projects will be financed by grants, subsidies and long-term liabilities in future years.

### 13. Contingent Liabilities

From time to time, the Municipality 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. These claims may be covered by the Municipality's insurance up to a maximum of \$ 15,000,000 per occurrence. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

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### 14. Financial Instruments

#### Credit Risk

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

#### Fair Value

The fair value of the post-employment benefits was determined using an actuarial valuation.

Long-term debt is stated at face value. It is not practicable within the constraints of timeliness or cost to determine the fair value of this financial liability with sufficient reliability.

Due to the short-term nature of the Municipality's other financial instruments, their face values approximate their carrying values.

### 15. Contributions to Joint Board

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

	2007	2006
	\$	\$
Niagara District Airport Commission	<b>15,181</b>	<b>15,181</b>

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

### 16. Classification of Expenditure by Object

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

	2007	2006
	\$	\$
Salaries, wages and employee benefits	6,516,740	6,047,437
Operating materials and supplies	3,406,496	2,564,545
Contracted services	4,428,392	4,566,918
External transfers to others		145,000
Tangible capital assets	5,719,709	6,935,125
Debt service	169,342	186,600
Total expenditures by object	<b>20,240,679</b>	<b>20,445,625</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2007

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### 17. Budget Figures

The approved operating budget for 2007 is reflected on the "Consolidated Schedule of Operating Fund Activities". These numbers have not been audited but are presented for information purposes only. The budgets established for capital funds, reserves and reserve funds are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts and have not been reflected on their respective schedules.

### 18. Reserves

As at December 31, 2007, the Municipality has three reserves which have been reflected as overdrawn. These reserves, replacement of recreation equipment, replacement of watermains and parks and recreation, were all subject to budget transfers made to fund several now fully funded capital projects. In light of these reserve balances, a plan is in place, which has been approved by Council, to fund these balances either by rate charges or approved capital budget.

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**CONSOLIDATED SCHEDULE OF OPERATING FUND ACTIVITIES**  
for the year ended December 31, 2007

	Budget \$	2007 \$	2006 \$
<b>Revenues</b>			
Taxation - note 4	6,627,756	6,533,679	6,279,440
User fees and charges	9,202,042	8,798,928	7,667,362
Government of Canada grants		182,736	
Province of Ontario grants	1,520,000	3,052,524	1,831,111
Interest and penalties	450,000	608,347	568,164
Investment income	452,000	583,309	732,588
Proceeds on the sale of property		49,182	176,417
Other	135,270	779,524	500,008
	18,387,068	20,588,229	17,755,090
<b>Expenditures</b>			
General government	2,139,540	1,785,347	1,746,308
Protection to persons and property	1,678,671	1,562,969	1,465,765
Transportation services	1,767,480	2,495,260	2,320,747
Environmental services	5,102,662	4,886,536	4,380,633
Health services	270,225	258,826	266,285
Social and family services	28,375	25,516	25,388
Recreation and cultural services	2,379,642	2,821,228	2,654,211
Planning and development	754,650	685,288	651,163
	14,121,245	14,520,970	13,510,500
<b>Net Revenues</b>	4,265,823	6,067,259	4,244,590
<b>Financing and Transfers</b>			
Post-employment benefits		(1,968)	28,641
Debt principal repayments	(853,796)	(629,812)	(615,707)
Transfers from (to) capital fund		55,967	(89,724)
Transfers to reserves and reserve funds	(3,412,027)	(5,650,932)	(3,708,939)
Repayment of note receivable - note 6		100,000	235,000
Net financing and transfers	(4,265,823)	(6,126,745)	(4,150,729)
<b>Change in Operating Fund</b>		(59,486)	93,861
<b>Operating Fund, Beginning of Year</b>	121,740	121,740	27,879
<b>Operating Fund, End of Year</b>	121,740	62,254	121,740

See accompanying notes

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

**CONSOLIDATED SCHEDULE OF CAPITAL FUND ACTIVITIES**

for the year ended December 31, 2007

	2007 \$	2006 \$
<b>Revenues</b>		
Province of Ontario	192,468	139,741
Other municipalities	110,416	78,283
Donations	109,725	112,835
Prepaid special charges		298,185
Other	888,433	30,618
	<b>1,301,042</b>	<b>659,662</b>
<b>Expenditures</b>		
General government	108,715	263,985
Health services	7,888	48,227
Protection to persons and property	630,410	391,026
Transportation services	1,832,932	2,414,175
Environmental services	1,848,504	2,413,320
Recreation and cultural services	590,297	789,882
Planning and development	700,963	614,510
	<b>5,719,709</b>	<b>6,935,125</b>
<b>Net Expenditures</b>	<b>(4,418,667)</b>	<b>(6,275,463)</b>
<b>Financing and Transfers</b>		
New debt issued	50,851	
Transfers from (to) operating fund	(55,967)	89,724
Transfers from reserves and reserve funds	7,443,624	4,553,110
Net financing and transfers	<b>7,438,508</b>	<b>4,642,834</b>
<b>Change in Capital Fund</b>	<b>3,019,841</b>	<b>(1,632,629)</b>
<b>Capital Fund, Beginning of Year</b>	<b>(4,903,302)</b>	<b>(3,270,673)</b>
<b>Capital Fund, End of Year</b>	<b>(1,883,461)</b>	<b>(4,903,302)</b>

See accompanying notes

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS**  
for the year ended December 31, 2007

	2007 \$	2006 \$
<b>Revenues</b>		
Contributions from obligatory reserve funds	1,709,066	1,667,150
Investment income	15,203	13,512
Other		191,031
	<u>1,724,269</u>	<u>1,871,693</u>
<b>Financing and Transfers</b>		
Transfers from operating fund	5,650,932	3,708,939
Transfers to capital fund	(7,443,624)	(4,553,110)
Net financing and transfers	<u>(1,792,692)</u>	<u>(844,171)</u>
<b>Change in Reserve and Reserve Funds</b>	<u>(68,423)</u>	1,027,522
<b>Reserves and Reserve Funds, Beginning of Year</b>	6,337,447	5,309,925
<b>Reserves and Reserve Funds, End of Year</b>	<u>6,269,024</u>	<u>6,337,447</u>

See accompanying notes

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Port Colborne, Ontario

## AUDITORS' REPORT - TRUST FUNDS

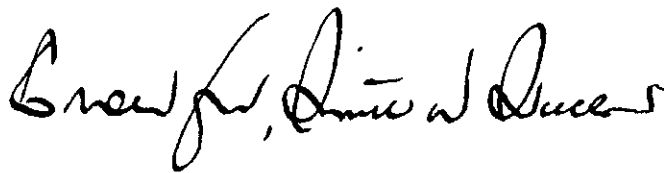
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To the Members of Council, Inhabitants and Ratepayers  
of The Corporation of the Town of Niagara-on-the-Lake

We have audited the statement of financial position of the trust funds of The Corporation of the Town of Niagara-on-the-Lake as at December 31, 2007 and the statement of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the town as at December 31, 2007 and the continuity of trust funds for year then ended in accordance with Canadian generally accepted accounting principles.



Niagara-on-the-Lake, Ontario  
March 24, 2008

CRAWFORD, SMITH AND SWALLOW  
CHARTERED ACCOUNTANTS LLP

LICENSED PUBLIC ACCOUNTANTS

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**STATEMENT OF FINANCIAL POSITION - TRUST FUNDS**

December 31, 2007

	Total \$	Subdividers' Deposits \$	Cemetery Perpetual Care \$	Election \$
<b>Assets</b>				
Cash	542,434	23,675	515,773	2,986
Interest receivable	95	95		
Due from operating fund	963,049	961,258	1,791	
Long-term receivables	59,418	59,418		
	<b>1,564,996</b>	<b>985,028</b>	<b>576,982</b>	<b>2,986</b>
<b>Fund Balances</b>				
Fund balances	1,564,996	985,028	576,982	2,986
	<b>1,564,996</b>	<b>985,028</b>	<b>576,982</b>	<b>2,986</b>

See accompanying notes

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN FUND BALANCES - TRUST FUNDS**  
for the year ended December 31, 2007

	Total \$	Subdividers' Deposits \$	Cemetery Perpetual Care \$	Election \$
<b>Balance, Beginning of Year</b>	1,420,404	873,301	547,099	4
<b>Receipts</b>				
Donations	2,896			2,896
Perpetual care agreements	29,883		29,883	
Deposits	410,422	410,422		
Interest earned - other	28,071	999	26,986	86
	471,272	411,421	56,869	2,982
<b>Expenditures</b>				
Deposits refunded	27,496	27,496		
Services installed	272,198	272,198		
Interest transferred to cemetery maintenance	26,986		26,986	
	326,680	299,694	26,986	
<b>Balance, End of Year</b>	<b>1,564,996</b>	<b>985,028</b>	<b>576,982</b>	<b>2,986</b>

See accompanying notes

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

## NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2007

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### 1. Significant Accounting Policies

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

#### (a) Basis of accounting

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



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## AUDITORS' REPORT - SUPPLEMENTARY INFORMATION

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

We have audited and reported herein on the consolidated financial statements of The Corporation of the Town of Niagara-on-the-Lake as at and for the year ended December 31, 2007.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the municipality taken as a whole. The current year's supplementary information included in the schedule of library fund activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Niagara-on-the-Lake, Ontario  
March 24, 2008

CRAWFORD, SMITH AND SWALLOW  
CHARTERED ACCOUNTANTS LLP

LICENSED PUBLIC ACCOUNTANTS

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

## SCHEDULE OF LIBRARY FUND ACTIVITIES

for the year ended December 31, 2007

	2007	2006
	\$	\$
<b>Revenues</b>		
Development charges	60,000	15,000
Miscellaneous	32,994	26,461
Municipal grant	369,612	354,901
Provincial grants	38,082	35,776
	<hr/> 500,688	<hr/> 432,138
<b>Expenditures</b>		
Books, magazines and periodicals	78,927	86,737
Capital expenditures	7,949	4,150
Insurance	5,249	5,053
Maintenance	14,853	11,117
Memberships	840	665
Office supplies	12,609	9,949
Public relations	7,325	3,467
Rent	60,000	60,000
Telephone	2,368	2,210
Wages and benefits	305,069	246,279
Workshops	6,415	5,990
	<hr/> 501,604	<hr/> 435,617
<b>Net Expenditures</b>	(916)	(3,479)
<b>Transfers to Reserve Fund</b>	(5,000)	
<b>Library Fund, Beginning of Year</b>	12,541	16,020
<b>Library Fund, End of Year</b>	<hr/> <b>6,625</b>	<hr/> <b>12,541</b>

See accompanying notes