

*crawford  
smith &  
swallow*

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

**Consolidated Financial Statements**

**December 31, 2008**



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

### **Consolidated Financial Statements**

**December 31, 2008**

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## AUDITORS' REPORT

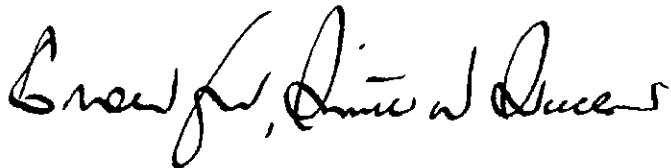
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To the Members of Council, Inhabitants and Ratepayers  
of The Corporation of the Town of Niagara-on-the-Lake

We have audited the consolidated statement of financial position of The Corporation of the Town of Niagara-on-the-Lake as at December 31, 2008 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, 2008 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  
June 12, 2009

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, 2008

	2008 \$	2007 \$
<b>Financial Assets</b>		
Cash - note 3	11,257,294	8,477,958
Taxes receivable - note 4		
Current year	1,726,859	1,702,384
Prior years	1,912,342	1,519,125
User charges receivable	573,333	517,052
Accounts receivable - note 5	715,233	917,720
Long-term receivables	14,230	
Note receivable - note 6	6,523,585	6,566,333
Long-term investment - note 6	10,305,370	9,487,531
	<b>33,028,246</b>	<b>29,188,103</b>
<b>Contingent Liabilities - note 12</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,111,106	2,985,662
Deferred revenue - obligatory reserve funds - note 7	3,472,489	4,030,992
Other current liabilities	1,831,574	1,808,522
Post-employment benefits - note 8	714,903	660,967
Net long-term liabilities - note 9	5,091,746	4,163,247
	<b>15,221,818</b>	<b>13,649,390</b>
<b>Net Financial Assets</b>	<b>17,806,428</b>	<b>15,538,713</b>
<b>Non Financial Assets</b>		
Inventories and prepaid expenses	167,159	138,754
<b>Net Assets</b>	<b>17,973,587</b>	<b>15,677,467</b>
<b>Municipal Position</b>		
Operating fund - note 10(a)	70,361	62,254
Capital fund - note 10(b)	380,482	(1,883,461)
Reserves and reserve funds - note 10(c)	6,500,438	6,269,024
Niagara-on-the-Lake Energy Inc. net equity - note 10(d)	16,828,955	16,053,864
	<b>23,780,236</b>	<b>20,501,681</b>
Amounts to be recovered	(5,806,649)	(4,824,214)
	<b>17,973,587</b>	<b>15,677,467</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, 2008

	2008	2007
	\$	\$
<b>Revenues</b>		
Taxation - note 4	7,292,983	6,533,679
User fees and charges	7,972,973	9,101,807
Government of Canada grants	58,491	182,736
Province of Ontario grants	3,113,409	3,244,992
Other municipality funding	255,000	110,416
Contributions from obligatory reserve funds	2,130,772	1,709,066
Interest and penalties	696,223	608,347
Investment income	707,278	747,320
Donations	68,480	109,725
Prepaid special charges	119,951	
Proceeds on the sale of property		49,182
Other	914,928	1,216,270
Niagara-on-the-Lake Energy Inc. net income - note 6	817,839	872,723
	<b>24,148,327</b>	<b>24,486,263</b>
<b>Expenditures</b>		
General government	2,243,260	1,894,062
Protection to persons and property	3,920,380	2,193,379
Transportation services	4,333,204	4,328,192
Environmental services	6,363,231	6,735,040
Health services	378,652	266,714
Social and family services	28,403	25,516
Recreation and cultural services	3,577,747	3,411,525
Planning and development	1,007,330	1,386,251
	<b>21,852,207</b>	<b>20,240,679</b>
<b>Net Revenues</b>	<b>2,296,120</b>	<b>4,245,584</b>
Add: Post-employment benefits	53,936	(1,968)
Add: New debt issued	1,574,257	50,851
Less: Debt principal repayments	(645,758)	(629,812)
Increase (decrease) in amounts to be recovered	982,435	(580,929)
<b>Change in Fund Balances</b>	<b>3,278,555</b>	<b>3,664,655</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, 2008

	2008 \$	2007 \$
<b>Operations</b>		
Net revenues	2,296,120	4,245,584
<b>Uses</b>		
Increase in taxes receivable	(417,692)	(215,208)
Increase in user charges receivable	(56,281)	(25,036)
Increase in accounts receivable		(305,648)
Increase in long-term receivables	(14,230)	
Increase in inventories and prepaid expenses	(28,405)	
Decrease in accounts payable and accrued liabilities		(1,888,034)
Decrease in deferred revenue - obligatory reserve funds	(558,503)	(335,214)
Decrease in post-employment benefits		(1,968)
	(1,075,111)	(2,771,108)
<b>Sources</b>		
Decrease in accounts receivable	202,487	
Decrease in other current assets		15,188
Decrease in long-term receivables		44,495
Decrease in inventories and prepaid expenses		41,213
Increase in accounts payable and accrued liabilities	1,125,444	
Increase in other current liabilities	23,052	274,577
Increase in post-employment benefits	53,936	
	1,404,919	375,473
Net income of Niagara-on-the-Lake Energy Inc.	(817,839)	(872,723)
Net increase in cash from operations	1,808,089	977,226
<b>Investing</b>		
Decrease in note receivable - note 6	42,748	100,000
<b>Financing</b>		
New debt issued	1,574,257	50,851
Debt principal repayments	(645,758)	(629,812)
Net increase (decrease) in cash from financing	928,499	(578,961)
<b>Increase in Cash Position</b>	2,779,336	498,265
<b>Cash Position, Beginning of Year</b>	8,477,958	7,979,693
<b>Cash Position, End of Year</b>	<b>11,257,294</b>	<b>8,477,958</b>

See accompanying notes

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**CONSOLIDATED SCHEDULE OF OPERATING FUND ACTIVITIES**  
for the year ended December 31, 2008

	Budget \$	2008 \$	2007 \$
<b>Revenues</b>			
Taxation - note 4	7,312,976	7,292,983	6,533,679
User fees and charges	8,480,628	7,972,973	9,101,807
Government of Canada grants			182,736
Province of Ontario grants	1,744,336	3,083,675	3,052,524
Interest and penalties	350,000	696,223	608,347
Investment income	460,000	701,050	732,117
Proceeds on the sale of property			49,182
Other	440,950	481,245	327,837
	18,788,890	20,228,149	20,588,229
<b>Expenditures</b>			
General government	2,028,050	2,044,155	1,785,347
Protection to persons and property	1,206,653	1,636,389	1,562,969
Transportation services	2,778,180	2,867,452	2,495,260
Environmental services	4,695,060	4,550,035	4,886,536
Health services	279,415	272,977	258,826
Social and family services		28,403	25,516
Recreation and cultural services	2,913,933	3,033,923	2,821,228
Planning and development	841,900	682,979	685,288
	14,743,191	15,116,313	14,520,970
<b>Net Revenues</b>	4,045,699	5,111,836	6,067,259
<b>Financing and Transfers</b>			
Post-employment benefits		53,936	(1,968)
Debt principal repayments	(840,859)	(645,758)	(629,812)
Transfers from (to) capital fund	(126,050)	(130,467)	55,967
Transfers to reserves and reserve funds	(3,073,529)	(4,424,188)	(5,650,932)
Repayment of note receivable - note 6		42,748	100,000
Net financing and transfers	(4,040,438)	(5,103,729)	(6,126,745)
<b>Change in Operating Fund</b>	5,261	8,107	(59,486)
<b>Operating Fund, Beginning of Year</b>	62,254	62,254	121,740
<b>Operating Fund, End of Year</b>	67,515	70,361	62,254

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, 2008

	2008 \$	2007 \$
<b>Revenues</b>		
Government of Canada grants	58,491	
Province of Ontario grants	29,734	192,468
Other municipalities	255,000	110,416
Donations	68,480	109,725
Prepaid special charges	119,951	
Other	433,683	888,433
	965,339	1,301,042
<b>Expenditures</b>		
General government	199,105	108,715
Health services	105,675	7,888
Protection to persons and property	2,283,991	630,410
Transportation services	1,465,752	1,832,932
Environmental services	1,813,196	1,848,504
Recreation and cultural services	543,824	590,297
Planning and development	324,351	700,963
	6,735,894	5,719,709
<b>Net Expenditures</b>	<b>(5,770,555)</b>	<b>(4,418,667)</b>
<b>Financing and Transfers</b>		
New debt issued	1,574,257	50,851
Transfers from (to) operating fund	130,467	(55,967)
Transfers from reserves and reserve funds	6,329,774	7,443,624
Net financing and transfers	8,034,498	7,438,508
<b>Change in Capital Fund</b>	<b>2,263,943</b>	<b>3,019,841</b>
<b>Capital Fund, Beginning of Year</b>	<b>(1,883,461)</b>	<b>(4,903,302)</b>
<b>Capital Fund, End of Year</b>	<b>380,482</b>	<b>(1,883,461)</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, 2008

	2008 \$	2007 \$
<b>Revenues</b>		
Contributions from obligatory reserve funds	2,130,772	1,709,066
Investment income	6,228	15,203
	<b>2,137,000</b>	<b>1,724,269</b>
<b>Financing and Transfers</b>		
Transfers from operating fund	4,424,188	5,650,932
Transfers to capital fund	(6,329,774)	(7,443,624)
Net financing and transfers	<b>(1,905,586)</b>	<b>(1,792,692)</b>
<b>Change in Reserve and Reserve Funds</b>	231,414	(68,423)
<b>Reserves and Reserve Funds, Beginning of Year</b>	6,269,024	6,337,447
<b>Reserves and Reserve Funds, End of Year</b>	<b>6,500,438</b>	<b>6,269,024</b>

See accompanying notes

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

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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 15).

#### (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 14.

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 \$ 1,638,929 (\$ 1,564,996 - 2007) 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, 2008

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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, 2008

### 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	
	2008	2007	2008	2007
	\$	\$	\$	\$
Taxation and user charges	10,855,905	10,696,558	19,748,684	19,329,605
Grants	22,609	22,064	403,103	397,428
	10,878,514	10,718,622	20,151,787	19,727,033
Requisitions	10,878,514	10,718,622	20,151,787	19,727,033
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):

	2008	2007
	\$	\$
Operating Fund	7,732,605	4,403,937
Reserve Funds	3,524,689	4,074,021
	<b>11,257,294</b>	<b>8,477,958</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 - 2007).

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, 2008

### 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, 2008 was (\$ 1,406,143) (\$ 813,207 - 2007).

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

	2008	2007
	\$	\$
Statement of Financial Position		
Current assets	5,055,144	4,762,161
Other non-current assets	26,276	38,766
Capital assets	20,335,162	20,101,470
Other assets	685,691	591,132
<b>Total Assets</b>	<b>26,102,273</b>	<b>25,493,529</b>
Current liabilities	7,930,496	7,929,788
Other liabilities	1,342,822	1,509,877
Long-term note payable	6,523,585	6,566,333
<b>Total Liabilities</b>	<b>15,796,903</b>	<b>16,005,998</b>
<b>Net Assets</b>	<b>10,305,370</b>	<b>9,487,531</b>
Statement of Financial Activities		
Revenues	18,156,009	18,348,505
Operating expenses	17,338,170	17,429,399
<b>Net Income</b>	<b>817,839</b>	<b>919,106</b>

In 2007, 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 demand instalment loans in the amount of \$ 4,379,502 (\$ 4,376,767 - 2007) used to finance the construction of a new transformer station.

During the year the municipality received \$ 42,748 (\$ 100,000 - 2007) as a partial repayment of the note receivable outstanding.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

### 7. Deferred Revenue - Obligatory Reserve Funds

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

	2008	2007
	\$	\$
Building Fund	(78,363)	1,588
Development charges	3,179,264	3,881,167
Recreational land	273,217	49,866
Subdivider Contributions	98,371	98,371
	<b>3,472,489</b>	<b>4,030,992</b>

### 8. Post-Employment Benefits

	2008	2007
	\$	\$
Accrued vacation pay	199,043	191,256
Accumulated sick leave	54,178	29,608
Post-employment benefits	461,682	440,103
	<b>714,903</b>	<b>660,967</b>

#### Accrued Vacation Pay and Accumulated Sick Leave

As at December 31, 2008, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 199,043 (\$ 191,256 - 2007). Any unused credits 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 \$ 115,403. The actual obligation is \$ 577,085.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

### 8. 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 90 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 2008 was \$ 321,955 (\$ 304,773 - 2007) for current service and is included as an expenditure in the statement of financial activities.

The Municipality has no past service obligation.

### 9. Net Long-Term Liabilities

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

	2008	2007
	\$	\$
Total long-term liabilities incurred or assumed by the Municipality and outstanding at the end of the year amount to	1,892,000	2,195,000
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	3,373,336	2,109,043
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	(173,590)	(140,796)
<b>Net long-term liabilities, end of year</b>	<b>5,091,746</b>	<b>4,163,247</b>

(b) Of the net long-term liabilities reported in (a) of this note, \$ 3,375,026 in principal payments are payable from 2009 to 2013 and \$ 1,417,243 from 2014 to 2018.

(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, 2008

### 9. 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:

	2008	2007
	\$	\$
Principal	645,758	629,812
Interest	148,567	169,342
	<b>794,325</b>	<b>799,154</b>

### 10. Municipal Fund Balances at the End of the Year

- (a) Operating fund balance

	2008	2007
	\$	\$
To be applied in the following year to operations of the:		
Operating fund	36,989	28,715
Library		6,625
For general use by Airport Commission	33,372	26,914
	<b>70,361</b>	<b>62,254</b>

- (b) Capital fund balance

	2008	2007
	\$	\$
Acquisition of capital assets to be recovered through taxation or user charges	1,439,977	(1,124,745)
Acquisition of capital assets to be financed from the proceeds of long-term liabilities	(688,647)	(206,360)
Acquisition of capital assets to be recovered from proceeds of reserves and reserve funds	(370,848)	(552,356)
	<b>380,482</b>	<b>(1,883,461)</b>



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

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

(c) Reserves and reserve fund balances

	2008	2007
	\$	\$
Reserves set aside by council for specific purposes:		
Working funds	640,013	100,000
Contingencies	205,614	285,171
Waterfront acquisition	15,180	15,555
Replacement of road equipment	393,534	540,183
Replacement of building department equipment	13,078	10,078
Replacement of recreation equipment	25,221	(8,090)
Upgrade to public works building	54,000	29,000
Road improvements	781,384	267,550
Consolidated sewer area	442,284	1,357,437
NUSA sewer area	150,072	318,172
Glendale sewer area	64,275	94,275
Replacement of fire equipment	8,818	73,966
Replacements of watermains	(38,808)	(765,563)
St. Davids storm sewers	(9,650)	15,050
Election expenses	30,000	15,000
Computer equipment	23,611	44,011
Cemetery roadway	20,000	10,000
Machine shop	4,215	30,715
Parks and recreation	16,464	(36,602)
Streetlighting	4,214	27,452
Fire building and training tower	(9,462)	38,313
Sidewalk improvements	48,091	12,009
Industrial development	11,192	11,192
Planning services	119,714	63,195
Dock area improvement	234,600	186,600
Winter maintenance	15,192	40,794
Farm irrigation study	135,315	142,297
Hydro interest reserve	173,187	544,383
Community Centre	1,949,985	1,849,985
Shoreline acquisition	103,421	
Provision for debt reduction	6,873	6,873
Rate stabilization	790,000	790,000
Total Reserves	6,421,627	6,109,001

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

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

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

	2008	2007
	\$	\$
Reserve Funds set aside by council for specific purposes:		
Parking purposes	34,434	125,106
Library building renovations	44,377	34,917
<b>Total Reserve Funds</b>	<b>78,811</b>	<b>160,023</b>
	<b>6,500,438</b>	<b>6,269,024</b>

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

	2008	2007
	\$	\$
Niagara-on-the-Lake Energy Inc. net equity - note 6	<b>16,828,955</b>	<b>16,053,864</b>

### 11. Contractual Obligations and Commitments

#### Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2008 is approximately \$ 3,442,382 (\$ 3,312,640 - 2007) after deducting the expenditures incurred as at December 31, 2008. These projects will be financed by grants, subsidies and long-term liabilities in future years.

#### Niagara Health System St. Catharines Hospital

The Municipality is currently committed to funding \$ 3,500,000 of the local share amounting to \$ 60,000,000 to construct a new Niagara Health System ("NHS") hospital complex to be located in St. Catharines. The Municipality has approved a plan which results in an additional "tax" levy of \$ 100,000 in 2009, \$ 200,000 in 2010, \$300,000 in 2011 and \$ 292,970 to be received over the next 15 years with the final being made in 2025.

### 12. 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, 2008

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### 13. 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

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.

### 14. Contributions to Joint Board

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

	2008	2007
	\$	\$
Niagara District Airport Commission	<b>16,120</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%.

### 15. Budget Figures

The approved operating budget for 2008 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.

### 16. Reserves and Reserve Fund

As at December 31, 2008, the Municipality has three reserves and one obligatory reserve fund which have been reflected as overdrawn. These reserves, replacement of watermains, St. Davids storm sewers, fire building and training tower and obligatory reserve fund, building fund, were subject to budget transfers made to fund several now fully funded capital projects. In light of these 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

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### 17. Tangible Capital Assets

Effective January 1, 2008, the Municipality adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of Public Sector Accounting Handbook comes into effect on January 1, 2009.

Tangible capital assets are to be initially recorded at historical cost. Cost will include 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. Amortization has not been recorded as an expense within the Municipality's 2008 statement of financial activities. Gains and/or losses on the disposal of an asset will be recorded on the statement of financial activities as "Gain/Loss on Disposal of Assets".

Tangible assets received as contributions are recorded at their fair market value at the date of receipt and are also recorded as revenue.

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

As at the date of the financial statements, the Municipality is still working toward obtaining the necessary information in order to fully comply with Section 3150. The information required for the 2008 and 2009 Tangible Capital Assets will be completed and reflected in the consolidated financial statements for the year ending December 31, 2009.

### 18. Segmented Reporting

The Municipality 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:

#### 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

for the year ended December 31, 2008

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### 18. Segmented Reporting - continued

#### Protection

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 Municipality. 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.

#### Transportation

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 Municipality. This area is also responsible for winter control.

#### Environment

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.

#### Health

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

#### Recreation and Culture

Reported in this 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.

#### Planning and Development

The Planning department creates the policy framework and implementation tools required to shape the future of the Municipality. The Development department is responsible for ensuring that the Municipality'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. See note 15 for a discussion on the budgeted figures provided.

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

**SCHEDULE OF SEGMENTED REPORTING**

for the year ended December 31, 2008

	General Government 2008 Budget \$	General Government 2008 Actual \$	General Government 2007 Actual \$	Protection 2008 Budget \$	Protection 2008 Actual \$	Protection 2007 Actual \$	Transportation 2008 Budget \$	Transportation 2008 Actual \$	Transportation 2007 Actual \$	Environment 2008 Budget \$	Environment 2008 Actual \$	Environment 2007 Actual \$
<b>Revenues</b>												
Taxation	7,312,976	7,292,983	6,533,679	-	-	-	-	-	-	-	-	-
User fees and charges	88,500	105,394	120,127	94,630	463,949	551,704	1,083,000	912,982	753,962	5,831,400	5,356,081	6,417,273
Government grants	1,725,336	2,198,013	3,538,144	-	-	-	19,000	1,114,648	-	-	-	-
Other	951,350	1,710,803	1,592,445	15,000	410,971	456,564	50,000	1,156,885	694,639	73,800	767,260	527,329
Government business enterprise	-	817,839	872,723	-	-	-	-	-	-	-	-	-
	10,078,162	12,125,032	12,657,118	109,630	874,920	1,008,268	1,152,000	3,184,515	1,448,601	5,905,200	6,123,341	6,944,602
<b>Expenditures</b>												
Salaries and wages	1,393,880	1,391,237	1,240,311	656,205	1,094,458	1,029,862	1,283,180	1,502,743	1,336,165	649,900	605,761	554,318
Operating materials and supplies	517,080	463,027	428,465	460,438	431,181	421,654	828,250	757,886	730,004	378,660	346,735	591,844
Contracted services	220,090	281,794	202,087	90,010	89,723	88,488	613,500	766,823	589,091	3,443,000	3,327,094	3,464,022
Rents and financial expenses	-	-	-	-	-	-	-	-	-	-	-	-
External transfer	(103,000)	-	-	-	-	-	53,250	-	-	223,500	-	-
Tangible capital assets	-	199,105	108,715	-	2,283,991	630,410	-	1,465,752	1,832,932	-	1,813,196	1,848,504
Debt service	-	-	-	-	21,027	22,965	-	-	-	-	46,945	56,352
	2,028,050	2,335,163	1,979,578	1,206,653	3,920,380	2,193,379	2,778,180	4,493,204	4,488,192	4,695,060	6,139,731	6,515,040
	<b>8,050,112</b>	<b>9,789,869</b>	<b>10,677,540</b>	<b>(1,097,023)</b>	<b>(3,045,460)</b>	<b>(1,185,111)</b>	<b>(1,626,180)</b>	<b>(1,308,689)</b>	<b>(3,039,591)</b>	<b>1,210,140</b>	<b>(16,390)</b>	<b>429,562</b>

See accompanying notes

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

**SCHEDULE OF SEGMENTED REPORTING**

for the year ended December 31, 2008

	Health 2008 Budget \$	Health 2008 Actual \$	Health 2007 Actual \$	Recreation/ Culture 2008 Budget \$	Recreation/ Culture 2008 Actual \$	Recreation/ Culture 2007 Actual \$	Planning/ Development 2008 Budget \$	Planning/ Development 2008 Actual \$	Planning/ Development 2007 Actual \$	Total 2008 Budget \$	Total 2008 Actual \$	Total 2007 Actual \$
<b>Revenues</b>												
Taxation	-	-	-	-	-	-	-	-	-	7,312,976	7,292,983	6,533,679
User fees and charges	237,450	210,761	214,869	855,048	751,464	740,531	290,600	172,342	303,341	8,480,628	7,972,973	9,101,807
Government grants	-	-	-	-	25,276	-	-	88,963	-	1,744,336	3,426,900	3,538,144
Other	-	24,510	33,521	160,800	476,731	521,467	-	90,472	613,945	1,250,950	4,637,632	4,439,910
Government business enterprise	-	-	-	-	-	-	-	-	-	-	817,839	872,723
	237,450	235,271	248,390	1,015,848	1,253,471	1,261,998	290,600	351,777	917,286	18,788,890	24,148,327	24,486,263
<b>Expenditures</b>												
Salaries and wages	146,830	135,750	126,726	1,317,710	1,707,107	1,625,458	677,400	596,948	603,900	6,125,105	7,034,004	6,516,740
Operating materials and supplies	127,555	135,552	131,125	1,021,405	1,037,480	1,049,938	73,250	57,508	53,466	3,406,638	3,229,369	3,406,496
Contracted services	5,030	1,675	975	31,625	63,691	55,807	93,250	28,523	27,922	4,496,505	4,559,323	4,428,392
Rents and financial expenses	-	-	-	-	-	-	-	-	-	-	-	-
External transfers	-	-	-	543,193	145,050	-	(2,000)	-	-	714,943	145,050	-
Tangible capital assets	-	105,675	7,888	-	543,824	590,297	-	324,351	700,963	-	6,735,894	5,719,709
Debt service	-	-	-	-	80,595	90,025	-	-	-	-	148,567	169,342
	279,415	378,652	266,714	2,913,933	3,577,747	3,411,525	841,900	1,007,330	1,386,251	14,743,191	21,852,207	20,240,679
	(41,965)	(143,381)	(18,324)	(1,898,085)	(2,324,276)	(2,149,527)	(551,300)	(655,553)	(468,965)	4,045,699	2,296,120	4,245,584

See accompanying notes

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Port Colborne, Ontario

## AUDITORS' REPORT - TRUST FUNDS

---

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, 2008 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, 2008 and the continuity of trust funds for year then ended in accordance with Canadian generally accepted accounting principles.



Niagara-on-the-Lake, Ontario  
June 12, 2009

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, 2008

	Total \$	Subdividers' Deposits \$	Cemetery Perpetual Care \$	Election \$
<b>Assets</b>				
Cash	582,995	24,461	555,450	3,084
Interest receivable	38	38		
Due from operating fund	1,005,034	1,004,186	848	
Long-term receivables	50,862		50,862	
	<b>1,638,929</b>	<b>1,028,685</b>	<b>607,160</b>	<b>3,084</b>
<b>Fund Balances</b>				
Fund balances	1,638,929	1,028,685	607,160	3,084
	<b>1,638,929</b>	<b>1,028,685</b>	<b>607,160</b>	<b>3,084</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, 2008

	Total \$	Subdividers' Deposits \$	Cemetery Perpetual Care \$	Election \$
<b>Balance, Beginning of Year</b>	1,564,996	985,028	576,982	2,986
<b>Receipts</b>				
Perpetual care agreements	30,178		30,178	
Deposits	485,567	485,567		
Interest earned - other	21,787	729	20,960	98
	537,532	486,296	51,138	98
<b>Expenditures</b>				
Deposits refunded	138,777	138,777		
Services installed	303,862	303,862		
Interest transferred to cemetery maintenance	20,960		20,960	
	463,599	442,639	20,960	
<b>Balance, End of Year</b>	<b>1,638,929</b>	<b>1,028,685</b>	<b>607,160</b>	<b>3,084</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, 2008

---

### 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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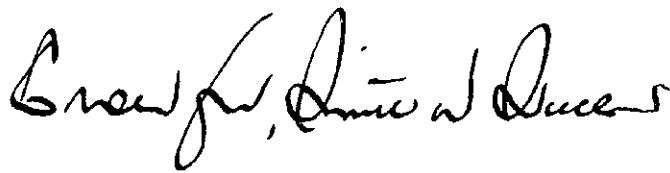
## AUDITORS' REPORT - SUPPLEMENTARY INFORMATION

---

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, 2008.

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  
June 12, 2009

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, 2008

	2008	2007
	\$	\$
<b>Revenues</b>		
Development charges	53,874	60,000
Miscellaneous	30,153	32,994
Municipal grant	388,093	369,612
Provincial grants	25,276	38,082
	<b>497,396</b>	<b>500,688</b>
<b>Expenditures</b>		
Books, magazines and periodicals	90,118	78,927
Capital expenditures	2,548	7,949
Insurance	5,286	5,249
Maintenance	21,361	14,853
Memberships	615	840
Office supplies	7,181	12,609
Public relations	2,758	7,325
Rent	60,000	60,000
Telephone	2,152	2,368
Wages and benefits	293,341	305,069
Workshops	5,161	6,415
	<b>490,521</b>	<b>501,604</b>
<b>Net Revenues (Expenditures)</b>	<b>6,875</b>	<b>(916)</b>
<b>Transfers to Reserve Fund</b>	<b>(13,500)</b>	<b>(5,000)</b>
<b>Library Fund, Beginning of Year</b>	<b>6,625</b>	<b>12,541</b>
<b>Library Fund, End of Year</b>		<b>6,625</b>

See accompanying notes