



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

Consolidated Financial Statements

December 31, 2009

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

Consolidated Financial Statements

December 31, 2009

Table of Contents

	Page
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Cash Flows	4
Consolidated Statement of Change in Net Financial Assets	5
Notes to Consolidated Financial Statements	6 - 20
Schedule of Segmented Reporting	21 - 22
Schedule of Tangible Capital Assets	23 - 24
Auditors' Report - Trust Funds	25
Statement of Financial Position - Trust Funds	26
Statement of Financial Activities and Changes in Fund Balances - Trust Funds	27
Notes to Financial Statements - Trust Funds	28
Auditors' Report - Supplementary Information	29
Schedule of Library Fund Activities	30

Crawford, Smith and Swallow
Chartered Accountants LLP

1567 Highway 55
Niagara-on-the-Lake, Ontario
Telephone (905) 468-7836
Facsimile (905) 468-7909

Mailing Address:
P.O. Box 929
Virgil, Ontario
L0S 1T0

Offices in:
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario
Niagara-on-the-Lake, Ontario
Port Colborne, Ontario

*crawford
smith &
swallow*

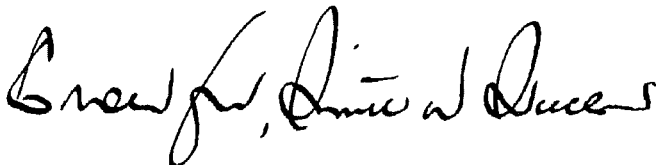
AUDITORS' REPORT

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, 2009 and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets 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, 2009 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
April 1, 2010

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

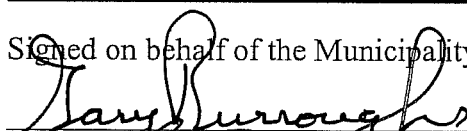
LICENSED PUBLIC ACCOUNTANTS


THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2009

	2009 \$	2008 \$
Financial Assets		
Cash	7,688,655	11,257,294
Taxes receivable - note 4		
Current year	1,754,071	1,726,859
Prior years	2,171,259	1,912,342
User charges receivable	750,187	573,333
Accounts receivable	693,229	715,233
Long-term receivables	78,814	14,230
Note receivable - note 5	6,296,714	6,523,585
Long-term investment - note 5	12,180,376	10,305,370
	31,613,305	33,028,246
Contingent Liabilities - note 11		
Liabilities		
Accounts payable and accrued liabilities	3,407,286	4,111,106
Deferred revenue - obligatory reserve funds - note 6	1,617,849	3,472,489
Other current liabilities	1,712,028	1,831,574
Post-employment benefits - note 7	689,026	714,903
Net long-term liabilities - note 8	4,307,798	5,040,884
	11,733,987	15,170,956
Net Financial Assets	19,879,318	17,857,290
Non-Financial Assets		
Tangible capital assets	151,778,510	148,883,076
Inventories and prepaid expenses	198,467	167,159
	151,976,977	149,050,235
Accumulated Surplus - note 9	171,856,295	166,907,525

Signed on behalf of the Municipality:

 Mayor

 Chief Administrative Officer

See accompanying notes

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2009

	2009 \$	2008 \$
Revenues		
Taxation - note 4	7,972,240	7,292,983
User fees and charges	8,773,789	7,972,973
Government of Canada grants	553,442	58,491
Province of Ontario grants	1,858,023	3,113,409
Other municipality funding	379,958	255,000
Development levies earned	2,319,422	2,130,772
Interest and penalties	677,166	696,223
Investment income	781,174	707,278
Donations	395,049	5,704,332
Prepaid special charges	427,843	119,951
Gain on disposition of tangible capital assets	44,229	
Other	830,970	906,371
Niagara-on-the-Lake Energy Inc. net income - note 5	1,875,006	817,839
	26,888,311	29,775,622
Expenses		
General government	2,376,111	2,267,572
Protection to persons and property	1,951,575	1,770,811
Transportation services	4,354,680	4,145,101
Environmental services	7,441,722	5,809,171
Health services	272,986	283,900
Social and family services	30,501	28,403
Recreation and cultural services	3,656,792	3,839,493
Planning and development	1,855,174	1,024,431
	21,939,541	19,168,882
Excess of Revenues Over Expenses	4,948,770	10,606,740
Accumulated Surplus, Beginning of Year	166,907,525	156,300,785
Accumulated Surplus, End of Year	171,856,295	166,907,525

See accompanying notes

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2009

	2009 \$	2008 \$
Operations		
Excess of revenues over expenses	4,948,770	10,606,740
Sources (Uses)		
Change in taxes receivable	(286,129)	(417,692)
Change in user charges receivable	(176,854)	(56,281)
Change in accounts receivable	22,004	211,044
Change in long-term receivables	(64,584)	(14,230)
Change in inventories and prepaid expenses	(31,308)	(28,405)
Change in accounts payable and accrued liabilities	(703,820)	1,125,444
Change in deferred revenue - obligatory reserve funds	(1,854,640)	(558,503)
Change in other current liabilities	(119,546)	23,052
Change in post-employment benefits	(25,877)	53,936
	(3,240,754)	338,365
Non-cash charges to operations		
Amortization of tangible capital assets	3,808,787	3,676,662
Gain on disposal of tangible capital assets	(44,229)	
Contributed tangible capital assets	(350,381)	(5,635,852)
	3,414,177	(1,959,190)
Net increase in cash from operations	5,122,193	8,985,915
Capital		
Proceeds on disposal of tangible capital assets	50,262	
Cash used to acquire tangible capital assets	(6,359,873)	(6,359,987)
Net decrease in cash from capital activities	(6,309,611)	(6,359,987)
Investing		
Niagara-on-the-Lake Energy Inc. net income	(1,875,006)	(817,839)
Decrease in note receivable	226,871	42,748
Net decrease in cash from investing	(1,648,135)	(775,091)
Financing		
New debt issued		1,574,257
Debt principal repayments	(733,086)	(645,758)
Net increase (decrease) in cash from financing	(733,086)	928,499
Increase (Decrease) in Cash Position	(3,568,639)	2,779,336
Cash Position, Beginning of Year	11,257,294	8,477,958
Cash Position, End of Year	7,688,655	11,257,294

See accompanying notes

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL
ASSETS

for the year ended December 31, 2009

	2009 \$	2008 \$
Excess of Revenues over Expenses	4,948,770	10,606,740
Acquisition of Tangible Capital Assets	(6,710,254)	(11,995,839)
Amortization of Tangible Capital Assets	3,808,787	3,676,662
Proceeds on Disposal of Tangible Capital Assets	50,262	
Gain on Disposal of Tangible Capital Assets	(44,229)	
Change in Inventories and Prepaid Expenses	(31,308)	(28,405)
Increase in Net Financial Assets	2,022,028	2,259,158
Net Financial Assets, Beginning of Year	17,857,290	15,598,132
Net Financial Assets, End of Year	19,879,318	17,857,290

See accompanying notes

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

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 14).

(a) Basis of consolidation

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, reserves, reserve funds and changes in investment in tangible capital assets. It 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.

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 Operations and Accumulated Surplus" 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 13.

Niagara District Airport Commission (Joint Board)

- (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 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 \$ 1,463,119 (\$ 1,638,929 - 2008) 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, 2009

1. Significant Accounting Policies - continued

(b) Basis of accounting

- (i) Revenues and expenses are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting recognizes revenues as they become available 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.
- (iii) 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.

(iv) 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 they are capitalized. Gains and/or losses on the disposal of an asset are recorded on the "Consolidated Statement of Operations and Accumulated Surplus" 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. Similarly, transfer of assets to third parties are 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 in the consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(iv) Tangible capital assets - continued

<u>Asset Class</u>	<u>Period</u>
General Assets	
Land	- NIL
Yard improvements	- 15-20 years
Buildings and fixtures	- 10-60 years
Machinery and equipment	- 5-20 years
Vehicles	- 5-20 years
Information technology	- 4-10 years
Exterior lighting	- 20-40 years
Office furniture and equipment	- 10 years
Other	- 7-50 years
Infrastructure	
Roads	- 15-60 years
Water	- 10-80 years
Sewer	- 60-80 years
Streetlighting	- 30-60 years
Signage	- 7-20 years
Bridges and culverts	- 7-50 years
Bike paths and trailways	- 50 years
Guide rails	- 35 years
Sidewalks	- 60 years

(v) Inventories

Inventories are valued at average cost.

(vi) 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.

(vii) Government transfers

Government 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(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.

2. Change in Accounting Policies

The Municipality adopted Section 1200 and Section 3150 of the PSAB Handbook. Section 1200 refers to general reporting principles and standards related to government financial statements. Section 3150 provides guidance on the recognition and disclosure of tangible capital assets in government financial statements. This accounting change has been applied on a retroactive basis and the prior period figures have been restated in the following manner:

	2008 \$
Accumulated Surplus	
Operating fund	70,361
Capital fund	380,482
Reserves and reserve funds	6,500,438
Equity in Niagara-on-the-Lake Energy Inc.	16,828,955
Amounts to be recovered - employee future benefits	(714,903)
Amounts to be recovered - net long-term liabilities	(5,040,884)
Accumulated surplus, as previously reported	18,024,449
Tangible capital assets at net book value	148,883,076
Accumulated surplus, as restated	166,907,525
Excess of Revenues over Expenses	
Excess of revenues over expenses, as previously reported	2,296,120
Assets capitalized but previously expensed	6,359,987
Amortization expense not previously recorded	(3,676,662)
Contributed tangible capital assets	5,635,852
Change in debt recoverable from others not previously reported as an expense	(8,557)
Excess of revenues over expenses, as restated	10,606,740

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

3. 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	
	2009	2008	2009	2008
	\$	\$	\$	\$
Taxation and user charges	10,962,606	10,855,905	20,369,657	19,748,684
Grants	20,417	22,609	411,741	403,103
	10,983,023	10,878,514	20,781,398	20,151,787
Requisitions	10,983,023	10,878,514	20,781,398	20,151,787
Overlevies (Underlevies) for the year				
Overlevies (Underlevies) at the end of year				

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 - 2008).

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 legislation limits 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, 2009

5. Investment in Niagara-on-the-Lake Energy Inc.

	2009 \$	2008 \$
Statement of Financial Position		
Current assets	4,348,470	5,055,144
Other non-current assets	1,065,674	26,276
Capital assets	21,027,090	20,335,162
Other assets	591,518	685,691
Total assets	27,032,752	26,102,273
Current liabilities	7,324,730	7,930,496
Other liabilities	1,230,932	1,342,822
Long-term note payable	6,296,714	6,523,585
Total liabilities	14,852,376	15,796,903
Net Assets	12,180,376	10,305,370
Statement of Financial Activities		
Revenues	18,091,522	18,156,009
Operating expenses	17,255,875	17,338,170
Net Income	835,647	817,839

In 2009, retained earnings for the company reflected an increase of \$ 1,039,359 related to a change in accounting policy related to future payments in lieu of corporate income taxes 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 \$ 3,949,959 (\$ 4,379,502 - 2008) used to finance the construction of a new transformer station.

During the year the municipality received \$ 226,871 (\$ 42,748 - 2008) 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, 2009

6. 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.

	2009	2008
	\$	\$
Building fund	106,730	(78,363)
Development charges	1,263,808	3,179,264
Recreational land	247,311	273,217
Subdivider contributions		98,371
	1,617,849	3,472,489

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

7. Post-Employment Benefits

	2009 \$	2008 \$
Accrued vacation pay	160,031	199,043
Accumulated sick leave	44,968	54,178
Post-employment benefits	484,027	461,682
	689,026	714,903

Accrued Vacation Pay and Accumulated Sick Leave

As at December 31, 2009, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 160,031 (\$ 199,043 - 2008). 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 \$ 101,108. The actual obligation is \$ 585,135.

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 2009 was \$ 326,246 (\$ 321,955 - 2008) for current service and is included as an expenditure in the "Consolidated Statement of Operations and Accumulated Surplus".

The Municipality has no past service obligation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

8. 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:

	2009 \$	2008 \$
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	4,457,497	5,214,474
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	(149,699)	(173,590)
Net long-term liabilities, end of year	4,307,798	5,040,884

- (b) Of the net long-term liabilities reported in (a) of this note, \$ 3,001,497 in principal payments are payable from 2010 to 2014 and \$ 1,123,904 from 2015 to 2019.
- (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.
- (d) Interest charges of \$ 195,145 (\$ 148,567 - 2008) are included on the "Consolidated Statement of Operations and Accumulated Surplus", classified under the appropriate functional expense heading.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

9. Accumulated Surplus

	2009 \$	2008 \$
Invested in tangible capital assets	152,906,737	149,263,558
Operating fund	86,679	70,361
Reserves and reserve funds	5,382,613	6,500,438
Niagara-on-the-Lake Energy Inc. net equity	18,477,090	16,828,955
	176,853,119	172,663,312
Amounts to be recovered		
Post- employment benefits	(689,026)	(714,903)
Net long-term liabilities	(4,307,798)	(5,040,884)
	(4,996,824)	(5,755,787)
	171,856,295	166,907,525

(a) Operating fund balance

	2009 \$	2008 \$
To be applied in the following year to operations of the:		
Operating fund	55,088	36,989
Airport Commission	31,591	33,372
	86,679	70,361

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

9. Accumulated Surplus - continued

(b) Reserves and reserve fund balances

	2009 \$	2008 \$
Reserves set aside by council for specific purposes:		
Working funds	385,981	640,013
Contingencies	197,168	205,614
Waterfront acquisition	14,692	15,180
Replacement of road equipment	185,904	393,534
Replacement of building department equipment	16,078	13,078
Replacement of recreation equipment	103,791	25,221
Replacement of protection services equipment	10,000	
Upgrade to public works building	48,942	54,000
Road improvements	103,109	781,384
Consolidated sewer area	880,033	442,284
NUSA sewer area		150,072
Glendale sewer area		64,275
Replacement of fire equipment	3,580	8,818
Replacements of watermain	115,154	(38,808)
St. Davids storm sewers		(9,650)
Election expenses	45,000	30,000
Computer equipment	40,611	23,611
Cemetery roadway	25,000	20,000
Machine shop		4,215
Parks and recreation	48,131	16,464
Streetlighting	57,091	4,214
Fire building and training tower	(29,462)	(9,462)
Sidewalk improvements	50,491	48,091
Industrial development	11,192	11,192
Planning services	161,189	119,714
Dock area improvement	6,183	234,600
Winter maintenance	15,192	15,192
Farm irrigation study	75,747	135,315
Hydro interest reserve	333,533	173,187
Community Centre	1,374,985	1,949,985
Shoreline acquisition	68,620	103,421
Provision for debt reduction	6,873	6,873
Rate stabilization	792,040	790,000
Training and development	11,856	
Capital variance	110,747	
Ontario disabilities	37,767	
Total Reserves	5,307,218	6,421,627

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

9. Accumulated Surplus - continued

(b) Reserves and reserve fund balances - continued

	2009 \$	2008 \$
Reserve Funds set aside by council for specific purposes:		
Parking purposes	5,088	34,434
Library development and computer	70,307	44,377
Total Reserve Funds	75,395	78,811
	5,382,613	6,500,438

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

	2009 \$	2008 \$
Niagara-on-the-Lake Energy Inc. net equity - note 5	18,477,090	16,828,955

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

10. Contractual Obligations and Commitments

Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2009 is approximately \$ 5,049,619 (\$ 3,442,382 - 2008) after deducting the expenditures incurred as at December 31, 2009. 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, \$ 287,951 per annum for the years 2012 to 2021 and \$ 103,014 per annum for the years 2022 to 2031. As at December 31, 2009, \$ 100,000 has been collected and included in the "Working Funds Reserve" balance of \$ 385,981. The first instalment, in the amount of \$ 600,000, will be paid to the NHS at the end of 2011 and is to be used for equipment purchases only. All payments thereafter will be paid according to the payment plan approved by Council and will be used to fund both equipment and building construction costs.

11. 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.

12. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

13. Contributions to Joint Board

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

	2009	2008
	\$	\$
Niagara District Airport Commission	16,120	16,120

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

14. Budget Figures

The approved operating budget for 2009 is reflected on the "Consolidated Statement of Operations and Accumulated Surplus". 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. Budget figures have been reclassified to comply with PSAB reporting requirements.

15. Reserves and Reserve Fund

As at December 31, 2009, the Municipality has one reserve which has been reflected as overdrawn. This reserve, fire building and training tower, was subject to budget transfers made to fund several now fully funded capital projects. In light of this balance, a plan is in place, which has been approved by Council, to fund the deficit either by rate charges or approved capital budget.

16. 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, 2009

16. 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 interment 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 14 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, 2009

	General Government			Protection			Transportation			Environment		
	2009	2009	2008	2009	2009	2008	2009	2009	2008	2009	2009	2008
	Budget	Actual	Actual	Budget	Actual	Actual	Budget	Budget	Actual	Budget	Actual	Actual
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues												
Taxation	7,391,190	7,972,240	7,292,983	-	-	-	-	-	-	-	-	-
User fees and charges	93,050	112,499	105,394	636,320	735,291	463,949	1,052,850	950,738	912,982	7,066,000	5,789,961	5,356,081
Government grants	-	1,548,000	2,198,013	-	-	-	20,000	648,795	1,114,648	-	306,163	-
Other	436,675	1,378,677	1,702,246	20,200	170,356	410,971	25,200	1,262,368	2,267,241	73,800	635,901	5,292,756
Government business enterprise	-	1,875,006	817,839	-	-	-	-	-	-	-	-	-
	7,920,915	12,886,422	12,116,475	656,520	905,647	874,920	1,098,050	2,861,901	4,294,871	7,139,800	6,732,025	10,648,837
Expenditures												
Salaries and wages	1,397,240	1,387,055	1,391,237	1,049,645	1,047,881	1,094,458	1,501,720	1,484,139	1,502,743	714,550	621,206	605,761
Operating materials and supplies	334,935	618,607	598,349	507,513	413,148	313,686	694,725	1,503,041	1,111,118	2,092,100	1,100,211	470,772
Contracted services	43,160	363,895	281,794	91,700	105,630	89,723	676,050	566,852	766,823	2,159,040	3,566,849	2,647,769
Rents and financial expenses	5,500	13,045	-	74,000	-	-	300,100	-	-	-	-	-
Interfunctional transfers	-	(70,000)	(63,500)	-	-	-	-	(165,000)	(160,000)	-	-	-
External transfers	-	-	-	-	11,000	-	15,130	-	-	235,000	235,000	223,500
Amortization	-	94,010	88,095	-	286,197	251,917	-	965,648	924,417	-	1,881,109	1,814,424
Debt service	-	-	-	-	87,719	21,027	-	-	-	-	37,347	46,945
	1,780,835	2,406,612	2,295,975	1,722,858	1,951,575	1,770,811	3,187,725	4,354,680	4,145,101	5,200,690	7,441,722	5,809,171
	6,140,080	10,479,810	9,820,500	(1,066,338)	(1,045,928)	(895,891)	(2,089,675)	(1,492,779)	149,770	1,939,110	(709,697)	4,839,666

See accompanying notes

crawford smith & swallow

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

SCHEDULE OF SEGMENTED REPORTING

for the year ended December 31, 2009

	Health 2009 Budget \$	Health 2009 Actual \$	Health 2008 Actual \$	Recreation/ Culture 2009 Budget \$	Recreation/ Culture 2009 Actual \$	Recreation/ Culture 2008 Actual \$	Planning/ Development 2009 Budget \$	Planning/ Development 2009 Actual \$	Planning/ Development 2008 Actual \$	Total 2009 Budget \$	Total 2009 Actual \$	Total 2008 Actual \$
Revenues												
Taxation	-	-	-	-	-	-	-	-	-	7,391,190	7,972,240	7,292,983
User fees and charges	250,600	216,522	210,761	909,690	731,944	751,464	229,300	236,834	172,342	10,237,810	8,773,789	7,972,973
Government grants	-	-	-	-	207,356	25,276	2,000	81,109	88,963	22,000	2,791,423	3,426,900
Other	900	10,172	24,510	24,900	1,199,117	476,731	-	819,262	90,472	581,675	5,475,853	10,264,927
Government business enterprise	-	-	-	-	-	-	-	-	-	-	1,875,006	817,839
	251,500	226,694	235,271	934,590	2,138,417	1,253,471	231,300	1,137,205	351,777	18,232,675	26,888,311	29,775,622
Expenditures												
Salaries and wages	144,680	145,408	135,750	1,319,990	1,816,015	1,707,107	714,100	634,152	596,948	6,841,925	7,135,856	7,034,004
Operating materials and supplies	93,395	116,583	138,327	861,230	1,003,465	1,270,490	66,385	765,024	381,859	4,650,283	5,520,079	4,284,601
Contracted services	5,030	1,491	1,675	25,575	53,675	63,691	37,850	70,843	28,523	3,038,405	4,729,235	3,879,998
Rents and financial expenses	40,500	-	-	190,190	-	-	-	-	-	610,290	13,045	-
Interfunctional transfers	-	-	-	-	-	-	-	-	-	-	-	-
External transfers	-	-	-	576,270	144,370	145,050	-	382,024	-	826,400	537,394	145,050
Amortization	-	9,504	8,148	-	569,188	572,560	-	3,131	17,101	-	3,808,787	3,676,662
Debt service	-	-	-	-	70,079	80,595	-	-	-	-	195,145	148,567
	283,605	272,986	283,900	2,973,255	3,656,792	3,839,493	818,335	1,855,174	1,024,431	15,967,303	21,939,541	19,168,882
	(32,105)	(46,292)	(48,629)	(2,038,665)	(1,518,375)	(2,586,022)	(587,035)	(717,969)	(672,654)	2,265,372	4,948,770	10,606,740

See accompanying notes

crawford smith & swallow

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

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2009

	Balance, Beginning of Year	Cost			Balance, End of Year	Balance, Beginning of Year	Accumulated Amortization			Balance, End of Year	Net Book Value
		Additions	Disposals				Amortization	Disposals			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General											
Land	2,520,429				2,520,429						2,520,429
Yard improvements	2,205,021	237,432	22,381		2,420,072	922,629	96,584	22,381		996,832	1,423,240
Buildings and fixtures	14,459,542	2,317,082	22,898		16,753,726	5,193,322	428,410	22,898		5,598,834	11,154,892
Machinery and equipment	2,636,682	152,728	13,475		2,775,935	1,236,851	180,135	11,219		1,405,767	1,370,168
Vehicles	5,499,794	696,680	575,430		5,621,044	2,562,486	374,148	572,355		2,364,279	3,256,765
Information technology	477,839	56,414	16,318		517,935	301,471	72,851	16,318		358,004	159,931
Exterior lighting	384,844	20,167	13,818		391,193	201,360	15,252	13,818		202,794	188,399
Office furniture and equipment	181,516				181,516	163,637	11,919			175,556	5,960
Other	1,373,908	518,755			1,892,663	446,343	104,091			550,434	1,342,229
	29,739,575	3,999,258	664,320		33,074,513	11,028,099	1,283,390	658,989		11,652,500	21,422,013
Infrastructure											
Roads	20,708,327	291,592			20,999,919	7,184,731	530,605			7,715,336	13,284,583
Water	51,156,345	2,034,669	1,315		53,189,699	7,440,662	700,163	613		8,140,212	45,049,487
Sewer	79,974,833	482,539			80,457,372	13,545,351	1,146,628			14,691,979	65,765,393
Streetlighting	1,308,626	13,485			1,322,111	359,337	35,275			394,612	927,499
Signage	621,357	11,650			633,007	448,230	35,748			483,978	149,029
Bridges and culverts	942,491	63,932	29,266		977,157	580,089	15,749	29,266		566,572	410,585
Bike path and trailways	666,948				666,948	41,650	13,339			54,989	611,959
Guide rails	730,056	57,666			787,722	310,255	21,051			331,306	456,416
Sidewalks	1,520,541	314,894			1,835,435	337,494	26,839			364,333	1,471,102
	157,629,524	3,270,427	30,581		160,869,370	30,247,799	2,525,397	29,879		32,743,317	128,126,053
Work in Progress											
	2,789,875	(559,431)			2,230,444						2,230,444
December 31, 2009	190,158,974	6,710,254	694,901		196,174,327	41,275,898	3,808,787	688,868		44,395,817	151,778,510

See accompanying notes

crawford smith & swallow

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

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2008

	Cost			Accumulated Amortization			Net Book Value
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Amortization	Disposals	
	\$	\$	\$	\$	\$	\$	\$
General							
Land	2,520,416	13		2,520,429			2,520,429
Yard improvements	2,150,851	54,170		2,205,021			1,282,392
Buildings and fixtures	14,357,843	104,911	3,212	14,459,542	828,710	93,919	9,266,220
Machinery and equipment	2,602,245	74,411	39,974	2,636,682	4,794,397	402,137	1,399,831
Vehicles	5,018,368	544,509	63,083	5,499,794	1,098,793	178,032	2,937,308
Information technology	370,177	107,662		477,839	2,260,443	365,126	176,368
Exterior lighting	384,844			384,844	227,529	73,942	183,484
Office furniture and equipment	181,516			181,516	183,721	17,639	163,637
Other	1,266,506	107,402		1,373,908	149,302	14,335	927,565
	28,852,766	993,078	106,269	29,739,575	353,500	92,843	11,028,099
					1,237,973	106,269	18,711,476
Infrastructure							
Roads	19,177,226	1,531,101		20,708,327	6,678,283	506,448	13,523,596
Water	48,439,661	2,716,684		51,156,345	6,765,932	674,730	43,715,683
Sewer	76,476,863	3,497,970		79,974,833	12,427,131	1,118,220	66,429,482
Streetlighting	1,049,252	259,374		1,308,626	326,811	32,526	949,289
Signage	565,142	56,215		621,357	414,523	33,707	173,127
Bridges and culverts	942,491			942,491	563,475	16,614	362,402
Bike path and trailways	666,948			666,948	28,311	13,339	625,298
Guide rails	694,635	35,421		730,056	290,397	19,858	419,801
Sidewalks	1,404,420	116,121		1,520,541	314,247	23,247	1,183,047
	149,416,638	8,212,886		157,629,524	27,809,110	2,438,689	127,381,725
Work in Progress							
		2,789,875		2,789,875			2,789,875
December 31, 2008	178,269,404	11,995,839	106,269	190,158,974	37,705,505	3,676,662	148,883,076

See accompanying notes

crawford smith & swallow

Crawford, Smith and Swallow
Chartered Accountants LLP

1567 Highway 55
Niagara-on-the-Lake, Ontario
Telephone (905) 468-7836
Facsimile (905) 468-7909

*crawford
smith &
swallow*

Mailing Address:
P.O. Box 929
Virgil, Ontario
L0S 1T0

Offices in:
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario
Niagara-on-the-Lake, Ontario
Port Colborne, Ontario

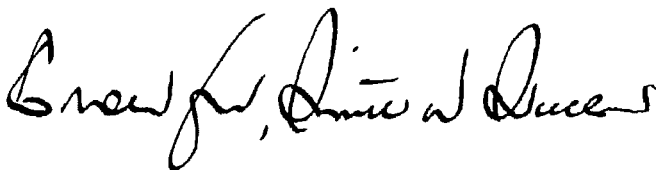
AUDITORS' REPORT - TRUST FUNDS

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, 2009 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, 2009 and the continuity of trust funds for year then ended in accordance with Canadian generally accepted accounting principles.



Niagara-on-the-Lake, Ontario
April 1, 2010

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, 2009

	Total \$	Subdividers' Deposits \$	Cemetery Perpetual Care \$	Greening Reserve \$	OSUM 2011 Conference \$	NDSS \$
Assets						
Cash	650,315	24,627	622,581	3,107		
Interest receivable	9	9				
Due from operating fund	769,241	795,489	219		(18,066)	(8,401)
Long-term receivables	25,488		25,488			
Prepaids	18,066			18,066		
	1,463,119	820,125	648,288	3,107		(8,401)
Fund Balances						
Fund balances	1,463,119	820,125	648,288	3,107		(8,401)
	1,463,119	820,125	648,288	3,107		(8,401)

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, 2009

	Total \$	Subdividers' Deposits \$	Cemetery Perpetual Care \$	Greening Reserve \$	OSUM 2011 Conference \$	NDSS \$
Balance, Beginning of Year	1,638,929	1,028,685	607,160	3,084		
Receipts						
Donations	56,714					56,714
Perpetual care agreements	41,128		41,128			
Deposits	480,223	480,223				
Interest earned - other	7,233	137	7,073	23		
	585,298	480,360	48,201	23		56,714
Expenditures						
Deposits refunded	308,115	308,115				
Services installed	380,805	380,805				
Lord Mayor fundraiser	21,951					21,951
Training, membership and advertising	25,194					25,194
Sport equipment	17,970					17,970
Interest transferred to cemetery maintenance	7,073		7,073			
	761,108	688,920	7,073			65,115
Balance, End of Year	1,463,119	820,125	648,288	3,107		(8,401)

See accompanying notes

crawford smith & swallow

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

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2009

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.

Crawford, Smith and Swallow
Chartered Accountants LLP

1567 Highway 55
Niagara-on-the-Lake, Ontario
Telephone (905) 468-7836
Facsimile (905) 468-7909

*crawford
smith &
swallow*

Mailing Address:
P.O. Box 929
Virgil, Ontario
L0S 1T0

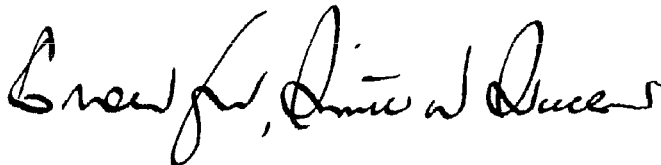
Offices in:
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario
Niagara-on-the-Lake, Ontario
Port Colborne, Ontario

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, 2009.

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
April 1, 2010

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, 2009

	2009 \$	2008 \$
Revenues		
Development charges	30,000	53,874
Miscellaneous	44,501	30,153
Municipal grant	419,140	388,093
Provincial grants	45,562	25,276
Other grants	5,080	
	544,283	497,396
Expenditures		
Amortization	140,163	143,463
Insurance	4,808	5,286
Maintenance	31,690	21,361
Memberships	614	615
Office supplies	14,225	7,181
Professional development	1,285	
Professional fees	801	
Program expenditures	3,507	
Public relations	1,814	2,758
Rent	60,000	60,000
Telephone	2,222	2,152
Wages and benefits	322,103	293,341
Workshops	1,940	5,161
	585,172	541,318
Net Expenditures	(40,889)	(43,922)
Add: Amortization of Tangible Capital Assets	140,163	143,463
Less: Acquisition of Tangible Capital Assets	(53,605)	(92,666)
Transfers to Reserve Fund	(45,669)	(13,500)
Library Fund, Beginning of Year		6,625
Library Fund, End of Year		

See accompanying notes