

Consolidated Financial Statements of

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

For the year ended December 31, 2011



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of the Town of Niagara-on-the-Lake, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of the Town of Niagara-on-the-Lake as at December 31, 2011, and its consolidated results of operations and its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matters*

The financial statements of the Town of Niagara-on-the-Lake for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified audit opinion on those statements on August 15, 2011.

As part of our audit of the 2011 financial statements, we also audited the adjustments described in note 2 that were applied to amend the 2010 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2010 financial statements of the Town of Niagara-on-the-Lake other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2010 financial statements taken as a whole.

*KPMG LLP*

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Chartered Accountants, Licensed Public  
Accountants

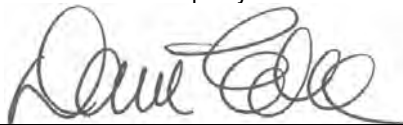
June 25,  
2012  
St. Catharines, Canada

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2011

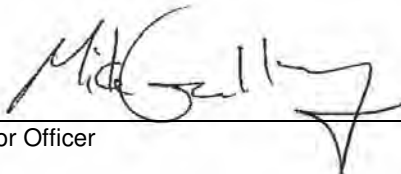
	Actual 2011 \$	Actual 2010 \$ Restated (note 2)
<b>Financial Assets</b>		
Cash	9,866,236	8,552,212
Taxes receivable (note 3)		
Current year	1,568,451	1,703,625
Prior years	1,747,896	1,830,520
Accounts receivable	2,975,151	1,777,263
Long-term receivable	-	73,471
Debt recoverable from others (note 7)	112,641	128,546
Note receivable (note 4)	5,146,521	5,746,838
Long-term investment (note 4)	13,294,853	12,257,036
	<b>34,711,749</b>	<b>32,069,511</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,846,543	5,899,659
Deferred revenue (note 5)	3,006,554	1,103,836
Post-employment benefits (note 6)	1,008,460	985,955
Net long-term liabilities (note 7)	4,852,362	5,576,259
	<b>13,713,919</b>	<b>13,565,709</b>
<b>Net Financial Assets</b>	<b>20,997,830</b>	<b>18,503,802</b>
<b>Non-Financial Assets</b>		
Tangible capital assets	161,879,554	158,303,529
Inventories and prepaid expenses	226,232	216,800
	<b>162,105,786</b>	<b>158,520,329</b>
<b>Accumulated Surplus (note 8)</b>	<b>183,103,616</b>	<b>177,024,131</b>

See accompanying notes.

Signed on behalf of the Municipality:



Lord Mayor



Chief Administrator Officer

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
for the year ended December 31, 2011

	Budget 2011 \$ (unaudited)	Actual 2011 \$	Actual 2010 \$ Restated (note 2)
<b>Revenues</b>			
Taxation (note 3)	8,402,709	8,631,875	8,609,795
User fees and charges	9,940,251	9,763,797	9,989,553
Government of Canada grants	457,600	2,917,893	1,528,304
Province of Ontario grants	1,141,120	1,481,133	2,336,848
Other municipality funding	100,274	724,578	166,487
Development levies earned	-	846,355	1,584,499
Interest and penalties	443,000	519,260	736,610
Investment income	460,031	535,637	527,015
Donations	73,000	1,043,590	278,255
Gain on disposition of tangible capital assets	-	44,280	18,764
Other	1,129,850	1,180,571	600,776
Niagara-on-the-Lake Energy Inc. net income (note 4)	600,315	1,037,817	930,000
	<b>22,748,150</b>	<b>28,726,786</b>	<b>27,306,906</b>
<b>Expenses</b>			
General government	5,242,673	1,898,809	2,547,933
Protection services	2,227,239	2,601,538	2,326,281
Transportation services	3,390,029	4,266,949	3,759,631
Environmental services	6,762,108	7,913,357	7,281,699
Health services	326,794	296,315	445,094
Recreation	3,721,471	4,338,234	3,794,608
Planning and development	1,077,836	1,332,099	1,505,104
	<b>22,748,150</b>	<b>22,647,301</b>	<b>21,660,350</b>
Excess of revenues over expenses	-	6,079,485	5,646,556
Accumulated surplus, beginning of year		177,024,131	171,856,295
Correction of error (note 2)			594,715
Correction of error (note 2)			(220,097)
Correction of error in Niagara-on-the-Lake Energy Inc. (note 4)			(853,338)
Accumulated surplus, end of year	-	183,103,616	177,024,131

See accompanying notes.

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)**  
for the year ended December 31, 2011

	Actual 2011 \$	Actual 2010 \$ Restated (note 2)
Excess of revenues over expenses	6,079,485	5,646,556
Acquisition of tangible capital assets	(7,845,500)	(10,481,876)
Amortization of tangible capital assets	4,247,356	3,950,395
Proceeds on disposal of tangible capital assets	66,398	25,223
Gain on disposal of tangible capital assets	(44,280)	(18,764)
Change in inventories and prepaid expenses	(9,432)	(18,333)
Increase (decrease) in net financial assets	2,494,027	(896,799)
Net financial assets, beginning of year	18,503,802	19,400,601
Net financial assets, end of year	20,997,829	18,503,802

See accompanying notes.

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended December 31, 2011

	Actual 2011 \$	Actual 2010 \$ Restated (note 2)
<b>Operations</b>		
Excess of revenues over expenses	6,079,485	5,646,556
Items not involving cash:		
Amortization of tangible capital assets	4,247,356	3,950,395
Contributed assets	(737,740)	-
Gain on disposal of tangible capital assets	(44,280)	(18,764)
	9,544,821	9,578,187
Changes in non-cash assets and liabilities:		
Taxes receivable	217,798	391,185
Accounts receivable	(1,197,888)	(268,847)
Long-term receivables	73,471	5,343
Inventories and prepaid expenses	(9,432)	(18,333)
Accounts payable and accrued liabilities	(1,053,116)	1,278,541
Deferred revenue	1,902,718	(514,013)
Other current liabilities	-	31,520
Post-employment benefits	22,505	76,832
Net increase in cash from operations	9,500,877	10,560,415
<b>Capital</b>		
Proceeds on disposal of tangible capital assets	66,398	25,223
Acquisition of tangible capital assets	(7,107,760)	(10,481,876)
Net decrease in cash from capital activities	(7,041,362)	(10,456,653)
<b>Investing</b>		
Niagara-on-the-Lake Energy Inc. net income	(1,037,817)	(930,000)
Decrease in note receivable	600,317	549,877
Net decrease in cash from investing	(437,500)	(380,123)
<b>Financing</b>		
New debt issued	-	1,891,000
Debt principal repayments	(707,992)	(751,085)
Net increase in cash from financing	(707,992)	1,139,915
<b>Increase in cash</b>	1,314,023	863,554
<b>Cash, beginning of year</b>	8,552,212	7,688,658
<b>Cash, end of year</b>	9,866,235	8,552,212

See accompanying notes.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2011

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### 1. Significant Accounting Policies:

The Corporation of the Town of Niagara-on-the-Lake (the "Town") is a municipality that provides municipal services such as fire, public works, planning, parks and recreation, library and other general government operations.

The consolidated financial statements of the Town are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, reserves, reserve funds and changes in investment in tangible capital assets. It includes 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 Town, and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of NOTLEI in its "Consolidated Statement of Operations" with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from NOTLEI will be reflected as reductions in the investment account.

(ii) Partial-consolidated entities:

The Niagara District Airport Commission is operated with a joint local board and is proportionately consolidated.

(iii) Accounting for Region and School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Niagara are not reflected in these consolidated financial statements.



**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2011

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**1. Significant Accounting Policies (continued):**

(a) Basis of consolidation (continued):

(iv) Trust funds:

Trust funds and their related operations administered by the Town are not consolidated, but are reported separately on the "Statement of Financial Position - Trust Funds" and the "Statement of Financial Activities and Changes in Fund Balances - Trust Funds".

(b) Basis of accounting:

(i) Revenues and expenses:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(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 amortization commences. Gains and/or losses on the disposal of an asset are recorded on the "Consolidated Statement of Operations".

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are also recorded as revenue. Similarly, transfer of assets to third parties are removed from tangible capital assets and recorded as an expense equal to the net book value of the asset as at the date of the transfer.

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2011

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**1. Significant Accounting Policies (continued):**

(b) Basis of accounting (continued):

(iv) Tangible capital assets (continued):

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

Asset Class	Useful Life (years)
General Assets:	
Land improvements	10 to 60
Buildings and building improvements	5 to 60
Machinery and equipment	5 to 40
Information technology	2 to 10
Vehicles	6 to 20
Other	7 to 50
Infrastructure:	
Linear	10 to 80
Street lighting and other	7 to 60
Other	7 to 50

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Interest on debt incurred during construction of related tangible capital assets is expensed in the statement of operations in the year incurred.

(v) Inventories:

Inventories are valued at average cost.

(vi) Deferred revenue:

Funds received for specific purposes are accounted for as deferred revenue until the Town discharges the obligation which led to the receipt of the funds.

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2011

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**1. Significant Accounting Policies (continued):**

(b) Basis of accounting (continued):

(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.

(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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**2. Correction of an Error:**

**NOTLEI - Regulatory Accounting Changes**

NOTLEI, which is accounted for on a modified equity basis by the Town, experienced a change in accounting policy during the year. Effective January 1, 2011, Niagara-on-the-Lake Hydro Inc., a wholly owned subsidiary of NOTLEI adopted the amended sections of the CICA Handbook Section 3465, *Income taxes*.

The amendment to CICA Handbook Section 3465 states that where future income taxes may be expected to be included in approved rates charged to customers in the future and be recovered or returned to future customers, then recognition of a regulatory asset or liability for the increase or reduction in future revenue is required. Furthermore, the regulatory asset or liability established by this requirement is a temporary difference for which an additional future income tax asset or liability is recognized. This change has been applied on a retroactive basis without restatement of prior periods. As a result of this change, NOTLEI's opening retained earnings decreased by \$853,337, regulatory assets decreased by \$1,040,295 and future tax assets increased by \$260,074. The impact on the NOTLEI's results from operations for the year ended December 31, 2010 was a reduction of future income taxes of \$73,116.

This change in accounting policy at NOTLEI has been applied in the same manner at the Town. As a result, opening accumulated surplus has decreased by \$780,221 and the investment in NOTLEI has decreased by \$780,221.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2011

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### 2. Correction of an Error (continued):

#### Post-employment Benefits

During 2011, the Town became aware of a liability for WSIB relating to a time in the past when they were a Schedule 2 employer. This liability has been recorded on a retroactive basis and prior periods have been restated resulting in an increase in post-employment benefits liability of \$234,202 at December 31, 2010 and an increase in salaries and wages expense of \$14,105 for the year ended December 31, 2010. Accumulated surplus was decreased by \$220,097 at January 1, 2010.

#### Assets and liabilities

During 2011, the Town undertook a review of its outstanding asset and liability accounts and determined that certain accounts were not assets and liabilities. These accounts have been written off on a retroactive basis and prior periods have been restated resulting in a decrease in liabilities of \$530,037 and an increase in accumulated surplus of \$594,715 and an increase in accounts receivable of \$114,545 and revenue of \$49,867.

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#### Accumulated surplus at January 1, 2010

	\$
Accumulated surplus at January 1, 2010, as previously reported	171,856,295
NOTLEI Regulatory accounting change	(853,338)
Post-employment benefits	(220,097)
Assets and liabilities	594,715
Annual surplus for 2010	5,646,556
Accumulated surplus, December 31, 2010	<u>177,024,131</u>

### 3. Tax Receivables and Revenues:

Property tax billings are prepared by the Town based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Town are subject to measurement uncertainty as a significant number of appeals submitted by ratepayers have yet to be heard.

The Province of Ontario instituted a mandatory capping program through the provision 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, 2011

4. Investment in Niagara-on-the-Lake Energy Inc.:	2011	2010
	\$	\$
Statement of Financial Position		
Current Assets	4,260,800	4,775,958
Other non-current assets	530,467	373,197
Capital assets	20,973,558	20,849,462
Other assets	3,552,639	2,072,558
<b>Total assets</b>	<b>29,317,464</b>	<b>28,071,175</b>
Current liabilities	8,755,613	9,240,755
Loan payable	1,316,667	-
Other liabilities	803,810	826,546
Long term note payable	5,146,521	5,746,838
<b>Total liabilities</b>	<b>16,022,611</b>	<b>15,814,139</b>
<b>Net Assets</b>	<b>13,294,853</b>	<b>12,257,036</b>
Statement of Financial Activities		
Revenues	20,460,616	19,026,653
Operating expenses	19,422,799	18,096,653
<b>Net Income</b>	<b>1,037,817</b>	<b>930,000</b>

The investment in NOTLEI is represented by 1,001 common shares of the company.

The Town has provided an assignment and postponement of claim on behalf of Niagara-on-the-Lake Energy Inc. for demand installment loans in the amount of \$4,053,380 (2010 - \$4,342,258) used to finance the construction of a new transformer station.

During the year the Town received \$600,317 (2010 - \$549,876) as a partial repayment of the note receivable outstanding.

The note receivable bears interest at 7.25%. The note is unsecured and there are no fixed terms of repayment.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2011

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#### 5. Deferred Revenue:

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. These reserve funds are considered obligatory as Provincial legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected and when the Town has approved the expenditures for the capital project for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to support the cost of growth related capital projects associated with new development.

The deferred revenues are made up of the following:

	2011 \$	2010 \$
Building fund	182,484	42,358
Development charges	2,073,832	719,367
Federal gas tax	-	(721)
Recreational land	539,898	342,832
Unearned revenue	210,340	-
	<b>3,006,554</b>	<b>1,103,836</b>

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2011

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#### 6. Post-Employment Benefits:

The Town of Niagara-on-the-Lake provides certain employees benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance ("WSIB") Act, and life insurance, extended health, and dental benefits to early retirees.

	2011	2010
	\$	\$
Retiree benefits	483,085	511,057
Accrued vacation pay	238,066	197,026
Accumulated sick leave	43,900	43,670
Future payments required to WSIB	243,409	234,202
	<b>1,008,460</b>	<b>985,955</b>

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

	2011	2010
	\$	\$
Accrued benefit obligation:		
Balance, beginning of year	1,113,543	965,263
Current benefit cost	75,813	73,507
Interest	31,390	28,812
Miscellaneous	(863)	43,670
Actuarial loss	-	40,775
Benefits paid	(66,801)	(38,484)
Balance, end of year:	1,153,082	1,113,543
Unamortized actuarial loss	(144,622)	(127,588)
Liability for benefits	<b>1,008,460</b>	<b>985,955</b>

Amortization of the actuarial loss of \$17,024 (2010 - \$ 14,295) has been included in expenses on the "Statement of Operations".

#### Accrued Vacation Pay

As at December 31, 2011, employees of the Town have accumulated vacation pay credits in the amount of \$238,066 (2010 - \$197,026). Any unused credits may be carried forward to the next year.

#### Accumulated Sick Leave

Under the Town's sick leave benefit plan, employees can choose to either carry forward up to 5 unused days to the next year, have all unused credits paid out at the end of the year or any combination of the two choices. Credits are paid out at 50%. The accrued benefit obligation and the expense for the year ended December 31, 2011 were determined by an actuary. The last actuarial valuation was performed at December 31, 2010.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2011

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#### 6. Post-Employment Benefits (continued):

##### Retiree Benefits

The Town pays health care, dental, travel and life insurance benefits for early retirees to age 65. The Town recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the year ended December 31, 2011 were determined by an actuarial review and analysis of changes made to plans since the last valuation. The last actuarial valuation was performed as at December 31, 2010.

##### Accrued WSIB

The Town has elected to be treated as a Schedule 1 employer for the purposes of WSIB where a premium is paid to cover the Town's responsibilities under the Workplace Safety and Insurance Board Act ("WSIB"). In the past, the Town was a Schedule 2 employer whereby the Town was responsible to fund disability payments. WSIB has provided the Town an estimate of the value of the future benefits for which the Town is responsible.

##### Actuarial Assumptions

The main actuarial assumptions employed for the valuations are as follows:

##### Interest (discount rate)

The accrued benefit obligation was determined using a discount rate of 4.75%.

##### Inflation

Inflation was assumed to be 2%.

##### Medical, dental and travel costs

Medical, dental and travel costs are assumed to increase at a rate of 6.0% per year reducing by 0.2223% per year over 9 years to 4.0% in 2020 and 4.0% per year thereafter.

##### Salary escalations

Future salary has been assumed to escalate at a rate of 3.0% per year.

##### Pension Agreements

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

The amount contributed to OMERS for 2011 was \$457,514 (2010 - \$360,300) for current service and is included as an expenditure in the "Consolidated Statement of Operations".

The Town 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, 2011

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**7. 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:

	2011 \$	2010 \$
The Town has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities.	4,852,362	5,576,259
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage loans have been assumed by individuals.	(112,641)	(128,546)
<b>Net long-term liabilities, end of year</b>	<b>4,739,721</b>	<b>5,447,713</b>

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

	\$
2012	736,483
2013	768,243
2014	480,284
2015	497,617
2016	431,255
Thereafter	1,825,838
	<b>4,739,721</b>

- (d) Interest charges on long-term debt in the amount of \$217,618 (2010 - \$212,949) are included on the "Consolidated Statement of Operations", classified under the appropriate functional expense heading. The long-term debt bears interest at rates ranging from 1.6% to 5.35% payable semi-annually.

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2011

**8. Accumulated Surplus:**

	2011 \$	2010 \$
Invested in tangible capital assets	157,139,833	152,855,816
Operating fund	5,457,747	6,376,602
Reserves and reserve funds	7,812,841	6,221,504
Niagara-on-the-Lake Energy Inc. net equity	18,441,376	18,003,877
	<b>188,851,797</b>	<b>183,457,799</b>
Amounts to be recovered		
Post-employment benefits	(1,008,460)	(985,955)
Net long-term liabilities	(4,739,721)	(5,447,713)
	<b>(5,748,181)</b>	<b>(6,433,668)</b>
	<b>183,103,616</b>	<b>177,024,131</b>
(a) Operating fund balance		
	2011 \$	2010 \$
To be applied in the following year to operations of the:		
Operating fund	9,031,964	12,636,076
Airport Commission	1,807	31,343
	<b>9,033,771</b>	<b>12,667,419</b>

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2011

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**8. Accumulated Surplus (continued):**

(b) Reserves and reserve fund balances

	2011 \$	2010 \$
Reserves set aside by council for specific purposes:		
Working funds	100,000	400,000
Contingencies	387,144	347,294
Land acquisition	18,324	33,607
Replacement of road equipment	168,374	218,031
Replacement of building department equipment	26,318	21,198
Replacement of recreation equipment	185,195	106,686
Replacement of protection services equipment	10,000	10,000
Upgrade to public works building	51,042	49,992
Road improvements	90,916	50,784
Wastewater capital improvements	1,646,266	1,306,198
Replacement of fire equipment	24,341	6,842
Water capital improvements	888,766	843,259
Parking revenue	539,411	-
Election expenses	15,300	-
Computer equipment	41,089	36,861
Parks and recreation buildings	48,131	48,131
Street lighting	116,466	77,871
Sidewalk improvements	77,276	58,058
Economic development	11,192	11,192
Planning services	64,689	62,189
Dock area improvement	252,183	121,183
Winter maintenance	85,192	15,192
Irrigation	121,051	86,489
Future Facilities	308,342	283,533
Community Centre	413,991	796,936
Storm Water Management	352,452	118,509
Provision for debt reduction	6,873	6,873
Rate stabilization	255,694	525,694
Training and development	11,856	11,856
Capital variance	33,859	201,963
Capital levy	909,965	39,446
Ontario disabilities	62,427	75,467
Grants and other	21,356	-
Water rate stabilization	167,000	-
Wastewater rate stabilization	183,300	-
<b>Total Reserves</b>	<b>7,695,781</b>	<b>5,971,334</b>

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2011

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**8. Accumulated Surplus (continued):**

(b) Reserves and reserve fund balances - continued

	2011 \$	2010 \$
Reserve Funds set aside by council for specific purposes:		
Parking revenue	-	102,699
Library development and computer	117,060	147,471
<b>Total Reserve Funds</b>	<b>117,060</b>	<b>250,170</b>
	<b>7,812,841</b>	<b>6,221,504</b>

**9. Commitments:**

Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2011 is approximately \$1,898,180 (2010 - \$2,574,329) after deducting the expenditures incurred as at December 31, 2011. These projects will be financed by grants, subsidies and long-term liabilities in future years.

Niagara Health System

The Town 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 Town has approved a plan which results in an additional "tax" levy of \$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. At the end of 2011, \$600,000 has been collected and forwarded to NHS as the first installment, 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.

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2011

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**10. Contingent Liabilities:**

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts, including punitive or extraordinary damages. In respect of any outstanding claims, the Town believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

**11. Contributions to Joint Board:**

The following contributions were made by the Town to:

	2011 \$	2010 \$
Niagara District Airport Commission	16,120	<b>16,120</b>

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2011

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### 12. Segmented Reporting:

The Town is a lower tier municipal government that provides a wide range of services to its citizens. Segmented information has been identified based on functional classification as categorized by the Financial Information Return. These classifications are as follows:

#### 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.

#### 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 Town. The mandate of Building Services is to inform and assist customers to ensure safe and orderly development and provide efficient delivery of building approvals, inspections and management systems.

#### 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 Town. 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.

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2011

---

**12. Segmented Reporting (continued):**

Health

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

Recreation

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.

Community and Development Services

Reported in this functional area are Planning & Development. Planning creates the policy framework and implementation tools required to shape the future of the Town. Development is responsible for ensuring that the Town's land development standards are achieved on all development applications.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

## 12. Segmented Reporting (continued):

	2011 Budget \$	2011 Actual \$	2010 Actual \$
<b>General Government</b>			
Revenues			
Taxation	8,402,709	8,631,875	8,609,795
User fees and charges	70,135	215,651	295,832
Government grants	1,078,600	1,603,216	1,200,790
Other	1,106,821	2,130,210	1,479,637
Government business enterprise	600,315	1,037,817	930,000
	<u>11,258,580</u>	<u>13,618,769</u>	<u>12,516,054</u>
Expenses			
Salaries and wages	1,886,611	1,843,688	1,706,384
Operating materials and supplies	465,760	528,269	629,382
Contracted services	349,079	249,314	289,165
Rents and financial expenses	16,500	87,141	17,560
Interfunctional transfers	2,291,668	(1,711,610)	(193,275)
External transfers	233,055	794,610	-
Amortization	-	107,397	98,717
Debt service	-	-	-
	<u>5,242,673</u>	<u>1,898,809</u>	<u>2,547,933</u>
Net Revenue	<u>6,015,907</u>	<u>11,719,960</u>	<u>9,968,121</u>
<b>Protection</b>			
Revenues			
Taxation			
User fees and charges	556,475	712,467	521,696
Government grants	72,774	120,783	101,582
Other	46,120	53,826	143,262
Government business enterprise	-	-	-
	<u>675,369</u>	<u>887,076</u>	<u>766,540</u>
Expenses			
Salaries and wages	1,242,606	1,320,120	1,236,254
Operating materials and supplies	573,828	395,248	345,193
Contracted services	55,700	69,610	129,072
Rents and financial expenses	-	-	2,800
Interfunctional transfers	203,207	365,054	174,000
External transfers	-	-	11,000
Amortization	-	378,618	347,329
Debt service	151,898	72,888	80,633
	<u>2,227,239</u>	<u>2,601,538</u>	<u>2,326,281</u>
Net Revenue	<u>(1,551,870)</u>	<u>(1,714,462)</u>	<u>(1,559,741)</u>



## 12. Segmented Reporting (continued):

	2011 Budget \$	2011 Actual \$	2010 Actual \$
<b>Transportation</b>			
Revenues			
Taxation	-	-	-
User fees and charges	836,233	1,011,337	935,670
Government grants	480,300	510,190	735,614
Other	178,000	928,437	888,638
Government business enterprise	-	-	-
	<u>1,494,533</u>	<u>2,449,964</u>	<u>2,559,922</u>
Expenses			
Salaries and wages	1,550,537	1,619,603	1,166,771
Operating materials and supplies	961,355	808,122	917,849
Contracted services	566,250	522,382	815,944
Rents and financial expenses	2,500	30,800	5,299
Interfunctional transfers	-	146,202	(169,625)
External transfers	309,387	-	-
Amortization	-	1,139,840	1,023,393
Debt service	-	-	-
	<u>3,390,029</u>	<u>4,266,949</u>	<u>3,759,631</u>
Net Revenue	<u>(1,895,496)</u>	<u>(1,816,985)</u>	<u>(1,199,709)</u>
<b>Environment</b>			
Revenues			
Taxation	-	-	-
User fees and charges	7,598,145	6,876,690	6,670,126
Government grants	-	41,074	5,322
Other	-	-	702,425
Government business enterprise	-	-	-
	<u>7,598,145</u>	<u>6,917,764</u>	<u>7,377,873</u>
Expenses			
Salaries and wages	744,342	847,936	718,859
Operating materials and supplies	865,595	229,417	197,366
Contracted services	4,345,113	4,109,463	4,224,128
Rents and financial expenses	500	3,361	-
Interfunctional transfers	616,334	752,912	176,000
External transfers	-	-	-
Amortization	-	1,878,989	1,900,788
Debt service	190,224	91,279	64,558
	<u>6,762,108</u>	<u>7,913,357</u>	<u>7,281,699</u>
Net Revenue	<u>836,037</u>	<u>(995,593)</u>	<u>96,174</u>

## 12. Segmented Reporting (continued):

	2011 Budget \$	2011 Actual \$	2010 Actual \$
<b>Health</b>			
Revenues			
Taxation	-	-	-
User fees and charges	246,700	205,164	278,503
Government grants	-	-	-
Other	-	-	9,779
Government business enterprise	-	-	-
	246,700	205,164	288,282
Expenses			
Salaries and wages	152,998	139,983	171,504
Operating materials and supplies	138,950	123,460	137,500
Contracted services	5,030	1,614	67,712
Rents and financial expenses	-	-	-
Interfunctional transfers	29,816	21,472	58,874
External transfers	-	-	-
Amortization	-	9,786	9,504
Debt service	-	-	-
	326,794	296,315	445,094
Net Revenue	(80,094)	(91,151)	(156,812)
<b>Recreation</b>			
Revenues			
Taxation	-	-	-
User fees and charges	321,500	297,748	856,126
Government grants	37,820	2,825,287	1,903,142
Other	734,940	1,026,969	393,120
Government business enterprise	-	-	-
	1,094,260	4,150,004	3,152,388
Expenses			
Salaries and wages	1,913,269	2,072,850	1,756,763
Operating materials and supplies	1,237,359	1,045,104	1,137,431
Contracted services	135,925	113,624	32,331
Rents and financial expenses	-	-	-
Interfunctional transfers	339,537	330,024	12,900
External transfers	750	750	229,322
Amortization	-	730,473	567,533
Debt service	94,631	45,409	58,328
	3,721,471	4,338,234	3,794,608
Net Revenue	(2,627,211)	(188,230)	(642,220)

## 12. Segmented Reporting (continued):

	2011 Budget \$	2011 Actual \$	2010 Actual \$
<b>Planning and Development</b>			
Revenues			
Taxation	-	-	-
User fees and charges	311,063	444,740	431,600
Government grants	29,500	23,054	35,644
Other	40,000	30,251	178,603
Government business enterprise	-	-	-
	<u>380,563</u>	<u>498,045</u>	<u>645,847</u>
Expenses			
Salaries and wages	733,338	867,725	704,724
Operating materials and supplies	127,660	148,140	113,325
Contracted services	63,500	163,885	674,494
Rents and financial expenses	-	-	-
Interfunctional transfers	98,338	95,946	-
External transfers	55,000	46,108	-
Amortization	-	2,253	3,131
Debt service	-	8,042	9,430
	<u>1,077,836</u>	<u>1,332,099</u>	<u>1,505,104</u>
Net Revenue	<u>(697,273)</u>	<u>(834,054)</u>	<u>(859,257)</u>
<b>Total</b>			
Revenues			
Taxation	8,402,709	8,631,875	8,609,795
User fees and charges	9,940,251	9,763,797	9,989,553
Government grants	1,698,994	5,123,604	3,982,094
Other	2,105,881	4,169,693	3,795,464
Government business enterprise	600,315	1,037,817	930,000
	<u>22,748,150</u>	<u>28,726,786</u>	<u>27,306,906</u>
Expenses			
Salaries and wages	8,223,701	8,711,905	7,461,259
Operating materials and supplies	4,370,507	3,277,760	3,478,046
Contracted services	5,520,597	5,229,892	6,232,846
Rents and financial expenses	19,500	121,302	25,659
Interfunctional transfers	3,578,900	-	58,874
External transfers	598,192	841,468	240,322
Amortization	-	4,247,356	3,950,395
Debt service	436,753	217,618	212,949
	<u>22,748,150</u>	<u>22,647,301</u>	<u>21,660,350</u>
Net Revenue	<u>-</u>	<u>6,079,485</u>	<u>5,646,556</u>

See accompanying notes

**THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2011

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**13. Budget Data:**

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council. Amortization and post-employment liabilities were not contemplated on development of the budget and, as such, have not been included. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, it is not practical to present annualized budget information for the acquisition of tangible capital assets on the statement of change in net financial assets.

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

**SCHEDULE 1 - TANGIBLE CAPITAL ASSETS**

for the year ended December 31, 2011

<b>General</b>	Opening NBV	Opening Cost	Additions	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Closing NBV
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	2,521,954	2,521,954	-	-	2,521,954	-	-	-	-	2,521,954
Land Improvements	1,694,131	2,720,604	692,832	-	3,413,436	1,026,473	144,894	-	1,171,367	2,242,069
Buildings and Fixtures	10,776,653	16,831,931	5,805,892	2,345	22,635,478	6,055,278	539,629	2,345	6,592,562	16,042,916
Machinery and Equipment	1,241,224	2,828,632	1,382,667	-	4,211,299	1,587,408	226,662	-	1,814,070	2,397,229
Vehicles	3,358,123	6,041,586	836,810	522,049	6,356,347	2,683,463	493,795	500,745	2,676,513	3,679,834
Information Technology	246,296	859,583	152,340	-	1,011,923	613,287	95,574	-	708,861	303,062
Exterior Lighting	1,816,608	2,565,674	58,161	2,714	2,621,121	749,066	150,102	1,900	897,268	1,723,853
<b>Subtotal: General Assets</b>	<b>21,654,989</b>	<b>34,369,964</b>	<b>8,928,702</b>	<b>527,108</b>	<b>42,771,558</b>	<b>12,714,975</b>	<b>1,650,656</b>	<b>504,990</b>	<b>13,860,641</b>	<b>28,910,917</b>
<b>Infrastructure</b>										
Linear Assets	125,741,583	159,002,848	170,890	-	159,173,738	33,261,265	2,477,856	-	35,739,121	123,434,617
Streetlighting	1,082,346	1,846,402	177,625	-	2,024,027	764,056	65,040	-	829,096	1,194,931
Other	1,342,659	2,289,786	50,567	-	2,340,353	947,127	53,804	-	1,000,931	1,339,422
<b>Subtotal: Infrastructure Assets</b>	<b>128,166,588</b>	<b>163,139,036</b>	<b>399,082</b>	<b>-</b>	<b>163,538,118</b>	<b>34,972,448</b>	<b>2,596,700</b>	<b>-</b>	<b>37,569,148</b>	<b>125,968,970</b>
<b>Work in Progress</b>										
Opening Balance	8,481,952	8,481,952	7,092,844		15,574,796					
Internally Transferred			(8,575,128)		(8,575,128)					
<b>Subtotal: Work in Progress</b>	<b>8,481,952</b>	<b>8,481,952</b>	<b>(1,482,284)</b>		<b>6,999,668</b>					<b>6,999,668</b>
<b>Grand Total as at Dec. 31 2011</b>	<b>158,303,529</b>	<b>205,990,952</b>	<b>7,845,500</b>	<b>527,108</b>	<b>213,309,344</b>	<b>47,687,423</b>	<b>4,247,356</b>	<b>504,990</b>	<b>51,429,789</b>	<b>161,879,555</b>

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

**SCHEDULE 1 - TANGIBLE CAPITAL ASSETS (CONTINUED)**

for the year ended December 31, 2010

<b>General</b>	Opening NBV	Opening Cost	Additions	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Closing NBV
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	2,520,430	2,520,430	1,526	-	2,521,956	-	-	-	-	2,521,956
Land Improvements	1,423,240	2,420,072	375,695	75,164	2,720,603	996,832	104,804	75,163	1,026,473	1,694,130
Buildings and Fixtures	11,154,892	16,753,726	85,427	7,222	16,831,931	5,598,834	463,151	6,707	6,055,278	10,776,653
Machinery and Equipment	1,370,168	2,775,935	52,699	1	2,828,633	1,405,767	181,642	1	1,587,408	1,241,225
Vehicles	3,256,765	5,621,044	506,235	85,694	6,041,585	2,364,279	404,663	85,479	2,683,463	3,358,122
Information Technology	165,891	699,451	162,972	2,840	859,583	533,560	82,162	2,435	613,287	246,296
Exterior Lighting	1,530,628	2,283,856	423,564	141,746	2,565,674	753,228	137,586	141,747	749,067	1,816,607
<b>Subtotal: General Assets</b>	<b>21,422,014</b>	<b>33,074,514</b>	<b>1,608,118</b>	<b>312,667</b>	<b>34,369,965</b>	<b>11,652,500</b>	<b>1,374,008</b>	<b>311,532</b>	<b>12,714,976</b>	<b>21,654,989</b>
<b>Infrastructure</b>										
Linear Asssets	126,182,524	157,149,373	2,021,668	168,193	159,002,848	30,966,849	2,457,287	162,872	33,261,264	125,741,584
Bridges and Guiderails	867,001	1,764,879	524,907	-	2,289,786	897,878	49,250	-	947,128	1,342,658
Streetlighting and Signage	1,076,528	1,955,118	75,675	184,391	1,846,402	878,590	69,857	184,391	764,056	1,082,346
<b>Subtotal: Infrastructure Assets</b>	<b>128,126,053</b>	<b>160,869,370</b>	<b>2,622,250</b>	<b>352,584</b>	<b>163,139,036</b>	<b>32,743,317</b>	<b>2,576,394</b>	<b>347,263</b>	<b>34,972,448</b>	<b>128,166,588</b>
<b>Work in Progress</b>										
Opening Balance	2,230,444	2,230,444	6,251,508		8,481,952					
Internally Transferred										
<b>Subtotal: Work in Progress</b>	<b>2,230,444</b>		<b>6,251,508</b>		<b>8,481,952</b>					<b>8,481,952</b>
<b>Grand Total as at Dec. 31 2011</b>	<b>151,778,511</b>	<b>193,943,884</b>	<b>10,481,876</b>	<b>665,251</b>	<b>205,990,953</b>	<b>44,395,817</b>	<b>3,950,402</b>	<b>658,795</b>	<b>47,687,424</b>	<b>158,303,529</b>

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

**SCHEDULE 2 - LIBRARY FUND ACTIVITIES**

for the year ended December 31, 2011

	Budget \$	2011 \$	2010 \$
<b>Revenues</b>			
Development charges	-	61,237	20,000
Miscellaneous	43,800	39,115	45,449
Municipal grant	473,339	473,339	467,523
Provincial grants	31,920	33,920	25,276
Other grants	5,900	5,483	5,829
	<b>554,959</b>	<b>613,094</b>	<b>564,077</b>
<b>Expenditures</b>			
Amortization	-	130,623	131,652
Insurance	6,800	4,808	4,808
Maintenance	13,000	20,357	19,127
Memberships	400	852	400
Office supplies	49,144	33,888	28,407
Professional development	2,000	2,133	10
Professional fees	800	15,495	1,502
Program expenditures	3,500	4,146	3,450
Public relations	2,300	1,876	3,903
Rent	60,000	60,000	60,000
Telephone	2,600	3,151	2,327
Wages and benefits	375,681	387,057	331,028
Workshops	2,000	2,340	2,749
	<b>518,225</b>	<b>666,726</b>	<b>589,363</b>
<b>Annual surplus (deficit)</b>	<b>36,734</b>	<b>(53,632)</b>	<b>(25,286)</b>
<b>Add: Amortization of tangible capital assets</b>	<b>-</b>	<b>130,623</b>	<b>131,652</b>
<b>Less: Acquisition of tangible capital assets</b>	<b>-</b>	<b>(88,410)</b>	<b>(76,873)</b>
<b>Transfers to reserve fund</b>	<b>(36,734)</b>	<b>(15,753)</b>	<b>(29,493)</b>
<b>Library Fund, end of year</b>	<b>-</b>	<b>(27,172)</b>	<b>-</b>



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the trust funds of The Town of Niagara-on-the-Lake, which comprise the statement of financial position as at December 31, 2011, the statements of operations and change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the trust funds of The Town of Niagara-on-the-Lake as at December 31, 2011, and its results of operations and its change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matters*

The financial statements of the trust funds of The Town of Niagara-on-the-Lake for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified audit opinion on those statements on August 15, 2011.

*KPMG LLP*

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Chartered Accountants, Licensed Public  
Accountants

June 25, 2012  
St. Catharines, Canada

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

**STATEMENT OF FINANCIAL POSITION - TRUST FUNDS**

for the year ended December 31, 2011

	Total \$	Cemetery Care & Maintenance \$	Cemetery Preneeds Internments \$	Election Candidate Surplus \$
<b>Assets</b>				
Cash	794,629	727,323	63,159	4,147
	731,470	727,323		4,147
<b>Fund Balances</b>				
Fund balances	794,629	727,323	63,159	4,147

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

**STATEMENT OF OPERATIONS - TRUST FUNDS**

for the year ended December 31, 2011

	Total \$	Cemetery Care & Maintenance \$	Cemetery Preneeds Internments \$	Election Candidate Surplus \$
<b>Balance, Beginning of Year</b>	759,926	697,922	58,892	3,112
<b>Receipts</b>				
Donations	-	-	-	-
Care & Maintenance Agreements	29,401	29,401	-	-
Deposits	5,262	-	4,267	995
Interest earned - other	9,747	9,707	-	40
	44,410	39,108	4,267	1,035
<b>Expenditures</b>				
Interest transferred to cemetery maintenance	9,707	9,707	-	-
	9,707	9,707	-	-
<b>Balance, End of Year</b>	794,629	727,323	63,159	4,147

**STATEMENT OF CASH FLOWS - TRUST FUNDS**

for the year ended December 31, 2011

	Actual 2011 \$	Actual 2010 \$
<b>Operations</b>		
Transfer from Town	58,892	
Excess of revenue over expenses	34,703	49,639
<b>Sources (Uses)</b>		
Change in interest receivable	3	(3)
Change in due from (to) operating fund	639	(420)
Change in long-term receivables	11,219	14,269
	11,861	13,846
<b>Increase in Cash</b>	105,456	63,485
<b>Cash, Beginning of Year</b>	689,173	625,688
<b>Cash, End of Year</b>	794,629	689,173

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

## NOTES TO THE FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2011

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### 1. Significant Accounting Policies

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

#### (a) Basis of accounting

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