

Consolidated Financial Statements of

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

For the year ended December 31, 2013



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INDEPENDENT AUDITORS' REPORT

To Member 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, 2013, the consolidated statements of operations, change in net debt 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 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Niagara-on-the-Lake as at December 31, 2013, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 14, 2014
St. Catharines, Ontario

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2013

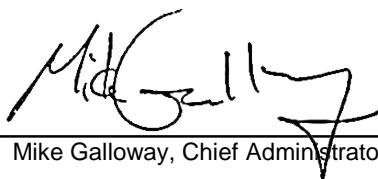
	Actual 2013 \$	Actual 2012 \$
Financial Assets		
Cash	20,868,166	14,971,778
Taxes receivable (note 2)		
Current year	1,728,467	1,608,154
Prior years	1,391,772	1,260,483
Accounts receivable	2,308,944	2,093,977
Debt recoverable from others (note 7)	53,787	88,733
Note receivable (note 3)	3,800,929	4,498,030
Long-term investment (note 3)	14,737,612	13,744,244
	44,889,677	38,265,399
Liabilities		
Accounts payable and accrued liabilities	7,896,257	6,326,043
Lease liability (note 4)	18,510	37,020
Deferred revenue (note 5)	8,577,623	4,642,579
Post-employment benefits (note 6)	1,051,535	1,032,908
Net long-term liabilities (note 7)	3,777,782	4,629,671
	21,321,707	16,668,221
Net Financial Assets	23,567,970	21,597,178
Non-Financial Assets		
Tangible capital assets (note 14)	164,250,874	162,847,300
Inventories and prepaid expenses	319,708	190,760
	164,570,582	163,038,060
Accumulated Surplus (note 8)	188,138,552	184,635,238

See accompanying notes.

Signed on behalf of the Municipality:



Dave Eke, Lord Mayor



Mike Galloway, Chief Administrator Officer

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

CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended December 31, 2013

	Budget 2013 \$	Actual 2013 \$	Actual 2012 \$
Revenues			
Taxation (note 2)	8,865,433	9,392,979	8,850,269
User fees and charges	10,043,861	10,887,069	10,714,680
Government of Canada grants	455,356	585,464	118,677
Province of Ontario grants	988,120	1,093,259	1,178,311
Other municipality funding	116,000	255,769	103,324
Development levies earned	1,935,219	1,935,219	866,902
Interest and penalties	443,000	591,799	433,294
Investment income	465,031	536,132	505,607
Donations	44,000	196,570	362,976
Gain on disposition of tangible capital assets	21,296	21,296	235,804
Other	2,028,917	1,557,114	1,595,261
Niagara-on-the-Lake Energy Inc. net income (note 3)	600,315	993,368	449,391
	26,006,548	28,046,038	25,414,496
Expenses			
General government	1,665,405	1,548,390	1,609,654
Protection services	2,433,773	2,722,289	2,595,747
Transportation services	5,296,610	5,362,607	4,901,506
Environmental services	9,023,776	8,872,261	8,721,270
Health services	342,220	646,656	282,347
Recreation	4,135,441	4,250,977	4,140,550
Planning and development	1,122,490	1,139,544	1,631,800
	24,019,715	24,542,724	23,882,874
Excess of revenues over expenses	1,986,833	3,503,314	1,531,622
Accumulated surplus, beginning of year	184,635,238	184,635,238	183,103,616
Accumulated surplus, end of year	186,622,071	188,138,552	184,635,238

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, 2013

	Budget 2013 \$	Actual 2013 \$	Actual 2012 \$
Excess of revenues over expenses	1,986,833	3,503,314	1,531,622
Acquisition of tangible capital assets	-	(6,449,237)	(5,585,965)
Writedown of tangible capital assets		417,362	
Amortization of tangible capital assets	4,596,245	4,596,245	4,409,454
Proceeds on disposal of tangible capital assets	-	53,352	444,569
Gain on disposal of tangible capital assets	-	(21,296)	(235,804)
Change in inventories and prepaid expenses	-	(128,948)	35,472
Increase (decrease) in net financial assets	6,583,078	1,970,792	599,348
Net financial assets, beginning of year	21,597,178	21,597,178	20,997,830
Net financial assets, end of year	28,180,256	23,567,970	21,597,178

See accompanying notes.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2013

	Actual 2013 \$	Actual 2012 \$
Operations		
Excess of revenues over expenses	3,503,314	1,531,622
Items not involving cash:		
Amortization of tangible capital assets	4,596,245	4,409,454
Contributed assets	-	(91,824)
Writedown of tangible capital assets	417,362	-
Gain on disposal of tangible capital assets	(21,296)	(235,804)
	8,495,625	5,613,448
Changes in non-cash assets and liabilities:		
Taxes receivable	(251,602)	447,710
Accounts receivable	(214,967)	881,174
Inventories and prepaid expenses	(128,948)	35,472
Accounts payable and accrued liabilities	1,570,214	1,479,500
Lease liability	(18,510)	37,020
Deferred revenue	3,935,044	1,636,025
Post-employment benefits	18,627	24,448
Net increase in cash from operations	13,405,483	10,154,797
Capital		
Proceeds on disposal of tangible capital assets	53,352	444,569
Acquisition of tangible capital assets	(6,449,237)	(5,494,141)
Net decrease in cash from capital activities	(6,395,885)	(5,049,572)
Investing		
Niagara-on-the-Lake Energy Inc. net income	(993,368)	(449,391)
Decrease in note receivable	697,101	648,491
Net increase in cash from investing	(296,267)	199,100
Financing		
New debt issued	-	537,700
Debt principal repayments	(816,943)	(736,483)
Net decrease in cash from financing	(816,943)	(198,783)
Increase in cash	5,896,388	5,105,542
Cash, beginning of year	14,971,778	9,866,236
Cash, end of year	20,868,166	14,971,778

See accompanying notes.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

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 public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada. Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the 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, 2013

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 Operations - 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, 2013

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	5 to 60
Buildings and fixtures	5 to 50
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

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, 2013

1. Significant Accounting Policies (continued):

(b) Basis of accounting (continued):

(vii) Government transfers:

Government transfers received are from federal and provincial governments. Government transfers are paid to community organizations. Transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made.

(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. 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, 2013

3. Investment in Niagara-on-the-Lake Energy Inc.:	2013	2012
	\$	\$
Statement of Financial Position		
Current Assets	4,479,975	4,462,060
Other non-current assets	74,458	72,979
Capital assets	23,673,382	22,610,401
Other assets	2,074,604	1,915,909
Total assets	30,302,419	29,061,349
Current liabilities	7,593,807	7,836,912
Loan payable	1,116,667	1,216,667
Other liabilities	3,053,403	1,765,496
Long term note payable	3,800,929	4,498,030
Total liabilities	15,564,806	15,317,105
Net Assets	14,737,613	13,744,244
Statement of Operations		
Revenues	23,184,336	21,424,305
Operating expenses	22,190,968	20,974,914
Net Income	993,368	449,391

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 \$3,565,241 (2012 - \$4,122,741) used to finance the construction of a new transformer station.

During the year the Town received \$697,101 (2012 - \$648,491) 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.

4. Lease Liability:

The Town has a capital lease for software. The software in the amount of \$65,500 has been capitalized and included in tangible capital assets. The assets are amortized over four-six years using the straight-line-method. Amortization for the year in the amount of \$6,645 is included in expense in the statement of operations. Accumulated amortization is \$19,394.

The lease is non-interest bearing, requiring annual payments of \$16,381 plus tax. The lease term expires on August 14, 2015.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

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 and used the funds for the capital project for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to support the cost of growth related capital projects associated with new development.

The deferred revenues are made up of the following:

	2012 \$	Externally Restricted Inflows	Revenue Earned	2013 \$
Building fund	546,941	987,215	(35,154)	1,499,002
Development charges	2,896,858	4,963,596	(1,935,219)	5,925,235
Canada Gas Tax	361,179	450,849	(579,969)	232,059
Recreational land	741,449	224,440	(230,154)	735,735
Other deferred	96,152	185,592	(96,152)	185,592
	4,642,579	6,811,692	(2,876,648)	8,577,623

In addition, transaction activity in the obligatory reserve fund includes:

	2013 \$	2012 \$
Contribution from Development Charges Act	4,928,906	1,461,966
Contribution from Canada Gas Tax	447,456	447,456
Contribution from Building Code Act	987,215	364,457
Contribution from Recreational land (Planning Act)	215,539	405,730
Other Contributions	185,592	-
Investment income	46,984	25,449
Building charges earned	(35,154)	-
Development charges earned	(1,935,219)	(657,070)
Canada Gas Tax earned	(579,969)	(87,944)
Recreational land (Planning Act) earned	(230,154)	(209,832)
Other Contributions Earned	(96,152)	(114,187)
	3,935,044	1,636,025

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

6. Employee benefits and other liabilities:

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.

	2013	2012
	\$	\$
Retiree benefits	495,353	489,025
Accrued vacation pay	235,925	256,758
Accumulated sick leave	45,218	43,716
Future payments required to WSIB	275,039	243,409
	1,051,535	1,032,908

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

	2013	2012
	\$	\$
Accrued benefit obligation:		
Balance, beginning of year	1,160,322	1,153,082
Current benefit cost	39,983	46,008
Interest	30,412	30,896
Benefits paid	(68,976)	(69,664)
Balance, end of year:	1,161,741	1,160,322
Unamortized actuarial loss	(110,206)	(127,414)
Liability for benefits	1,051,535	1,032,908

Amortization of the actuarial loss of \$17,208 (2012 - \$ 17,208) has been included in expenses on the "Statement of Operations.

Accrued Vacation Pay

As at December 31, 2013, employees of the Town have accumulated vacation pay credits in the amount of \$235,925 (2012 - \$256,758). 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, 2013 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, 2013

6. Employee benefits and other liabilities (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, 2013 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 Fund ("OMERS"), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2013 was \$567,280 (2012 - \$500,926) for current service and is included as an expenditure in the consolidated statement of operations. Employees' contribution to OMERS in 2013 was \$567,280 (2012 - \$500,926).

Contributions for employees with a normal retirement age of 65 were being made at a rate of 9% for earnings up to the yearly maximum pensionable earnings of \$51,100 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings.

The OMERS pension plan has a deficit at December 31, 2013 of \$8.6 billion (2012 - \$9.9 billion) based on an actuarial valuation of plan assets.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

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:

	2013 \$	2012 \$
The Town has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities.	3,777,782	4,629,671
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.	(53,787)	(88,733)
Net long-term liabilities, end of year	3,723,995	4,540,938

- (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:

	\$
2014	530,284
2015	548,617
2016	483,255
2017	500,209
2018	517,494
Thereafter	1,144,136
	3,723,995

- (d) Interest charges on long-term debt in the amount of \$164,519 (2012 - \$182,593) are included on the "Consolidated Statement of Operations", classified under the appropriate functional expense heading. The long-term debt bears interest at rates ranging from 1.35% to 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, 2013

8. Accumulated Surplus:

	2013 \$	2012 \$
Invested in tangible capital assets	164,250,874	162,847,300
Operating fund	(168,655)	(219,114)
Reserves and reserve funds	10,311,832	9,338,624
Niagara-on-the-Lake Energy Inc. net equity	18,538,541	18,242,274
	192,932,592	190,209,084
Amounts to be recovered		
Post-employment benefits	(1,051,535)	(1,032,908)
Net long-term liabilities	(3,742,505)	(4,540,938)
	(4,794,040)	(5,573,846)
	188,138,552	184,635,238

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

for the year ended December 31, 2013

8. Accumulated Surplus (continued):

Reserves and reserve fund balances

	2013	2012
	\$	\$
Reserves set aside by council for specific purposes:		
Working funds	130,000	100,000
Contingencies	427,408	388,753
Land acquisition	18,324	18,324
Replacement of road equipment	152,980	286,954
Replacement of building department equipment	21,777	12,826
Replacement of recreation equipment	192,702	254,835
Replacement of protection services equipment	22,000	16,000
Upgrade to public works building	51,042	51,042
Road improvements	(55,104)	44,399
Wastewater capital improvements	1,899,138	1,992,466
Replacement of fire equipment	24,341	24,341
Water capital improvements	2,393,983	1,807,690
Parking revenue	927,126	942,120
Election expenses	45,900	30,600
Computer equipment	35,971	42,971
Building Stabilization	(11,578)	-
Street lighting	154,291	150,839
Sidewalk improvements	93,872	93,872
Economic development	11,191	11,192
Planning services	150,727	135,889
Dock area improvement	452,278	357,947
Winter maintenance	85,192	85,192
Irrigation	96,147	85,687
Future Facilities	(21,622)	208,378
Community Centre	208,852	279,359
Storm Water Management	351,580	367,656
Provision for debt reduction	6,873	6,873
Rate stabilization	205,694	255,694
Training and development	11,856	11,856
Capital variance	163,520	60,684
Capital levy	1,436,601	625,526
Ontario disabilities	97,853	77,853
Grants and other	21,179	14,379
Water rate stabilization	194,486	180,743
Wastewater rate stabilization	228,428	205,864
Total Reserves	10,225,008	9,228,804

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2013

8. Accumulated Surplus (continued):

Reserves and reserve fund balances - continued

	2013 \$	2012 \$
Reserve Funds set aside by council for specific purposes:		
Bequest	71,017	85,945
Library development and computer	15,807	23,875
Total Reserve Funds	86,824	109,820
	10,311,832	9,338,624

9. Commitments:

(a) Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2013 is approximately \$1,788,273 (2012 - \$2,372,437) after deducting the expenditures incurred as at December 31, 2013. These projects will be financed by grants, subsidies and long-term liabilities in future years.

(b) Niagara Health System

The Town is currently committed to funding \$3,500,000 of the local share of the construction costs of the Niagara Health System ("NHS") hospital located in St. Catharines. The Town has approved a plan to fund this commitment through annual tax levies in the Years 2011 to 2031. The plan is dependant upon future councils approving this levy on an annual basis. A balance of \$3,333,748 is owing on this commitment at December 31, 2013 (2012 - \$3,621,699).

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.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2013

11. Contributions to Joint Board:

The following contributions were made by the Town to:

	2013 \$	2012 \$
Niagara District Airport Commission	17,401	17,076

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

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, 2013

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

12. Segmented Reporting (continued):

Revenues	General Government \$	Protection \$	Transportation \$	Environment \$	Health \$	Recreation \$	Planning and Development \$	Total \$
Taxation	9,392,979	-	-	-	-	-	-	9,392,979
User fees and charges	150,625	799,947	1,052,069	7,864,537	196,536	341,079	482,276	10,887,069
Government grants	1,552,810	75,254	166,295	5,000	-	74,925	60,208	1,934,492
Other	4,838,130	-	-	-	-	-	-	4,838,130
Government business enterprise	993,368	-	-	-	-	-	-	993,368
Total revenues	16,927,912	875,201	1,218,364	7,869,537	196,536	416,004	542,484	28,046,038
Expenses								
Salaries and wages	2,537,417	1,370,458	1,705,820	662,196	141,225	1,806,244	758,105	8,981,465
Operating materials and supplies	514,239	372,744	1,254,474	138,046	133,812	1,140,098	163,303	3,716,716
Contracted services	311,404	55,207	975,957	4,652,993	1,196	91,872	114,436	6,203,065
Rents and financial expenses	201,741	-	-	185	-	1,087	-	203,013
Interfunctional transfers	(2,509,963)	486,200	219,158	1,387,919	72,203	369,229	(24,746)	-
Amortization	229,491	382,352	1,201,707	1,943,486	10,252	825,433	3,524	4,596,245
External transfers	264,061	-	-	-	287,968	750	120,416	673,195
Debt service	-	55,328	5,491	87,436	-	16,264	4,506	169,025
Total expenses	1,548,390	2,722,289	5,362,607	8,872,261	646,656	4,250,977	1,139,544	24,542,724
Annual surplus / (deficit)	15,379,522	(1,847,088)	(4,144,243)	(1,002,724)	(450,120)	(3,834,973)	(597,060)	3,503,314

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

12. Segmented Reporting (continued):

Revenues	General Government \$	Protection \$	Transportation \$	Environment \$	Health \$	Recreation \$	Planning and Development \$	Total \$
Taxation	8,850,269	-	-	-	-	-	-	8,850,269
User fees and charges	200,593	664,915	1,100,570	7,693,933	195,894	352,173	506,602	10,714,680
Government grants	970,800	74,572	222,146	-	-	88,948	43,846	1,400,312
Other	3,999,844	-	-	-	-	-	-	3,999,844
Government business enterprise	449,391	-	-	-	-	-	-	449,391
Total revenues	14,470,897	739,487	1,322,716	7,693,933	195,894	441,121	550,448	25,414,496
Expenses								
Salaries and wages	2,584,300	1,291,788	1,804,823	600,495	126,175	1,613,359	695,300	8,716,240
Operating materials and supplies	577,138	376,748	844,676	140,486	78,735	1,191,002	447,048	3,655,833
Contracted services	287,823	66,402	932,441	4,473,404	1,476	99,643	312,191	6,173,380
Rents and financial expenses	72,463	418,620	1,267	55,678	-	1,121	-	549,149
Interfunctional transfers	(2,656,868)	-	192,672	1,450,084	65,892	387,050	142,550	(418,620)
Amortization	163,162	377,736	1,125,627	1,914,366	10,069	816,241	2,253	4,409,454
External transfers	581,636	-	-	-	-	750	25,490	607,876
Debt service	-	64,453	-	86,757	-	31,384	6,968	189,562
Total expenses	1,609,654	2,595,747	4,901,506	8,721,270	282,347	4,140,550	1,631,800	23,882,874
Annual surplus / (deficit)	12,861,243	(1,856,260)	(3,578,790)	(1,027,337)	(86,453)	(3,699,429)	(1,081,352)	1,531,622

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

13. Budget Data:

The unaudited budget data presented in these consolidated financial statements are based upon the 2013 operating and capital budgets approved by Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the actual amounts for 2013 were used in order to adjust the budget numbers to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

The chart below reconciles the approved budget figures reported on the Consolidated Statement of Operations.

Revenues:		
	Operating Budget	24,792,664
		24,792,664
Add:		
	Development Charges	1,935,219
	Canada Gas Tax	579,969
	Other	265,308
	Gain on sale of tangible capital assets	21,296
		2,801,792
Less:		
	Transfer to reserves, including capital	(1,587,908)
		(1,587,908)
	Total Revenues	26,006,548
Expenses:		
	Operating Budget	24,792,664
		24,792,664
Add:		
	Amortization	4,596,245
	Employee Future Benefits	18,628
		4,614,873
Less:		
	Transfer to reserves, including capital	(4,570,879)
	Debt Principal Payments	(816,943)
		(5,387,822)
	Total Expenses	24,019,715
	Annual Surplus	1,986,833

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2013

14. Tangible Capital Assets:

(a) Work in Progress

Work in progress having a value of \$3,147,016 (2012 - \$2,426,528) is not depreciated. Depreciation of these assets commence when the assets are placed in service. No interest was capitalized during the period.

(b) Contributed Capital Assets

Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$nil (2012 - \$91,824).

(c) Tangible Capital Assets Disclosed at Nomical Values

Where an estimate of fair market value could not be made for a tangible capital asset, the asset was recongized at a nominal value. Nominal values totalling \$138 have been assigned to Buildings, Land, Machinery and Equipment, Land Improvements, and Linear Asset categories.

(d) Works of Art and Historical Treasures

No works of art or historical treasures are held by The Town.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

14. Tangible Capital Assets (continued):

General	Opening NBV	Opening Cost	Additions	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Closing NBV
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	3,595,664	3,595,664	50,000	-	3,645,664	-	-	-	-	3,645,664
Land improvements	2,178,163	3,414,981	258,710	-	3,673,691	1,236,818	152,239	-	1,389,057	2,284,634
Buildings and fixtures	15,907,052	22,962,449	401,955	58,145	23,306,259	7,055,397	638,769	51,973	7,642,193	15,664,066
Machinery and equipment	2,582,942	4,555,973	250,942	-	4,806,915	1,973,031	252,042	-	2,225,073	2,581,842
Vehicles	3,339,842	6,389,375	794,619	435,327	6,748,667	3,049,533	440,143	425,586	3,064,090	3,684,577
Information technology	737,460	1,466,409	185,983	105,881	1,546,511	728,949	191,940	105,881	815,008	731,503
Exterior lighting	1,590,924	2,508,183	55,025	82,397	2,480,811	917,259	147,989	82,397	982,851	1,497,960
Subtotal: General Assets	29,932,047	44,893,034	1,997,234	681,750	46,208,518	14,960,987	1,823,122	665,837	16,118,272	30,090,246
Infrastructure										
Linear assets	127,450,330	165,683,331	3,195,504	16,803	168,862,032	38,233,001	2,644,434	15,970	40,861,465	128,000,567
Streetlighting	1,329,937	2,055,663	21,384	-	2,077,047	725,726	65,598	-	791,324	1,285,723
Other	1,708,458	2,767,244	97,267	41,218	2,823,293	1,058,786	63,091	25,908	1,095,969	1,727,324
Subtotal: Infrastructure assets	130,488,725	170,506,238	3,314,155	58,021	173,762,372	40,017,513	2,773,123	41,878	42,748,758	131,013,614
Work in progress										
Opening balance	2,426,528	2,426,528	6,449,236	417,362	8,458,402					
Internally transferred			(5,311,388)		(5,311,388)					
Subtotal: Work in progress	2,426,528	2,426,528	1,137,848	417,362	3,147,014					3,147,014
Grand total as at Dec. 31 2013	162,847,300	217,825,800	6,449,237	1,157,133	223,117,904	54,978,500	4,596,245	707,715	58,867,030	164,250,874

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

14. Tangible Capital Assets (continued):

General	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	1,223,710	150,000	3,595,664	-		-	-	3,595,664
Land improvements	2,242,069	3,413,436	91,506	89,961	3,414,981	1,171,367	151,422	85,972	1,236,818	2,178,163
Buildings and fixtures	16,042,916	22,635,478	507,629	180,658	22,962,449	6,592,562	626,748	163,913	7,055,397	15,907,052
Machinery and equipment	2,397,229	4,211,299	452,157	107,483	4,555,973	1,814,070	257,408	98,447	1,973,031	2,582,942
Vehicles	3,679,834	6,356,347	79,473	46,445	6,389,375	2,676,513	417,531	44,511	3,049,533	3,339,842
Information technology	303,062	1,011,923	575,804	121,318	1,466,409	708,861	141,406	121,318	728,949	737,460
Exterior lighting	1,723,852	2,621,121	17,966	130,904	2,508,183	897,269	150,894	130,904	917,259	1,590,924
Subtotal: General assets	28,910,916	42,771,558	2,948,245	826,769	44,893,034	13,860,642	1,745,409	645,065	14,960,987	29,932,047
Infrastructure										
Linear assets	123,434,617	159,173,738	6,586,616	77,023	165,683,331	35,739,121	2,543,842	49,962	38,233,001	127,450,330
Streetlighting	1,194,931	2,024,027	197,355	165,719	2,055,663	829,096	62,349	165,719	725,726	1,329,937
Other	1,339,422	2,340,353	426,891		2,767,244	1,000,931	57,855	-	1,058,786	1,708,458
Subtotal: Infrastructure assets	125,968,970	163,538,118	7,210,862	242,742	170,506,238	37,569,148	2,664,046	215,681	40,017,513	130,488,725
Work in progress										
Opening balance	6,999,668	6,999,668	5,494,141		12,493,809					
Internally transferred			(10,067,281)		(10,067,281)					
Subtotal: Work in progress	6,999,668	6,999,668	(4,573,140)		2,426,528					2,426,528
Grand total as at Dec. 31 2012	161,879,554	213,309,344	5,585,967	1,069,511	217,825,800	51,429,790	4,409,455	860,746	54,978,500	162,847,300

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

15. Government Transfers

Government transfers do not include payment in lieu of taxes received from Federal and Provincial governments. These amounts are included with taxation revenue on the Consolidated Statement of Operations.

	Budget 2013 \$	2013 \$	2012 \$
Operating Transfers			
Federal	7,900	5,495	30,733
Provincial	988,120	1,163,259	1,178,311
Upper-Tier/Other Municipalities	116,000	255,769	103,324
	<u>1,112,020</u>	<u>1,424,523</u>	<u>1,312,368</u>
Capital Transfers			
Federal	447,456	447,456	447,456
Provincial	-	-	-
Upper-Tier/Other Municipalities	-	-	-
	<u>447,456</u>	<u>447,456</u>	<u>447,456</u>
Total Transfers	<u>1,559,476</u>	<u>1,871,979</u>	<u>1,759,824</u>

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE**SCHEDULE OF LIBRARY FUND ACTIVITIES**

for the year ended December 31, 2013

	Budget	2013	2012
	\$	\$	\$
Revenues			
Development charges	-	130,528	68,720
Miscellaneous	22,500	47,615	42,489
Municipal grant	528,035	528,035	518,190
Provincial grants	31,920	69,430	31,564
Other grants	5,900	5,495	5,522
	588,355	781,103	666,485
Expenditures			
Amortization	-	120,767	127,618
Insurance	5,500	5,815	5,693
Licensing and computer support	19,000	10,047	21,883
Memberships	1,000	1,479	1,241
General library expenses	16,880	23,745	16,484
Office supplies	21,500	37,611	26,289
Professional development	2,250	4,607	4,687
Professional fees	-	3,903	-
Program expenditures	5,000	12,700	6,302
Public relations	1,260	1,945	1,480
Purchases for resale	-	637	300
Rent	60,000	60,000	60,000
Telephone	1,800	1,672	1,940
Wages and benefits	423,915	477,348	432,703
Workshops	1,750	1,605	2,020
	559,855	763,881	708,640
Annual surplus (deficit)	28,500	17,222	(42,155)
Add: Amortization of tangible capital assets	-	120,767	127,618
Less: Acquisition of tangible capital assets	-	(37,522)	(96,907)
Transfers to reserve fund	(28,500)	(7,462)	(15,753)
Library Fund, end of year	-	93,005	(27,197)



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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, 2013, the statements of operations 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, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 14, 2014
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, 2013

	Total \$	Cemetery Care & Maintenance \$	Cemetery Preneeds Internments \$	Election Candidate Surplus \$
Assets				
Cash	843,830	770,928	68,670	4,232
Due from operating fund	71,911	12,927	58,984	-
Interest Receivable	896	818	73	5
	<u>916,637</u>	<u>784,673</u>	<u>127,727</u>	<u>4,237</u>
Fund Balances				
Fund balances	916,637	784,673	127,727	4,237
	<u>916,637</u>	<u>784,673</u>	<u>127,727</u>	<u>4,237</u>

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

STATEMENT OF OPERATIONS - TRUST FUNDS

for the year ended December 31, 2013

	Total \$	Cemetery Care & Maintenance \$	Cemetery Preneeds Internments \$	Election Candidate Surplus \$
Balance, Beginning of Year	834,305	762,220	67,899	4,186
Receipts				
Care & Maintenance Agreements	22,453	22,453	-	-
Deposits	58,984	-	58,984	-
Interest earned	10,421	9,526	844	51
	91,858	31,979	59,828	51
Expenditures				
Interest transferred to cemetery maintenance	9,526	9,526	-	-
	9,526	9,526	-	-
Balance, End of Year	916,637	784,673	127,727	4,237

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

STATEMENT OF CASH FLOWS - TRUST FUNDS

for the year ended December 31, 2013

	Actual 2013 \$	Actual 2012 \$
Operations		
Excess of receipts over expenditures	82,332	39,676
Sources (Uses)		
Change in interest receivable	(44)	(852)
Change in due from (to) operating fund	(41,790)	(30,121)
	(41,834)	(30,973)
Increase in Cash	40,498	8,703
Cash, Beginning of Year	803,332	794,629
Cash, End of Year	843,830	803,332

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

NOTES TO THE FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2013

1. Significant Accounting Policies

The financial statements of the Town's trust funds are the representations of management prepared in accordance with Canadian accounting standards for the public sector established by the Public Sector Accounting Board ("PSAB") of CPA Canada. Accountants.

(a) Basis of accounting

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