



**CORPORATION OF THE CITY OF
NIAGARA FALLS, ONTARIO**

Consolidated Financial Statements

December 31, 2014

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

Consolidated Financial Statements

December 31, 2014

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CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

MANAGEMENT REPORT

December 31, 2014

The accompanying consolidated financial statements of the Corporation of the City of Niagara Falls, Ontario (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Municipality management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Crawford, Smith and Swallow Chartered Accountants LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Jim Diodati
Mayor
June 3, 2016



Ken Todd
Chief Administrative Officer
June 3, 2016

Crawford, Smith and Swallow
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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the City of Niagara Falls, Ontario

We have audited the accompanying consolidated financial statements of the Corporation of the City of Niagara Falls, Ontario, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and 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 the auditors' 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, the auditors 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 Corporation of the City of Niagara Falls, Ontario as at December 31, 2014, and the consolidated results of its operations, consolidated cash flows and consolidated changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Niagara Falls, Ontario
June 3, 2016

A handwritten signature in black ink, appearing to read "Crawford, Smith and Swallow", written in a cursive style.

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS


CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2014

	2014 \$	2013 \$
Financial Assets - note 6		
Cash	77,031,988	68,281,633
Investments - note 3	24,612,059	29,780,592
Taxes receivable - note 4	15,798,448	14,954,199
Accounts receivable	20,569,963	22,290,596
User charges receivable	4,706,588	11,992,994
Long-term receivables	898,005	801,055
Note receivable - note 5	22,000,000	22,000,000
Long-term investment - note 5	76,438,871	75,007,032
	242,055,922	245,108,101
Contingent Liabilities - note 14		
Liabilities		
Accounts payable and accrued liabilities	34,047,053	29,041,798
Deferred revenue - obligatory reserve funds - note 7	25,256,743	20,869,611
Deferred revenue	13,592,156	14,347,558
Other current liabilities	2,552,836	3,149,502
Post-employment benefits - note 8	30,151,569	29,714,768
Net long-term liabilities - note 9	62,503,603	67,573,934
	168,103,960	164,697,171
Net Financial Assets	73,951,962	80,410,930
Non-Financial Assets		
Tangible capital assets	690,340,956	683,759,737
Inventories and prepaid expenses	2,875,951	2,144,802
	693,216,907	685,904,539
Accumulated Surplus - note 10	767,168,869	766,315,469

Signed on behalf of the Municipality:

 Mayor

 Chief Administrative Officer

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2014

	Budget \$	2014 \$	2013 \$
Revenues			
Taxation - note 4	62,699,170	64,946,366	66,207,016
User fees and charges - note 17	52,895,325	47,898,576	50,567,055
Government of Canada grants	2,500	8,524,731	6,198,192
Province of Ontario grants	1,901,400	2,229,040	4,369,351
Other municipal grants		1,133,224	1,229,462
Interest and penalties	2,880,000	2,559,563	2,556,506
Investment income	2,280,000	3,161,660	2,966,603
Casino and gaming revenues	21,000,000	21,388,833	17,561,126
Change in Niagara Falls Hydro Holding Corporation net equity - note 5		1,431,839	963,793
Contributions from Obligatory Reserve Funds		4,365,281	6,776,166
Other	7,959,322	9,748,278	8,931,751
Loss on disposal of tangible capital assets		(1,153,327)	(619,847)
	151,617,717	166,234,064	167,707,174
Expenses			
General government	13,310,981	16,658,532	14,053,729
Protection to persons and property	23,915,918	26,696,654	24,727,211
Transportation services	29,208,585	53,594,290	41,676,315
Environmental services	34,104,961	39,325,990	35,156,208
Health services	1,640,308	1,763,789	1,439,694
Social and family services	877,650	938,926	910,264
Recreation and cultural services	19,451,617	21,403,429	22,715,231
Planning and development	5,515,236	4,999,054	4,781,063
	128,025,256	165,380,664	145,459,715
Annual Surplus	23,592,461	853,400	22,247,459
Accumulated Surplus, Beginning of Year	766,315,469	766,315,469	744,068,010
Accumulated Surplus, End of Year	789,907,930	767,168,869	766,315,469

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2014

	2014 \$	2013 \$
Operations		
Annual surplus	853,400	22,247,459
Sources (Uses)		
Change in investments	5,168,533	(7,558,934)
Change in taxes receivable	(844,249)	(375,051)
Change in accounts receivable	1,720,633	(12,353,285)
Change in user charges receivable	7,286,406	1,253,594
Change in long-term receivables	(96,950)	(357,215)
Change in inventories and prepaid expenses	(731,149)	(265,127)
Change in accounts payable and accrued liabilities	5,005,255	(4,007,723)
Change in deferred revenue - obligatory reserve funds	4,387,132	(73,200)
Change in deferred revenue	(755,402)	(146,836)
Change in other current liabilities	(596,666)	237,153
Change in post-employment benefits	436,801	273,926
	20,980,344	(23,372,698)
Non-cash charges to operations		
Amortization of tangible capital assets	24,111,796	22,754,547
Loss on disposal of tangible capital assets	1,153,327	619,847
	25,265,123	23,374,394
Net increase in cash from operations	47,098,867	22,249,155
Capital		
Acquisition of tangible capital assets	(31,846,342)	(32,109,524)
Investing		
Change in Niagara Falls Hydro Holding Corporation equity	(1,431,839)	(963,793)
Financing		
Long-term debt issued		3,300,000
Long-term debt repaid	(5,070,331)	(5,183,931)
Net decrease in cash from financing	(5,070,331)	(1,883,931)
Increase (Decrease) in Cash Position	8,750,355	(12,708,093)
Cash Position, Beginning of Year	68,281,633	80,989,726
Cash Position, End of Year	77,031,988	68,281,633

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL
ASSETS

for the year ended December 31, 2014

	2014 \$	2013 \$
Annual Surplus	853,400	22,247,459
Acquisition of Tangible Capital Assets	(31,846,342)	(32,109,524)
Amortization of Tangible Capital Assets	24,111,796	22,754,547
Loss on Disposal of Tangible Capital Assets	1,153,327	619,847
Change in Inventories and Prepaid Expenses	(731,149)	(265,127)
Increase (Decrease) in Net Financial Assets	(6,458,968)	13,247,202
Net Financial Assets, Beginning of Year	80,410,930	67,163,728
Net Financial Assets, End of Year	73,951,962	80,410,930

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

1. Significant Accounting Policies

The consolidated financial statements of the Corporation of the City of Niagara Falls, Ontario (the "Municipality") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada") with the exception of providing budget figures (note 16).

(a) Basis of consolidation

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, reserves, reserve funds and changes in investment in tangible capital assets. It includes the activities of all committees of council and the following boards, municipal enterprises and utilities which are under the control of council:

- Library Board
- Clifton Hill Business Improvement Area
- Downtown Board of Management
- Fallsview Business Improvement Area
- Lundy's Lane Business Improvement Area
- Main & Ferry Business Improvement Area
- Victoria & Centre Business Improvement Area
- Niagara Convention & Civic Centre Inc.
- Niagara Falls Hydro Holding Corporation

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

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

1. Significant Accounting Policies - continued

(a) Basis of consolidation - continued

(ii) Partial-consolidated entity

The following joint local board is proportionately consolidated. See note 13.

Niagara District Airport Commission (Joint Board)

(iii) Accounting for Region and School Board transactions

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

(iv) Trust funds

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

(b) Basis of accounting

(i) Revenues and expenses are reported on the accrual basis of accounting.

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

(iii) Investments

Investments consist of Government of Canada treasury bills and crown corporation bonds; provincial government bonds; and Canadian corporate bonds. Investments are recorded at cost plus accrued interest.

(iv) 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.

(v) 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(v) Tangible capital assets - continued

Amortization is recorded to reflect the cost, net of anticipated residual value, associated with the use of the asset in providing government services on a straight-line basis over the estimated useful life of the asset. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized. Gains and/or losses on the disposal of an asset is recorded on the "Consolidated Statement of Operations and Accumulated Surplus" as "gain/loss on disposal of assets".

<u>Asset Class</u>	<u>Period</u>
General Assets	
Land	- NIL
Land improvements	- 10-60 years
Buildings	- 15-100 years
Furniture and equipment	- 10-25 years
Vehicles	- 6-25 years
Infrastructure	
Environmental	- 30-100 years
Roads	- 10-75 years
Water	- 15-100 years

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

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

(vi) Inventories

Inventories are valued at average cost.

(vii) Deferred revenue

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

(viii) Government transfers

Government transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. The transfer revenue is recognized in the "Consolidated Statement of Operations" as the stipulations giving rise to the liabilities are settled.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(ix) Employee future benefits

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS") which is a multi-employer contributory defined benefit program with contributions expensed as incurred. The costs of other retirement benefits are determined using the projected benefit method prorated on services and management's best estimate of retirement ages of employees and health benefit costs. The liabilities are discounted using current interest rates on long-term bonds.

(x) Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards 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 reporting periods. Actual results could differ from those estimates.

2. Operations of School Boards and the Region of Niagara

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

	School Boards		Region	
	2014	2013	2014	2013
	\$	\$	\$	\$
Taxation and user charges	71,332,140	40,799,620	40,044,321	69,310,417
Payments-in-lieu of taxes	3,480,801	845	710	6,498,393
Amounts received or receivable	74,812,941	40,800,465	40,045,031	75,808,810
Requisitions	74,812,941	40,800,465	40,045,031	72,781,802
Overlevies (Underlevies) at the end of year				3,027,008

3. Investments

Investments have a book value of \$ 24,612,059 (\$ 29,780,592 - 2013) and a market value of \$ 24,680,581 (\$ 29,548,134 - 2013).

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

4. Tax Receivables and Revenues

Property tax billings are prepared by the Municipality based on an assessment roll issued by the Municipal Property Assessment Corporation ("MPAC") and in accordance with the provisions of the Municipal Act, 2001. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings.

Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeal are recorded when the result of the appeal process is known or based on management's best estimate.

The property tax receivables, tax revenue and accounts payable and accrued liabilities of the Municipality are subject to measurement uncertainty as a significant number of appeals submitted by ratepayers have yet to be heard. The taxes receivable balance, including penalties and interest, are net of an allowance for doubtful accounts of \$ 920,000 (\$ 920,000 - 2013)

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

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

5. Investment in Niagara Falls Hydro Holding Corporation

	2014 \$	2013 \$
Statement of Financial Position		
Current assets	45,843,187	50,433,393
Capital assets	133,910,995	126,257,737
Other assets	4,650,180	4,327,487
Total Assets	184,404,362	181,018,617
Current liabilities	24,501,915	30,150,600
Other liabilities	10,092,166	9,267,003
Note payable - see below	22,000,000	22,000,000
Long-term debt	33,724,570	27,239,645
Non-controlling interest - see below	17,646,840	17,354,337
Total Liabilities and Other	107,965,491	106,011,585
Net Assets	76,438,871	75,007,032
Statement of Financial Activities		
Revenues	169,657,334	160,197,422
Operating expenses	164,017,062	155,312,627
Net income before regulatory accounting change	5,640,272	4,884,795
Regulatory debit accounting change under CGAAP	(3,115,330)	(3,054,566)
Net income before non-controlling interest	2,524,942	1,830,229
Non-controlling interest - see below	598,503	371,836
Net income	1,926,439	1,458,393
Net dividends	(494,600)	(494,600)
Change in NFHHC Net Equity	1,431,839	963,793

On January 1, 2008, Niagara Falls Hydro Inc. acquired Peninsula West Utilities Limited by way of amalgamation pursuant to a Merger Agreement dated December 19, 2007 and continued on as Niagara Peninsula Energy Inc. ("NPEI"). Niagara Falls Hydro Holding Corporation received 74.5% of the issued and outstanding common shares of NPEI.

The \$ 22,000,000 note payable is unsecured and is due to the Corporation of the City of Niagara Falls, Ontario bearing interest at 5.32% due April, 2020. To date, NPEI has not received any notice requiring the immediate redemption of the note payable.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

6. Credit Facilities

The Municipality has an authorized operating loan due on demand of \$ 15,500,000 ("Facility #1") bearing interest at prime less 0.5% to assist with general operating requirements and to finance current expenditures. An authorized revolving term loan due on demand of \$ 35,000,000 ("Facility #2") bearing interest at 2.18% to assist in financing construction of a new four pad arena complex. A credit facility of \$ 2,000,000 ("Facility #3") related to commercial cards &/or Scotia VISA business cards whose availment and interest rate are per cardholder agreement. An authorized revolving term loan due on demand of \$ 1,000,000 ("Facility #4") bearing interest at prime less 0.25% to assist in financing the Community Improvement Program. As at December 31, 2014, nil has been drawn on Facilities #1, #2 and #4. All credit facilities are secured by a borrowing by-law/resolution(s) containing a pledge of revenues and a general security agreement.

7. Deferred Revenue - Obligatory Reserve Funds

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

	2014 \$	2013 \$
2% Parkland dedication	1,261,829	1,223,674
Public purpose	565,461	541,492
Federal gas tax rebate - transit	7,485,847	6,979,213
Provincial gas tax rebate - transit	900,324	345,801
Discounted development charges	2,661,406	2,600,718
Non-discounted development charges	12,381,876	9,178,713
	25,256,743	20,869,611

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

8. Post-Employment Benefits

	2014 \$	2013 \$
Post-employment benefits	18,779,794	18,515,043
Long-term disability	120,774	60,709
Accumulated sick leave	4,584,147	4,535,686
WSIB - Schedule II future liability	5,178,712	5,066,943
Vacation pay	1,488,142	1,536,387
	30,151,569	29,714,768

Post-Employment Benefits and Accumulated Sick Leave

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

As a result of actuarial valuations on post-employment benefits, it was determined that an actuarial gain of \$ 4,578,348 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 3,751,945. The actual obligation is \$ 15,027,849.

As a result of actuarial valuations on long-term disability benefits, it was determined that an actuarial loss of \$ 446,485 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 334,864. The actual obligation is \$ 455,638.

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

As a result of actuarial valuations on the accumulated sick leave liability, it was determined that an actuarial loss of \$ 1,980,112 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 1,650,093. The actual obligation is \$ 6,234,240.

A reserve fund has been established for the accumulated sick leave liability. The balance as at December 31, 2014 is \$ 1,352,615 (\$ 1,329,184 - 2013).

The liabilities for post-employment benefits and accumulated sick leave as reflected in these consolidated financial statements have been determined on an actuarial basis using a discount rate of 5% and an inflation rate of 2%.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

8. Post-Employment Benefits - continued

Workplace Safety and Insurance Board - Schedule II Future Liability

The Municipality has elected to be treated as a Schedule II employer and as such, is required to remit payments to the Workplace Safety and Insurance Board ("WSIB") to fund disability payments. The liability as reflected in these consolidated financial statements has been determined on an actuarial basis using a discount rate of 4.5% and an inflation rate of 2%.

As a result of an actuarial valuation on the WSIB - Schedule II liability, it was determined that an actuarial loss of \$ 3,183,103 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 2,470,939. The actual obligation is \$ 7,649,651.

A reserve fund has been established for this liability. The balance as at December 31, 2014 is \$ 921,791 (\$ 905,855 - 2013).

The next valuation for all benefit groups is for the year ending December 31, 2017.

As a result of an actuarial valuation on the accumulated vacation pay liability, it was determined that an actuarial gain of \$ 887,927 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 739,620. The actual obligation is \$ 748,522.

Pension Agreements

The Municipality 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 Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to approximately 440,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2014 was \$ 4,689,060 (\$ 4,010,507 - 2013) for current services and is included as an expense on the "Consolidated Statement of Operations".

On January 1, 2014, the yearly maximum pension earnings increased to \$ 52,500 from \$ 51,100 in 2013. The contributions are calculated at a rate of 9% (9% - 2013) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (14.6% - 2013) for amounts above the yearly maximum pension earnings.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

9. Net Long-Term Liabilities

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

	2014 \$	2013 \$
Total long-term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises bearing interest at annual rates ranging from 1.95% to 5.35% and outstanding during the year is	62,503,603	67,573,934
Net long-term liabilities, end of year	62,503,603	67,573,934

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

	\$
2015	4,756,919
2016	4,737,604
2017	3,634,161
2018	3,394,183
2019	3,509,431
Thereafter	42,471,305

- (c) The long-term liabilities in (a) issued in the name of the municipality have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Interest charges of \$ 3,014,238 (\$ 3,204,194 - 2013) are included on the "Consolidated Statement of Operations and Accumulated Surplus", classified under the appropriate functional expense heading.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

10. Accumulated Surplus

	2014 \$	2013 \$
Invested in tangible capital assets	696,714,320	700,885,594
Operating fund	8,552,039	7,414,034
Reserves and reserve funds	56,092,171	58,248,552
Niagara Falls Hydro Holding Corporation net equity	98,438,871	97,007,032
	859,797,401	863,555,212
Amount to be recovered - post-employment benefits	(30,151,569)	(29,714,768)
Amount to be recovered - net long-term liabilities	(62,476,963)	(67,524,975)
	(92,628,532)	(97,239,743)
	767,168,869	766,315,469

(a) Operating fund balance

	2014 \$	2013 \$
For general reduction of taxation	1,368,383	1,362,618
For general reduction of user charges respecting waterworks	960,822	883,852
For general reduction of user charges respecting sewers	1,759,362	1,763,753
For general use by the parking fund	(1,761)	(1,813)
For general use by Library Board	688,205	535,695
For general use by the Business Improvement Areas	3,754,319	2,851,957
For general use by Airport Commission	22,709	17,972
	8,552,039	7,414,034

(b) Reserves and reserve fund balances

	2014 \$	2013 \$
Reserves set aside by council for specific purposes:		
Special purposes	33,056,254	31,481,948
Working capital	265,000	265,000
Water capital	1,833,363	1,533,363
Sewage capital	2,071,103	5,518,728
Total Reserves	37,225,720	38,799,039

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

10. Accumulated Surplus - continued

(b) Reserves and reserve fund balances - continued

	2014 \$	2013 \$
Reserve Funds set aside by council for specific purposes:		
Licence agreements - 40 years	19,320	23,591
Sick leave liability	1,352,615	1,329,184
WSIB - Schedule II	921,791	905,855
Recreation trail development	82,451	81,035
Capital/Operations - see note 12	6,659,488	6,818,541
Tree planting - developers	73,849	72,970
Park development	241	241
Sewer and water impost	1,518,590	1,492,284
Expansion and renewal	263,492	258,927
Drainage	717,731	716,337
Prepaid works projects contributions	230,674	226,704
Sidewalk construction	35,953	35,328
Future municipal works	695,949	781,569
Lot drainage	184,676	181,484
Library funds	841,342	978,904
Sanitary	448,931	441,183
Sports fund	5,246	5,179
Projects - special needs children	16,966	16,695
Parking	75,332	76,048
Coat of Arm's	2,416	2,385
Lundy's Lane business improvement purposes	117,056	117,056
Board of Museum purposes	21,455	18,712
Niagara Tunnel Community Improvement	202,672	129,839
Water patrol boat	19,363	34,892
Branscombe Family Grant	3,949	3,900
Fire department radios debenture	19,097	26,642
Fire department aerial firetruck debenture	62,648	83,143
Niagara Sports Foundation	302	606
Chippawa Arena debenture surplus	19,612	24,549
FMC/Visitor Transportation System	4,178,503	4,488,752
Kalar Park turf debenture surplus	74,741	76,978
Total Reserve Funds	18,866,451	19,449,513
Total Reserves and Reserve Funds	56,092,171	58,248,552

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

10. Accumulated Surplus - continued

(c) Niagara Falls Hydro Holding Corporation net equity

	2014 \$	2013 \$
Niagara Falls Hydro Holding Corporation net equity	98,438,871	97,007,032

11. Trust Funds

Trust funds administered by the Municipality amounting to \$ 3,409,231 (\$ 3,430,667 - 2013) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus".

12. Contractual Obligations and Commitments

Capital Expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2014 is approximately \$ 43,557,344 (\$ 48,315,268 - 2013) after deducting the expenditures incurred as at December 31, 2014. These projects will be financed by grants, subsidies and long-term liabilities in future years.

International Railway Bridge

The Municipality, as a condition of the purchase of the CN/CP Railway Corridor, has the responsibility for the costs of demolition of the International Railway Bridge by December 2016. This condition is subject to being waived if the bridge is subsequently sold to a third party or if demolition procedures have not commenced by CN/CP prior to December 2016. The Municipality has set aside a reserve fund (Capital/Operations) amount of \$ 4,000,000 increasing each year by the amount of the Consumer Price Index for this purpose. In addition, the Municipality is committed to reimburse CN/CP the lesser of the actual maintenance costs incurred on the International Railway Bridge or \$ 100,000 on an annual basis until December 2016.

13. Contributions to Joint Board

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

	2014 \$	2013 \$
Niagara District Airport Commission	196,658	96,101

The Municipality's share of the net assets of the Niagara District Airport Commission is approximately 36%.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

14. Contingent Liabilities

Legal

As at December 31, 2014, the Municipality has certain other legal claims outstanding. It is management's assertion that adequate defences and insurance coverages are in effect for the settlement of these claims, if necessary.

Niagara Convention & Civic Centre Inc. ("Scotiabank Convention Centre")

The City must notify the Government of Canada and the Province of Ontario in writing, if at any time during a period of twenty five years from the date of completion of the Scotiabank Convention Centre, that being April 2011, the City proposes to sell, lease, encumber or otherwise dispose directly or indirectly, of any part of the Scotiabank Convention Centre. The City is contingently liable for a proportionate amount of funds in the amount of \$ 70,000,000 contributed equally by the Government of Canada and the Province of Ontario. The contingent liability is reduced 4% per annum up to twenty five years after the date of completion.

People Mover Project/Visitor Transportation System ("WEGO")

The City must notify the Government of Canada and the Province of Ontario in writing, if at any time during a period of twenty five years from the date of completion for fixed assets and ten years for non-fixed assets of the WEGO system, the City proposes to sell, lease, encumber or use assets in a manner other than described in the agreement or otherwise dispose directly or indirectly, of any part of the fixed or non-fixed assets purchased, constructed, rehabilitated or improved. The City is contingently liable for a proportionate amount of \$ 50,000,000 contributed equally in total by the Government of Canada and the Province of Ontario. For fixed assets, the contingent liability is reduced 4% per annum up to twenty five years after the date of completion, that being April, 2015. For non-fixed assets, the contingent liability is reduced by 10% per annum up to ten years after the date of completion, that being August, 2012.

Metrolinx Agreement ("WEGO")

The City must notify Metrolinx in writing, if at any time during a period of thirty years from the date of completion for the WEGO bus storage and maintenance facility, the City proposes to sell, lease, encumber or use assets in a manner other than described in the agreement or otherwise dispose directly or indirectly, of any part of the facility constructed, rehabilitated or improved. The City is contingently liable for a proportionate amount of \$ 5,900,000 contributed by Metrolinx. The contingent liability is reduced 3.33% per annum up to thirty years after the date of completion, that being April, 2015. Alternatively, Metrolinx has the first right of refusal to purchase the facility at an agreed upon amount. To date, the Municipality has received \$ 5,900,000 related to this agreement.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

15. Segmented Reporting

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

General Government

The mandate of this functional area is to provide political governance, administrative executive management and those expenses and revenues which are corporate in nature and cannot be easily apportioned to other departments. Reported in this functional area are departments such as Council, Clerks, CAO, Finance, Human Resources, Legal, Information Systems and Capital Assets.

Protection

Reported in this functional area are Fire and Building Services. The mandate of Fire Services is to provide emergency services through a range of services to protect the lives and property of the inhabitants of the Municipality. The mandate of Building Services is to inform and assist customers to ensure safe and orderly development and provide efficient delivery of building approvals, inspections and management systems.

Transportation

Reported in this functional area are Roads and Works and Transit Services. The mandate for Roads and Works is to provide quality road and traffic maintenance and operations to the residents and businesses of the Municipality. This area is also responsible for winter control. The mandate of the Transit is to provide a safe, reliable, convenient and efficient public transportation system within the urban area.

Environment

Reported in this functional area are Sanitary, Storm and Water Systems. The mandate is to provide a safe and reliable water resource system and is responsible for the maintenance and operation of the systems and monitoring and administering environmental programs.

Health

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

Recreation and Culture

Reported in this functional area are Parks, Recreation and Culture. The Parks department is responsible for the maintenance, improvement and beautification of various parks as well as the planning and construction of new parkland and open space. The Recreation and Culture departments are responsible for the delivery of various related programs and the provision of facilities as well as the support of groups and organizations throughout the Municipality.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

15. Segmented Reporting - continued

Planning and Development

The Planning department creates the policy framework and implementation tools required to shape the future of the Municipality. The Development department is responsible for ensuring that the Municipality's land development standards are achieved on all development applications.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements. See note 16 for a discussion on the budgeted figures provided.

16. Budget Figures

The approved operating budget for 2014 is reflected on the "Consolidated Statement of Operations and Accumulated Surplus". These numbers have not been audited but are presented for information purposes only. The budgets established for capital funds, reserves and reserve funds are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts and have not been reflected. Budget figures have been reclassified to comply with PSAB reporting requirements.

17. Water Billing Adjustment

In July 2013, the Municipality was notified that user fees for water and wastewater consumption charged to a large ratepayer were overstated for a period of several years. The Municipality recorded an estimated amount to be repaid as a reduction to user fees and charges revenue on the "Consolidated Statement of Operations and Accumulated Surplus" in 2012 of \$ 1,426,583 and \$ 378,871 for the year ending December 31, 2013 for a total of \$ 1,805,454. The Municipality reached a final settlement amount of \$ 5,850,000 with the large ratepayer in April, 2016. The Municipality has recorded the difference of \$ 4,044,546 as a reduction to user fees and charges revenue on the "Consolidated Statement of Operations and Accumulated Surplus" for the year ending December 31, 2014.

18. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

SCHEDULE OF SEGMENTED REPORTING

for the year ended December 31, 2014

	General Government 2014 Budget \$	General Government 2014 Actual \$	General Government 2013 Actual \$	Protection 2014 Budget \$	Protection 2014 Actual \$	Protection 2013 Actual \$	Transportation 2014 Budget \$	Transportation 2014 Actual \$	Transportation 2013 Actual \$	Environment 2014 Budget \$	Environment 2014 Actual \$	Environment 2013 Actual \$
Revenues												
Taxation	62,699,170	64,946,366	66,207,016	-	-	-	-	-	-	-	-	-
User fees and charges - note 17	890,116	690,633	710,968	1,373,500	1,844,904	1,720,544	4,636,567	4,056,072	4,344,780	39,710,748	34,680,947	38,443,579
Government grants	1,563,100	2,244,900	2,042,625	-	-	-	56,000	8,229,766	9,360,780	-	1,110	1,298
Other	26,590,600	29,563,475	24,537,514	-	37,097	50,678	3,620,039	5,787,598	6,791,288	132,500	3,176,486	4,318,260
Government business enterprise	-	1,431,839	963,793	-	-	-	-	-	-	-	-	-
Loss on disposal of tangible capital assets	-	(1)	(211,261)	-	-	-	-	(285,809)	(277,412)	-	(252,134)	(128,039)
	91,742,986	98,877,212	94,250,655	1,373,500	1,882,001	1,771,222	8,312,606	17,787,627	20,219,436	39,843,248	37,606,409	42,635,098
Expenditures												
Salaries and wages	9,961,483	9,962,965	9,621,633	16,920,567	18,296,989	18,572,765	17,034,458	17,238,166	15,546,057	3,560,735	3,809,131	3,483,533
Operating materials and supplies	5,626,643	8,102,579	5,382,443	858,589	1,055,239	223,515	6,620,809	8,814,636	9,471,996	1,017,550	1,178,608	45,555
Contracted services	968,430	1,482,910	1,087,385	4,738,888	4,832,515	3,787,605	3,606,843	15,523,716	6,240,388	28,254,744	25,724,425	23,392,668
Rents and financial expenses	208,100	187,841	215,259	177,640	293,545	110,853	117,575	141,901	74,333	328,500	259,362	87,027
Interfunctional transfer	(3,494,797)	(4,154,373)	(3,500,246)	1,022,776	1,114,935	922,378	1,693,069	2,109,046	1,788,400	416,073	501,744	437,135
External transfer	16,000	8,688	2,077	-	-	-	2,500	-	-	-	-	-
Amortization	-	1,046,496	1,216,128	-	924,213	885,139	-	9,666,062	8,369,378	-	7,342,137	7,160,165
Debt service	25,122	21,426	29,050	197,458	179,218	224,956	133,331	100,763	185,763	527,359	510,583	550,125
	13,310,981	16,658,532	14,033,729	23,915,918	26,696,654	24,727,211	29,208,585	53,594,290	41,676,315	34,104,961	39,325,990	35,156,208
Annual Surplus (Deficit)	78,432,005	82,218,680	80,196,926	(22,542,418)	(24,814,653)	(22,955,989)	(20,895,979)	(35,806,663)	(21,456,879)	5,738,287	(1,719,581)	7,478,890

See accompanying notes

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CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

SCHEDULE OF SEGMENTED REPORTING

for the year ended December 31, 2014

	Health		Health		Recreation/ Culture		Recreation/ Culture		Recreation/ Culture		Planning/ Development		Planning/ Development		Total		Total		Total	
	Budget	Actual	2014	2013	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	2014	2013	Budget	Actual	2014	Actual
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,699,170	-	62,699,170	64,946,366	66,207,016	66,207,016
User fees and charges - note 17	404,800	613,849	613,849	444,659	5,659,594	5,662,477	5,662,477	4,512,405	220,000	349,694	390,120	390,120	52,895,325	47,898,576	50,567,055	50,567,055	47,898,576	50,567,055	50,567,055	50,567,055
Government grants	-	42,696	42,696	-	164,800	1,142,333	1,142,333	198,574	120,000	226,190	193,728	193,728	1,903,900	11,886,995	11,797,005	11,797,005	11,886,995	11,797,005	11,797,005	11,797,005
Other	319,000	329,395	329,395	300,594	949,508	2,137,998	2,137,998	2,235,851	2,507,675	191,566	557,967	557,967	34,119,322	41,223,615	38,792,152	38,792,152	41,223,615	38,792,152	38,792,152	38,792,152
Government business enterprise	-	-	-	-	-	-	-	-	-	-	-	-	-	1,431,839	963,793	963,793	1,431,839	963,793	963,793	963,793
Loss on disposal of tangible capital assets	-	-	-	-	-	(605,337)	(605,337)	1	-	(10,046)	(3,136)	(3,136)	-	(1,153,327)	(619,847)	(619,847)	(1,153,327)	(619,847)	(619,847)	(619,847)
	723,800	985,940	985,940	745,253	6,773,902	8,337,471	8,337,471	6,946,831	2,847,675	757,404	1,138,679	1,138,679	151,617,717	166,234,064	167,707,174	167,707,174	166,234,064	167,707,174	167,707,174	167,707,174
Expenditures																				
Salaries and wages	1,539,172	1,426,832	1,426,832	1,414,220	8,314,310	8,088,353	8,088,353	7,952,188	1,830,989	1,777,588	1,797,220	1,797,220	59,161,714	60,600,024	58,387,616	58,387,616	60,600,024	58,387,616	58,387,616	58,387,616
Operating materials and supplies	300,597	300,602	300,602	227,454	7,583,353	5,129,225	5,129,225	6,616,064	169,655	117,701	133,797	133,797	22,177,196	24,698,590	22,100,824	22,100,824	24,698,590	22,100,824	22,100,824	22,100,824
Contracted services	514,344	697,237	697,237	476,057	893,092	1,000,630	1,000,630	1,011,991	858,050	1,023,666	910,911	910,911	39,834,391	50,285,099	36,907,005	36,907,005	50,285,099	36,907,005	36,907,005	36,907,005
Rents and financial expenses	30,200	32,558	32,558	36,563	188,118	197,349	197,349	195,455	160,000	128,912	283,380	283,380	1,210,133	1,241,468	1,002,870	1,002,870	1,241,468	1,002,870	1,002,870	1,002,870
Interfunctional transfer	83,645	122,068	122,068	81,391	265,567	290,777	290,777	256,763	13,667	15,803	14,179	14,179	-	-	-	-	-	-	-	-
External transfer	50,000	50,000	50,000	50,000	8,946	8,946	8,946	11,893	2,482,875	1,361,815	1,038,689	1,038,689	2,560,321	1,429,449	1,102,659	1,102,659	1,429,449	1,102,659	1,102,659	1,102,659
Amortization	-	73,418	73,418	64,273	-	4,485,901	4,485,901	4,456,577	-	573,569	602,887	602,887	-	24,111,796	22,754,547	22,754,547	24,111,796	22,754,547	22,754,547	22,754,547
Debt service	-	-	-	-	2,198,231	2,202,248	2,202,248	2,214,300	-	-	-	-	3,081,501	3,014,238	3,204,194	3,204,194	3,081,501	3,014,238	3,204,194	3,204,194
	2,517,958	2,702,715	2,702,715	2,349,958	19,451,617	21,403,429	21,403,429	22,715,231	5,515,236	4,999,054	4,781,063	4,781,063	128,025,256	165,380,664	145,459,715	145,459,715	165,380,664	145,459,715	145,459,715	145,459,715
Annual Surplus (Deficit)	(1,794,158)	(1,716,775)	(1,716,775)	(1,604,705)	(12,677,715)	(13,065,958)	(13,065,958)	(15,768,400)	(2,667,561)	(4,241,650)	(3,642,384)	(3,642,384)	23,592,461	853,400	22,247,459	22,247,459	23,592,461	853,400	22,247,459	22,247,459

See accompanying notes

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CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2014

	Balance, Beginning of Year	Cost			Balance, End of Year	Balance, Beginning of Year	Accumulated Amortization		Balance, End of Year	Net Book Value
		Additions	Disposals				Amortization	Disposals		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General										
Land	17,725,165	3,096,029	88,936	20,732,258						20,732,258
Land improvements	18,541,093	3,190,714		21,731,807	5,496,789		954,270		6,451,059	15,280,748
Buildings	154,757,781	3,140,185	2,456,315	155,441,651	24,951,108		3,063,549	1,939,912	26,074,745	129,366,906
Furniture and equipment	25,584,817	5,989,976	1,154,867	30,419,926	9,117,387		3,263,277	1,144,045	11,236,619	19,183,307
Vehicles	53,876,001	1,527,688	417,861	54,985,828	25,350,498		4,278,339	417,861	29,210,976	25,774,852
	270,484,857	16,944,592	4,117,979	283,311,470	64,915,782		11,559,435	3,501,818	72,973,399	210,338,071
Infrastructure										
Environmental	417,379,670	12,851,956	2,183,930	428,047,696	147,337,357		5,507,713	2,042,563	150,802,507	277,245,189
Roads	183,018,942	19,358,096	1,871,820	200,505,218	100,207,032		5,268,574	1,526,768	103,948,838	96,556,380
Water	111,021,958	7,174,919	1,057,246	117,139,631	43,274,875		1,776,074	832,723	44,218,226	72,921,405
	711,420,570	39,384,971	5,112,996	745,692,545	290,819,264		12,552,361	4,402,054	298,969,571	446,722,974
Work in Progress	57,589,356	40,921,485	65,230,930	33,279,911						33,279,911
December 31, 2014	1,039,494,783	97,251,048	74,461,905	1,062,283,926	355,735,046		24,111,796	7,903,872	371,942,970	690,340,956

See accompanying notes

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CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2014

	Balance, Beginning of Year	Cost			Balance, End of Year	Balance, Beginning of Year	Accumulated Amortization		Balance, End of Year	Net Book Value
		Additions	Disposals				Amortization	Disposals		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General										
Land	17,692,542	235,123	202,500	17,725,165						17,725,165
Land improvements	17,017,414	1,606,353	82,674	18,541,093	4,846,423	733,040		82,674	5,496,789	13,044,304
Buildings	155,021,107	(263,326)		154,757,781	21,701,280	3,249,828			24,951,108	129,806,673
Furniture and equipment	22,983,844	3,236,186	635,213	25,584,817	6,977,132	2,876,955		736,700	9,117,387	16,467,430
Vehicles	52,615,723	2,103,019	842,741	53,876,001	21,953,790	4,221,103		824,395	25,350,498	28,525,503
	265,330,630	6,917,355	1,763,128	270,484,857	55,478,625	11,080,926		1,643,769	64,915,782	205,569,075
Infrastructure										
Environmental	412,538,516	5,878,621	1,037,467	417,379,670	142,951,773	5,338,093		952,509	147,337,357	270,042,313
Roads	178,088,007	6,119,548	1,188,613	183,018,942	96,563,055	4,564,747		920,770	100,207,032	82,811,910
Water	109,930,670	1,465,778	374,490	111,021,958	41,835,458	1,770,781		331,364	43,274,875	67,747,083
	700,557,193	13,463,947	2,600,570	711,420,570	281,350,286	11,673,621		2,204,643	290,819,264	420,601,306
Work in Progress	45,965,695	32,045,593	20,421,932	57,589,356						57,589,356
December 31, 2013	1,011,853,518	52,426,895	24,785,630	1,039,494,783	336,828,911	22,754,547		3,848,412	355,735,046	683,759,737

See accompanying notes

INDEPENDENT AUDITORS' REPORT - TRUST FUNDS

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Niagara Falls, Ontario

We have audited the accompanying financial statements of the trust funds of the Corporation of the City of Niagara Falls, Ontario, which comprise the statement of financial position as at December 31, 2014 and the statement of financial activities and changes in fund balances for the year then ended and 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 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 the auditors' 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, the auditors 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 financial position of the trust funds of the Corporation of the City of Niagara Falls, Ontario as at December 31, 2014 and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Niagara Falls, Ontario
June 3, 2016

A handwritten signature in black ink, appearing to read "Crawford, Smith & Swallow". The signature is fluid and cursive, with the first name "Crawford" being the most prominent.

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

STATEMENT OF FINANCIAL POSITION - TRUST FUNDS

December 31, 2014

	Total \$	Cemetery Perpetual Care \$	Other \$
Assets			
Cash	319,065	304,686	14,379
Investments - note 2			
Federal	1,616,658	1,616,658	
Provincial	569,217	569,217	
Corporate	898,536	897,336	1,200
	3,084,411	3,083,211	1,200
Due from operating fund	5,755		5,755
	3,409,231	3,387,897	21,334
Liabilities and Fund Balances			
Fund balances	3,409,231	3,387,897	21,334
	3,409,231	3,387,897	21,334

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN FUND
BALANCES - TRUST FUNDS
for the year ended December 31, 2014

	Total \$	Cemetery Perpetual Care \$	Other \$
Balance, Beginning of Year	3,430,667	3,284,060	146,607
Receipts			
Cemetery lot receipts	103,837	103,837	
Interest	122,464	118,723	3,741
	226,301	222,560	3,741
Expenditures			
Bank charges	2,359		2,359
Cemetery care	118,723	118,723	
Transfer to operating fund	126,655		126,655
	247,737	118,723	129,014
Balance, End of Year	3,409,231	3,387,897	21,334

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2014

1. Significant Accounting Policies

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

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting.

Investments

Investments are recorded at cost.

2. Investments

Trust fund investments of \$ 3,084,411 (\$ 2,999,426 - 2013) have a market value as at December 31, 2014 of \$ 3,249,825 (\$ 3,039,112 - 2013). Investments consist of Government of Canada treasury bills and crown corporation bonds; provincial government bonds; Canadian corporate bonds and Canadian bank shares.

3. Other Trust Funds

	2014	2013
	\$	\$
Trust for land sales	2,382	127,655
Brock University Students' Union	5,757	5,757
Rigg Estate	500	500
W. L. Doran Estate	1,000	1,000
Moore Estate	1,200	1,200
McNiven Estate	500	500
McDonald Estate	400	400
Woodruff Estate	8,295	8,295
Coulsen Estate	300	300
Wilson Estate	500	500
C. J. Doran Estate	500	500
	21,334	146,607
