



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

Consolidated Financial Statements

December 31, 2015

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

Consolidated Financial Statements

December 31, 2015

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CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

MANAGEMENT REPORT

December 31, 2015

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
September 27, 2016



Ken Todd
Chief Administrative Officer
September 27, 2016

Crawford, Smith and Swallow
Chartered Accountants LLP

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Port Colborne, Ontario

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, 2015, 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

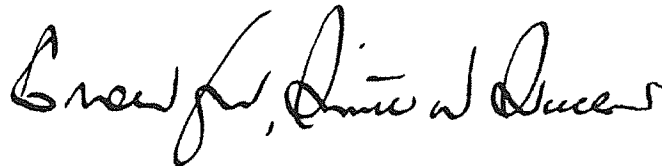
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, 2015, and the consolidated results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read "Crawford, Smith and Swallow", is positioned above the firm's name.

Niagara Falls, Ontario
September 27, 2016

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

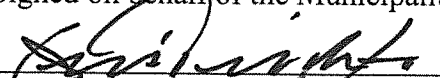
CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015

	2015 \$	2014 \$
Financial Assets - note 7		
Cash	87,111,238	77,031,988
Investments - note 4	26,888,545	24,612,059
Taxes receivable - note 5	14,197,240	15,798,448
Accounts receivable	19,499,566	18,836,123
User charges receivable	5,606,190	4,706,588
Long-term receivables	2,202,398	2,631,845
Note receivable - note 6	22,000,000	22,000,000
Long-term investment - note 6	87,580,112	76,979,681
	265,085,289	242,596,732
Contingent Liabilities - note 16		
Liabilities		
Accounts payable and accrued liabilities	29,234,114	34,047,053
Deferred revenue - obligatory reserve funds - note 8	30,380,535	25,256,743
Deferred revenue - note 9	13,175,269	13,592,156
Other current liabilities	2,565,211	2,552,836
Post-employment benefits - note 10	28,859,524	30,151,569
Net long-term liabilities - note 11	57,746,684	62,503,603
	161,961,337	168,103,960
Net Financial Assets	103,123,952	74,492,772
Non-Financial Assets		
Tangible capital assets	695,551,481	690,340,956
Inventories and prepaid expenses	2,689,294	2,875,951
	698,240,775	693,216,907
Accumulated Surplus - note 12	801,364,727	767,709,679

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, 2015

	Budget \$	2015 \$	2014 \$
Revenues			
Taxation - note 5	69,194,524	69,577,359	64,946,366
User fees and charges	54,799,474	56,542,452	47,898,576
Government of Canada grants	2,500	1,706,568	8,524,731
Province of Ontario grants	1,662,006	2,592,311	2,229,040
Other municipal grants		1,131,589	1,133,224
Interest and penalties	2,660,000	2,080,434	2,559,563
Investment income	2,465,000	3,251,369	3,161,660
Casino and gaming revenues	21,000,000	23,006,468	21,388,833
Niagara Falls Hydro Holding Corporation net comprehensive income - note 6		10,600,431	1,529,209
Contributions from Obligatory Reserve Funds		5,479,566	4,365,281
Other	5,117,125	9,358,803	9,748,278
Loss on disposal of tangible capital assets		(174,270)	(1,153,327)
	156,900,629	185,153,080	166,331,434
Expenses			
General government	12,490,270	11,598,457	16,658,532
Protection to persons and property	25,810,949	25,577,718	26,696,654
Transportation services	31,935,321	40,788,046	53,594,290
Environmental services	33,401,261	41,509,874	39,325,990
Health services	1,698,768	1,566,646	1,763,789
Social and family services	898,320	998,240	938,926
Recreation and cultural services	20,380,855	24,409,154	21,403,429
Planning and development	5,394,924	5,049,897	4,999,054
	132,010,668	151,498,032	165,380,664
Annual Surplus	24,889,961	33,655,048	950,770
Accumulated Surplus, Beginning of Year - note 2	767,709,679	767,709,679	766,758,909
Accumulated Surplus, End of Year	792,599,640	801,364,727	767,709,679

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2015

	2015 \$	2014 \$
Operations		
Annual surplus	33,655,048	950,770
Sources (Uses)		
Change in investments	(2,276,486)	5,168,533
Change in taxes receivable	1,601,208	(844,249)
Change in accounts receivable	(663,443)	1,720,633
Change in user charges receivable	(899,602)	7,286,406
Change in long-term receivables	429,447	(96,950)
Change in inventories and prepaid expenses	186,657	(731,149)
Change in accounts payable and accrued liabilities	(4,812,939)	5,005,255
Change in deferred revenue - obligatory reserve funds	5,123,792	4,387,132
Change in deferred revenue	(416,887)	(755,402)
Change in other current liabilities	12,375	(596,666)
Change in post-employment benefits	(1,292,045)	436,801
	(3,007,923)	20,980,344
Non-cash charges to operations		
Amortization of tangible capital assets	23,973,650	24,111,796
Loss on disposal of tangible capital assets	174,270	1,153,327
	24,147,920	25,265,123
Net increase in cash from operations	54,795,045	47,196,237
Capital		
Acquisition of tangible capital assets	(29,358,445)	(31,846,342)
Investing		
Niagara Falls Hydro Holding Corporation net comprehensive income - note 6	(10,600,431)	(1,529,209)
Financing		
Long-term debt repaid	(4,756,919)	(5,070,331)
Increase in Cash Position	10,079,250	8,750,355
Cash Position, Beginning of Year	77,031,988	68,281,633
Cash Position, End of Year	87,111,238	77,031,988

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, 2015

	2015	2014
	\$	\$
Annual Surplus	33,655,048	950,770
Acquisition of Tangible Capital Assets	(29,358,445)	(31,846,342)
Amortization of Tangible Capital Assets	23,973,650	24,111,796
Loss on Disposal of Tangible Capital Assets	174,270	1,153,327
Change in Inventories and Prepaid Expenses	186,657	(731,149)
Increase (Decrease) in Net Financial Assets	28,631,180	(6,361,598)
Net Financial Assets, Beginning of Year - note 2	74,492,772	80,854,370
Net Financial Assets, End of Year	103,123,952	74,492,772

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

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 Canadian public sector 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 18).

(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 net comprehensive 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, 2015

1. Significant Accounting Policies - continued

(a) Basis of consolidation - continued

(ii) Partial-consolidated entity

The following joint local board is proportionately consolidated. See note 15.

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, 2015

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, 2015

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(ix) Employee future benefits

The Municipality provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health care benefits, dental benefits, future paid sick leave benefits, retirement gratuity, workers' compensation and long-term disability benefits. The Municipality has adopted the following policies with respect to accounting for these employee benefits:

- (1) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days during employment and at retirement, insurance and health care cost trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group. See note 10 for changes to the accumulated sick leave plan.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by the employees, such as health care benefits for retirees or retirement gratuities, the cost is actuarially determined using projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (2) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- (3) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

1. Significant Accounting Policies - continued

(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. Change in Accounting Policies

The Municipality has implemented Canadian public sector accounting board section PS3260 liability for contaminated sites. PS3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without the restatement of prior periods. The adoption of this standard did not have an impact on the Municipality's consolidated financial statements.

As a result of the Niagara Falls Hydro Holding Corporation adopting International Financial Reporting Standards as described in notes 6 and 12 c), the accumulated surplus and net financial assets for the Municipality as at January 1, 2014 were restated from \$ 766,315,469 to \$ 766,758,909 and \$ 80,410,930 to \$ 80,854,370 respectively.

3. 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	
	2015 \$	2014 \$	2015 \$	2014 \$
Taxation and user charges	40,204,282	40,044,321	73,619,323	71,332,140
Payments-in-lieu of taxes	691	710	3,469,024	3,480,801
Amounts received or receivable	40,204,973	40,045,031	77,088,347	74,812,941
Requisitions	40,204,973	40,045,031	77,088,347	74,812,941
Overlevies (Underlevies) at the end of year				

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

4. Investments

Investments have a book value of \$ 26,888,545 (\$ 24,612,059 - 2014) and a market value of \$ 26,891,034 (\$ 24,680,581 - 2014).

5. 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 - 2014)

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, 2015

6. Investment in Niagara Falls Hydro Holding Corporation

	2015 \$	2014 \$ (as restated)
Statement of Financial Position		
Current assets	45,835,765	47,138,308
Capital assets	170,954,856	148,664,625
Other assets	21,423,518	4,317,948
Regulatory assets	11,854,596	13,529,967
Total Assets	250,068,735	213,650,848
Current liabilities	28,723,511	26,518,746
Other liabilities	28,858,232	18,995,341
Note payable - see below	22,000,000	22,000,000
Long-term debt	34,441,572	33,724,570
Non-controlling interest - see below	31,724,291	17,639,827
Regulatory liabilities	16,741,017	17,792,683
Total Liabilities and Other	162,488,623	136,671,167
Net Assets	87,580,112	76,979,681
Statement of Comprehensive Income		
Revenues	188,806,323	165,819,025
Operating expenses	175,810,454	164,453,204
Net income before regulatory accounting change	12,995,869	1,365,821
Regulatory debit accounting change under CGAAP	(623,707)	1,275,069
Net income before non-controlling interest	12,372,162	2,640,890
Non-controlling interest - see below	1,277,131	591,490
Net income	11,095,031	2,049,400
Net dividends	(494,600)	(520,191)
Net Comprehensive Income	10,600,431	1,529,209

Niagara Falls Hydro Holding Company ("NFHHC") adopted International Financial Reporting Standards ("IFRS") on January 1, 2015 with a transition date of January 1, 2014. These standards were applied retrospectively to the comparative information including the consolidated statements of financial position as at January 1, 2014 and December 31, 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2014.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

6. Investment in Niagara Falls Hydro Holding Corporation - continued

In preparing its opening IFRS consolidated statement of financial position, NFHHC has adjusted amounts previously reported in accordance with Canadian generally accepted accounting principles. The major areas of restatement involved the company's investment in Niagara Peninsula Energy Inc., property, plant and equipment and deferred payments in lieu of corporate income taxes. For a more detailed explanation of the above changes please refer to the audited consolidated financial statements of NFHHC.

Total assets of NFHHC, as previously reported, increased from \$ 181,018,617 to \$ 213,650,848, total liabilities increased from \$ 106,011,585 to \$ 136,671,167 and net assets increased from \$ 75,007,032 to \$ 76,979,681. In addition, revenues as previously reported, increased from \$ 160,197,422 to \$ 165,819,025, expenses and other charges increased from \$ 159,233,629 to \$ 164,289,816 and net comprehensive income increased from \$ 963,793 to \$ 1,529,209.

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.

7. Credit Facilities

The Municipality has an authorized operating loan due on demand of \$ 21,000,000 ("Facility #1") bearing interest at prime less 0.5% to assist with general operating requirements and to finance current expenditures. A credit facility of \$ 2,000,000 ("Facility #2") 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 #3") bearing interest at prime less 0.25% to assist in financing the Community Improvement Program. As at December 31, 2015, nil has been drawn on Facilities #1, #2 and #3. All credit facilities are secured by a borrowing by-law/resolution(s) containing a pledge of revenues and a general security agreement.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

8. 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.

	2015	2014
	\$	\$
2% Parkland dedication	1,293,922	1,261,829
Public purpose	860,322	565,461
Federal gas tax rebate - transit	7,753,537	7,485,847
Provincial gas tax rebate - transit	1,121,015	900,324
Discounted development charges	3,746,217	2,661,406
Non-discounted development charges	15,605,522	12,381,876
	30,380,535	25,256,743

9. Deferred Revenue

Deferred revenue includes \$ 5,752,500 related to a thirty year lease for space agreement between the Municipality and Metrolinx as part of the WEGO bus program. 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 liable to repay a proportionate amount of \$ 5,900,000 contributed by Metrolinx. The 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

10. Post-Employment Benefits

	2015	2014
	\$	\$
Post-employment benefits	19,134,876	18,779,794
Long-term disability	180,501	120,774
Accumulated sick leave	2,790,905	4,584,147
WSIB - Schedule II future liability	5,312,336	5,178,712
Vacation pay	1,440,906	1,488,142
	28,859,524	30,151,569

Post-Employment Benefits

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 \$ 3,347,745. The actual obligation is \$ 15,787,132.

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 \$ 279,053. The actual obligation is \$ 459,554.

The liabilities for post-employment benefits 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%.

Accumulated Sick Leave

The Municipality previously allowed for the accumulation of sick days for certain groups of employees hired after specified dates up to an allowable maximum provided in their employment agreements. Accumulated credits could have been used in future years to the extent that the duration of the employee's illness or injury exceeded the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. Effective December 31, 2015, the accumulated sick leave plans that previously existed is no longer available to CUPE employees and replaced by a new non-accumulating sick leave plan. The changes to the Municipality's accumulated sick leave plan resulted in a one-time decrease to the Municipality's obligation of \$ 1,821,663 and a corresponding curtailment gain was reported in the "Consolidated Statements of Operations and Accumulated Surplus" as at December 31, 2015.

As a result of actuarial valuations on the accumulated sick leave liability, it was determined that an actuarial loss of \$ 1,388,426 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 1,272,724. The actual obligation is \$ 4,063,629.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

10. Post-Employment Benefits - continued

Accumulated Sick Leave - continued

A reserve fund has been established for the accumulated sick leave liability. The balance as at December 31, 2015 is \$ 1,384,666 (\$ 1,352,615 - 2014).

The liabilities for accumulated sick leave as reflected in these consolidated financial statements have been determined on an actuarial basis using a discount rate of 4.5% and an inflation rate of 2%.

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 \$ 2,265,027. The actual obligation is \$ 7,577,363.

A reserve fund has been established for this liability. The balance as at December 31, 2015 is \$ 1,058,587 (\$ 921,791 - 2014).

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

Vacation Pay

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 \$ 665,506. The actual obligation is \$ 775,400.

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 450,000 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

10. Post-Employment Benefits - continued

Pension Agreements - continued

The amount contributed to OMERS for 2015 was \$ 4,485,570 (\$ 4,689,060 - 2014) for current services and is included as an expense on the "Consolidated Statement of Operations".

On January 1, 2015, the yearly maximum pension earnings increased to \$ 53,600 from \$ 52,500 in 2014. The contributions are calculated at a rate of 9% (9% - 2014) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (14.6% - 2014) for amounts above the yearly maximum pension earnings.

11. 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:

	2015	2014
	\$	\$
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	57,746,684	62,503,603
Net long-term liabilities, end of year	57,746,684	62,503,603

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

	\$
2016	4,737,604
2017	3,634,161
2018	3,394,183
2019	3,509,431
2020	3,265,281
Thereafter	39,206,024

- (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 \$ 2,763,289 (\$ 3,014,238 - 2014) 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, 2015

12. Accumulated Surplus

	2015 \$	2014 \$
Invested in tangible capital assets	707,287,622	696,714,320
Operating fund	9,712,659	8,552,039
Reserves and reserve funds	61,386,222	56,092,171
Niagara Falls Hydro Holding Corporation net equity	109,580,112	98,979,681
	887,966,615	860,338,211
Amount to be recovered - post-employment benefits	(28,859,524)	(30,151,569)
Amount to be recovered - net long-term liabilities	(57,742,364)	(62,476,963)
	(86,601,888)	(92,628,532)
	801,364,727	767,709,679

(a) Operating fund balance

	2015 \$	2014 \$
For general reduction of taxation	1,491,330	1,368,383
For general reduction of user charges respecting waterworks	1,017,835	960,822
For general reduction of user charges respecting sewers	1,793,961	1,759,362
For general use by the parking fund	2,030	(1,761)
For general use by Library Board	775,161	688,205
For general use by the Business Improvement Areas	4,606,878	3,754,319
For general use by Airport Commission	25,464	22,709
	9,712,659	8,552,039

(b) Reserves and reserve fund balances

	2015 \$	2014 \$
Reserves set aside by council for specific purposes:		
Special purposes	36,384,064	33,056,254
Working capital	265,000	265,000
Water capital	2,338,363	1,833,363
Sewage capital	3,131,103	2,071,103
Total Reserves	42,118,530	37,225,720

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

12. Accumulated Surplus - continued

(b) Reserves and reserve fund balances - continued

	2015 \$	2014 \$
Reserve Funds set aside by council for specific purposes:		
Licence agreements - 40 years	15,102	19,320
Sick leave liability	1,384,666	1,352,615
WSIB - Schedule II	1,058,587	921,791
Recreation trail development	84,381	82,451
Capital/Operations - see note 14	6,589,392	6,659,488
Tree planting - developers	75,580	73,849
Park development	241	241
Sewer and water impost	1,554,509	1,518,590
Expansion and renewal	269,678	263,492
Drainage	734,558	717,731
Prepaid works projects contributions	236,137	230,674
Sidewalk construction	36,776	35,953
Future municipal works	712,442	695,949
Lot drainage	189,042	184,676
Library funds	905,286	841,342
Sanitary	459,526	448,931
Sports fund	5,307	5,246
Projects - special needs children	17,314	16,966
Parking	126,896	75,332
Coat of Arm's	2,445	2,416
Lundy's Lane business improvement purposes	117,056	117,056
Board of Museum purposes	4,213	21,455
Niagara Tunnel Community Improvement	320,990	202,672
Water patrol boat	19,811	19,363
Branscombe Family Grant	3,982	3,949
Fire department radios debenture	9,544	19,097
Fire department aerial firetruck debenture	32,138	62,648
Niagara Sports Foundation	302	302
Chippawa Arena debenture surplus	13,651	19,612
FMC/Visitor Transportation System	4,226,317	4,178,503
Kalar Park turf debenture surplus	61,823	74,741
Total Reserve Funds	19,267,692	18,866,451
Total Reserves and Reserve Funds	61,386,222	56,092,171

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

12. Accumulated Surplus - continued

(c) Niagara Falls Hydro Holding Corporation net equity

	2015 \$	2014 \$
Balance, beginning of year as previously reported	98,438,871	97,007,032
Changes related to adoption of International Financial Reporting Standards - notes 2 and 6	540,810	443,440
Balance, beginning of year as restated	98,979,681	97,450,472
Net comprehensive income	10,600,431	1,529,209
Balance, end of year	109,580,112	98,979,681

As disclosed in note 6, the comparative revenues, expenses and net comprehensive income figures were restated due to the adoption of International Financial Reporting Standards ("IFRS").

13. Trust Funds

Trust funds administered by the Municipality amounting to \$ 3,496,859 (\$ 3,409,231 - 2014) 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".

14. Contractual Obligations and Commitments

Capital Expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2015 is approximately \$ 50,767,047 (\$ 43,557,344 - 2014) after deducting the expenditures incurred as at December 31, 2015. 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

15. Contributions to Joint Board

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

	2015	2014
	\$	\$
Niagara District Airport Commission	205,273	196,658

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

16. Contingent Liabilities

Legal

As at December 31, 2015, 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

17. 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, 2015

17. 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 18 for a discussion on the budgeted figures provided.

18. Budget Figures

The approved operating budget for 2015 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.

19. 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, 2015

	General Government 2015 Budget \$	General Government 2015 Actual \$	General Government 2014 Actual \$	Protection 2015 Budget \$	Protection 2015 Actual \$	Protection 2014 Actual \$	Transportation 2015 Budget \$	Transportation 2015 Actual \$	Transportation 2014 Actual \$	Environment 2015 Budget \$	Environment 2015 Actual \$	Environment 2014 Actual \$
Revenues												
Taxation	66,864,280	67,247,115	64,946,366	-	-	-	-	-	-	-	-	-
User fees and charges	922,000	680,273	690,633	1,523,500	2,205,848	1,844,904	4,748,018	4,064,686	4,056,072	41,032,352	42,573,465	34,680,947
Government grants	1,250,500	2,471,651	2,244,900	-	-	-	56,000	2,511,905	8,229,766	-	967	1,110
Other	26,875,600	29,772,962	29,563,475	-	31,961	37,097	2,965,865	5,944,314	5,787,598	365,000	4,895,228	3,176,486
Government business enterprise	-	10,600,431	1,529,209	-	-	-	-	-	-	-	-	-
Loss on disposal of tangible capital assets	-	-	(1)	-	-	-	-	(125,190)	(285,809)	-	(48,598)	(252,134)
	95,912,380	110,772,432	98,974,582	1,523,500	2,237,809	1,882,001	7,769,883	12,395,715	17,787,627	41,397,352	47,421,062	37,606,409
Expenditures												
Salaries and wages	10,026,136	9,379,547	9,962,965	18,569,321	17,660,049	18,296,989	17,835,986	17,330,451	17,238,166	3,952,458	3,680,906	3,809,131
Operating materials and supplies	5,984,432	4,673,433	8,102,579	862,049	103,719	1,055,239	7,342,477	7,043,142	8,814,636	1,230,039	1,379,824	1,178,608
Contracted services	950,730	1,538,053	1,482,910	4,783,408	4,787,287	4,832,515	4,254,269	4,005,694	15,523,716	26,855,631	27,923,075	25,724,425
Rents and financial expenses	181,000	230,367	187,841	188,808	274,034	293,545	221,716	256,324	141,901	328,500	232,560	259,362
Interfunctional transfer	(4,685,288)	(5,089,504)	(4,154,373)	1,246,717	1,621,937	1,114,935	2,199,119	2,287,051	2,109,046	552,258	541,825	501,744
External transfer	16,000	29,494	8,688	-	-	-	-	-	-	-	-	-
Amortization	-	823,724	1,046,496	-	985,225	924,213	-	9,798,893	9,666,062	-	7,282,776	7,342,137
Debt service	17,260	13,343	21,426	160,646	145,467	179,218	81,754	66,491	100,763	482,375	468,908	510,583
	12,490,270	11,598,457	16,658,532	25,810,949	25,577,718	26,696,654	31,935,321	40,788,046	53,594,290	33,401,261	41,509,874	39,325,990
Annual Surplus (Deficit)	83,422,110	99,173,975	82,316,050	(24,287,449)	(23,339,909)	(24,814,653)	(24,165,438)	(28,392,331)	(35,806,663)	7,996,091	5,911,188	(1,719,581)

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, 2015

	Health		Recreation/ Culture		Recreation/ Culture		Planning/ Development		Planning/ Development		Total		Total		Total	
	2015 Budget	2015 Actual	2014 Actual	2015 Budget	2015 Actual	2014 Actual	2015 Budget	2015 Actual	2014 Actual	2015 Budget	2015 Actual	2014 Actual	2015 Budget	2015 Actual	2014 Actual	2015 Actual
Revenues																
Taxation	-	-	-	-	-	-	2,330,244	2,330,244	-	69,194,524	69,577,359	64,946,366	-	-	-	-
User fees and charges	417,500	662,447	613,849	5,995,104	5,986,976	5,662,477	161,000	368,757	349,694	54,799,474	56,542,452	47,898,576	-	-	-	-
Government grants	-	42,700	42,696	212,162	270,721	1,142,333	145,844	132,524	226,190	1,664,506	5,430,468	11,886,995	-	-	-	-
Other	290,000	304,731	329,395	730,660	2,301,920	2,137,998	15,000	(74,476)	191,566	31,242,125	43,176,640	41,223,615	-	-	-	-
Government business enterprise	-	-	-	-	-	-	-	-	-	-	10,600,431	1,529,209	-	-	-	-
Loss on disposal of tangible capital assets	-	-	-	-	-	(605,337)	-	(482)	(10,046)	-	(174,270)	(1,153,327)	-	-	-	-
	707,500	1,009,878	985,940	6,937,926	8,559,617	8,337,471	2,652,088	2,756,567	757,404	156,900,629	185,153,080	166,331,434	-	-	-	-
Expenditures																
Salaries and wages	1,511,681	1,482,659	1,426,832	8,473,565	8,103,633	8,088,353	1,877,634	1,756,544	1,777,588	62,246,781	59,393,789	60,600,024	-	-	-	-
Operating materials and supplies	279,811	253,941	300,602	7,981,853	7,573,530	5,129,225	177,730	131,408	117,701	23,858,391	21,158,997	24,698,590	-	-	-	-
Contracted services	554,447	511,453	697,237	1,107,147	1,088,317	1,000,630	851,831	1,372,806	1,023,666	39,357,463	41,226,685	50,285,099	-	-	-	-
Rents and financial expenses	35,452	38,191	32,558	195,666	178,293	197,349	137,225	149,350	128,912	1,288,367	1,359,119	1,241,468	-	-	-	-
Interfunctional transfer	165,697	153,511	122,068	501,237	465,895	290,777	20,260	19,285	15,803	-	-	-	-	-	-	-
External transfer	50,000	50,000	50,000	8,946	8,946	8,946	2,330,244	1,534,063	1,361,815	2,405,190	1,622,503	1,429,449	-	-	-	-
Amortization	-	75,131	73,418	-	4,921,460	4,485,901	-	86,441	573,569	-	23,973,650	24,111,796	-	-	-	-
Debt service	-	-	-	2,112,441	2,069,080	2,202,248	-	-	-	2,854,476	2,763,289	3,014,238	-	-	-	-
	2,597,088	2,564,886	2,702,715	20,380,855	24,409,154	21,403,429	5,394,924	5,049,897	4,999,054	132,010,668	151,498,032	165,380,664	-	-	-	-
Annual Surplus (Deficit)	(1,889,588)	(1,555,008)	(1,716,775)	(13,442,929)	(15,849,537)	(13,065,958)	(2,742,836)	(2,293,330)	(4,241,650)	24,889,961	33,655,048	950,770	-	-	-	-

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, 2015

	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	20,732,258	695,617	90,151	21,337,724						21,337,724
Land improvements	21,731,807	1,458,131		23,189,938	6,451,059	834,297		90,151	7,195,205	15,994,733
Buildings	155,441,651	20,540,726	910,103	175,072,274	26,074,745	3,472,240		910,103	28,636,882	146,435,392
Furniture and equipment	30,419,926	3,221,089	805,324	32,835,691	11,236,619	3,335,682		804,839	13,767,462	19,068,229
Vehicles	54,985,828	1,877,447	2,047,087	54,816,188	29,210,976	4,241,656		1,983,651	31,468,981	23,347,207
	283,311,470	27,793,010	3,852,665	307,251,815	72,973,399	11,883,875		3,788,744	81,068,530	226,183,285
Infrastructure										
Environmental	428,047,696	4,129,852	430,817	431,746,731	150,802,507	5,564,709		413,126	155,954,090	275,792,641
Roads	200,505,218	7,285,952	607,966	207,183,204	103,948,838	4,863,259		546,211	108,265,886	98,917,318
Water	117,139,631	1,241,874	274,005	118,107,500	44,218,226	1,661,807		243,097	45,636,936	72,470,564
	745,692,545	12,657,678	1,312,788	757,037,435	298,969,571	12,089,775		1,202,434	309,856,912	447,180,523
Work in Progress	33,279,911	28,936,083	40,028,321	22,187,673						22,187,673
December 31, 2015	1,062,283,926	69,386,771	45,193,774	1,086,476,923	371,942,970	23,973,650	4,991,178	390,925,442	695,551,481	

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, 2015

	Cost			Accumulated Amortization			Net Book Value
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Balance, Beginning of Year	Amortization	
	\$	\$	\$	\$	\$	\$	\$
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	15,280,748
Buildings	154,757,781	3,140,185	2,456,315	155,441,651	24,951,108	3,063,549	129,366,906
Furniture and equipment	25,584,817	5,989,976	1,154,867	30,419,926	9,117,387	3,263,277	19,183,307
Vehicles	53,876,001	1,527,688	417,861	54,985,828	25,350,498	4,278,339	25,774,852
	270,484,857	16,944,592	4,117,979	283,311,470	64,915,782	11,559,435	210,338,071
Infrastructure							
Environmental	417,379,670	12,851,956	2,183,930	428,047,696	147,337,357	5,507,713	277,245,189
Roads	183,018,942	19,358,096	1,871,820	200,505,218	100,207,032	5,268,574	96,556,380
Water	111,021,958	7,174,919	1,057,246	117,139,631	43,274,875	1,776,074	72,921,405
	711,420,570	39,384,971	5,112,996	745,692,545	290,819,264	12,552,361	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	690,340,956

See accompanying notes

crawford smith & swallow

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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, 2015 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, 2015 and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Niagara Falls, Ontario
September 27, 2016

A handwritten signature in black ink, appearing to read "Crawford, Smith & Swallow".

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, 2015

	Total \$	Cemetery Perpetual Care \$	Other \$
Assets			
Cash	350,699	334,938	15,761
Investments - note 2			
Federal	1,218,252	1,218,252	
Provincial	1,051,183	1,051,183	
Corporate	923,124	921,924	1,200
	3,192,559	3,191,359	1,200
Due from Municipality operating fund	1,991		1,991
	3,545,249	3,526,297	18,952
Liabilities and Fund Balances			
Due to Municipality operating fund	48,390	48,390	
Fund balances	3,496,859	3,477,907	18,952
	3,545,249	3,526,297	18,952

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, 2015

	Total \$	Cemetery Perpetual Care \$	Other \$
Balance, Beginning of Year	3,409,231	3,387,897	21,334
Receipts			
Cemetery lot receipts	91,335	91,335	
Interest	142,191	138,398	3,793
Land sale deposits	22,500		22,500
	256,026	229,733	26,293
Expenditures			
Bank charges	2,538		2,538
Cemetery care	139,723	139,723	
Transfer to operating fund	26,137		26,137
	168,398	139,723	28,675
Balance, End of Year	3,496,859	3,477,907	18,952

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2015

1. Significant Accounting Policies

The financial statements of the Municipality's trust funds are the representations of management prepared in accordance with Canadian public sector 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 \$ 3,192,559 (\$ 3,084,411 - 2014) have a market value as at December 31, 2015 of \$ 3,308,860 (\$ 3,249,825 - 2014). 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

	2015	2014
	\$	\$
Trust for land sales		2,382
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
	18,952	21,334