



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

Consolidated Financial Statements

December 31, 2016

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

Consolidated Financial Statements

December 31, 2016

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CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

MANAGEMENT REPORT

December 31, 2016

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.

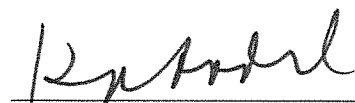
The consolidated financial statements have been audited by Crawford, Smith and Swallow Chartered Accountants LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion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



Jim Diodati

Mayor

November 28, 2017



Ken Todd

Chief Administrative Officer

November 28, 2017

Crawford, Smith and Swallow
Chartered Accountants LLP

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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, 2016, 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

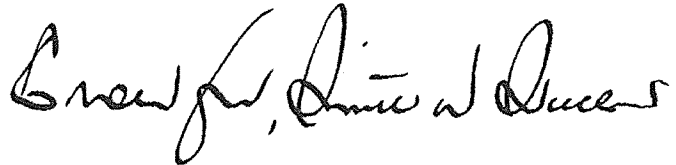
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, 2016, 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 & Swallow", is positioned above the firm's name.

Niagara Falls, Ontario
November 28, 2017

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, 2016

	2016 \$	2015 \$
Financial Assets - note 6		
Cash	97,387,562	87,111,238
Investments - note 3	31,601,376	26,888,545
Taxes receivable - note 4	11,843,869	14,197,240
Accounts receivable	17,158,180	19,499,566
User charges receivable - note 18	5,278,754	4,652,947
Long-term receivables	2,440,324	2,202,398
Note receivable - note 5	22,000,000	22,000,000
Long-term investment - note 5	88,858,880	87,580,112
	276,568,945	264,132,046
Contingent Liabilities - note 15		
Liabilities		
Accounts payable and accrued liabilities	23,427,311	29,234,114
Deferred revenue - obligatory reserve funds - note 7	37,018,686	30,380,535
Deferred revenue - note 8	13,555,616	13,175,269
Other liabilities	2,970,050	2,565,211
Post-employment benefits - note 9	29,668,803	28,859,524
Net long-term liabilities - note 10	54,479,688	57,746,684
	161,120,154	161,961,337
Net Financial Assets	115,448,791	102,170,709
Non-Financial Assets		
Tangible capital assets	702,754,163	695,551,481
Inventories and prepaid expenses	3,119,450	2,689,294
	705,873,613	698,240,775
Accumulated Surplus - note 11	821,322,404	800,411,484

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, 2016

	Budget 2016 \$ note 17	Actual 2016 \$	Actual 2015 \$
Revenues			
Taxation - note 4	71,892,683	71,919,893	69,577,359
User fees and charges - note 18	55,486,463	58,734,341	55,589,209
Government of Canada grants	2,000	98,603	1,706,568
Province of Ontario grants	2,300,798	2,313,850	2,592,311
Other municipal grants	785,212	1,351,647	1,131,589
Interest and penalties	2,510,000	2,230,512	2,080,434
Investment income	2,565,000	2,538,615	2,756,769
Casino and gaming revenues	21,000,000	24,299,434	23,006,468
Niagara Falls Hydro Holding Corporation net income - note 5		2,597,310	11,095,031
Contributions from Obligatory Reserve Funds		5,125,435	5,479,566
Other	5,375,266	10,983,915	9,358,803
Contributed tangible capital assets		60,721	
Loss on disposal of tangible capital assets		(2,739,182)	(174,270)
	161,917,422	179,515,094	184,199,837
Expenses			
General government	13,382,574	13,629,822	11,598,457
Protection to persons and property	26,207,592	26,854,204	25,577,718
Transportation services	32,944,566	44,307,625	40,788,046
Environmental services	34,050,596	39,074,396	41,509,874
Health services	1,750,715	1,561,452	1,566,646
Social and family services	911,889	1,054,260	998,240
Recreation and cultural services	21,079,933	24,690,093	24,409,154
Planning and development	5,491,993	6,623,780	5,049,897
	135,819,858	157,795,632	151,498,032
Annual Surplus	26,097,564	21,719,462	32,701,805
Accumulated Surplus, Beginning of Year	800,411,484	800,411,484	767,709,679
Niagara Falls Hydro Holding Corporation Other Comprehensive Loss - note 5		(808,542)	
Accumulated Surplus, End of Year	826,509,048	821,322,404	800,411,484

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2016

	2016 \$	2015 \$
Operations		
Annual surplus	21,719,462	32,701,805
Sources (Uses)		
Change in investments	(4,712,831)	(2,276,486)
Change in taxes receivable	2,353,371	1,601,208
Change in accounts receivable	2,341,386	(663,443)
Change in user charges receivable - note 18	(625,807)	53,641
Change in long-term receivables	(237,926)	429,447
Change in inventories and prepaid expenses	(430,156)	186,657
Change in accounts payable and accrued liabilities	(5,806,803)	(4,812,939)
Change in deferred revenue - obligatory reserve funds	6,638,151	5,123,792
Change in deferred revenue	380,347	(416,887)
Change in other current liabilities	404,839	12,375
Change in post-employment benefits	809,279	(1,292,045)
	1,113,850	(2,054,680)
Non-cash charges to operations		
Amortization of tangible capital assets	24,238,540	23,973,650
Loss on disposal of tangible capital assets	2,739,182	174,270
Niagara Falls Hydro Holding Corporation net income - note 5	(2,597,310)	(11,095,031)
	24,380,412	13,052,889
Net increase in cash from operations	47,213,724	43,700,014
Capital		
Acquisition of tangible capital assets	(34,180,404)	(29,358,445)
Investing		
Dividends received from Niagara Falls Hydro Holding Corporation	510,000	494,600
Financing		
Long-term debt issued	1,470,607	
Long-term debt repaid	(4,737,603)	(4,756,919)
Net decrease in cash from financing	(3,266,996)	(4,756,919)
Increase in Cash Position	10,276,324	10,079,250
Cash Position, Beginning of Year	87,111,238	77,031,988
Cash Position, End of Year	97,387,562	87,111,238

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, 2016

	2016 \$	2015 \$
Annual Surplus	21,719,462	32,701,805
Niagara Falls Hydro Holding Corporation - Other Comprehensive Loss - note 5	(808,542)	
Acquisition of Tangible Capital Assets	(34,180,404)	(29,358,445)
Amortization of Tangible Capital Assets	24,238,540	23,973,650
Loss on Disposal of Tangible Capital Assets	2,739,182	174,270
Change in Inventories and Prepaid Expenses	(430,156)	186,657
Increase in Net Financial Assets	13,278,082	27,677,937
Net Financial Assets, Beginning of Year	102,170,709	74,492,772
Net Financial Assets, End of Year	115,448,791	102,170,709

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

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 17).

(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. They include 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 Municipality's wholly owned subsidiary 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, 2016

1. Significant Accounting Policies - continued

(a) Basis of consolidation - continued

(ii) Partial-consolidated entity

The following joint local board is proportionately consolidated. See note 14.

Niagara District Airport Commission (Joint Board)

(iii) Accounting for Regional Municipality of Niagara and School Board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Niagara (the "Region") 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, 2016

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 tangible capital 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, 2016

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 9 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, 2016

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. Operations of School Boards and the Regional Municipality of Niagara

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

	School Boards		Region	
	2016	2015	2016	2015
	\$	\$	\$	\$
Taxation and user charges	40,739,255	40,204,282	74,627,021	73,619,323
Payments-in-lieu of taxes	274	691	3,410,124	3,469,024
Amounts received or receivable	40,739,529	40,204,973	78,037,145	77,088,347
Requisitions	40,739,529	40,204,973	78,037,145	77,088,347
Overlevies (Underlevies) at the end of year				

3. Investments

Investments have a book value of \$ 31,601,376 (\$ 26,888,545 - 2015) and a market value of \$ 31,527,318 (\$ 26,891,034 - 2015).

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

4. Taxes Receivable 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 taxes receivable, 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 - 2015)

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%.

Taxation revenue reported on the Consolidated Statement of Operations and Accumulated Surplus is made up of the following:

	2016 \$	2015 \$
Residential and farm taxation	96,606,405	93,814,631
Commercial, industrial and business taxation and supplemental taxes	84,017,508	82,165,236
Taxation from other governments	10,072,654	10,890,812
	190,696,567	186,870,679
Payments to Region and School Boards	118,776,674	117,293,320
Net Property Taxes and Payments-in-Lieu Available for Municipal Purposes	71,919,893	69,577,359

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

5. Investment in Niagara Falls Hydro Holding Corporation

	2016 \$	2015 \$
Statement of Financial Position		
Current assets	59,224,842	45,835,765
Capital assets	180,589,923	170,954,856
Other assets	21,295,778	22,553,330
Regulatory assets	7,527,318	6,539,918
Total Assets	268,637,861	245,883,869
Current liabilities	44,586,174	29,052,602
Other liabilities	31,138,230	27,713,347
Note payable - see below	22,000,000	22,000,000
Long-term debt	42,975,217	34,441,572
Non-controlling interest - see below	26,840,336	31,710,466
Regulatory liabilities	12,239,024	13,385,770
Total Liabilities and Other	179,778,981	158,303,757
Net Assets	88,858,880	87,580,112
Statement of Comprehensive Income		
Revenues	199,950,582	188,822,246
Operating expenses	197,809,090	175,303,516
Net income before regulatory accounting change	2,141,492	13,518,730
Regulatory debit accounting change under CGAAP	2,134,146	(1,160,394)
Net income before non-controlling interest	4,275,638	12,358,336
Non-controlling interest - see below	1,678,328	1,263,305
Net income	2,597,310	11,095,031
Acquisition of non-controlling interest - see below	(808,542)	
Total Comprehensive Income	1,788,768	11,095,031

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

On October 14, 2016, NPEI acquired an additional 1,500 shares of Niagara Regional Broadband Network resulting in an increase in ownership from 56.25% to 75% for \$ 6,750,000.

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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

5. Investment in Niagara Falls Hydro Holding Corporation - continued

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.

6. 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, and 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, 2016, 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.

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.

	2016	2015
	\$	\$
2% Parkland dedication	1,364,457	1,293,922
Public purpose	1,191,027	860,322
Federal gas tax rebate	9,560,388	7,753,537
Provincial gas tax rebate - transit	434,246	1,121,015
Discounted development charges	4,206,756	3,746,217
Non-discounted development charges	20,261,812	15,605,522
	37,018,686	30,380,535

8. Deferred Revenue

Deferred revenue includes \$ 5,555,833 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, 2016

9. Post-Employment Benefits

	2016 \$	2015 \$
Post-employment benefits	19,581,069	19,134,876
Long-term disability	239,859	180,501
Accumulated sick leave	2,977,111	2,790,905
WSIB - Schedule II future liability	5,463,403	5,312,336
Vacation pay	1,407,361	1,440,906
	29,668,803	28,859,524

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 \$ 4,578,318 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 2,925,545. The actual obligation is \$ 16,655,524.

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 \$ 223,243. The actual obligation is \$ 463,102.

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 are 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 \$ 1,157,022. The actual obligation is \$ 4,134,133.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

9. 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, 2016 is \$ 1,389,838 (\$ 1,384,666 - 2015).

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 \$ 2,059,116. The actual obligation is \$ 7,522,519.

A reserve fund has been established for this liability. The balance as at December 31, 2016 is \$ 1,312,966 (\$ 1,058,587 - 2015).

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 \$ 591,394. The actual obligation is \$ 815,967.

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 471,000 active and retired members and approximately 1,000 employers.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

9. Post-Employment Benefits - continued

Pension Agreements - continued

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. On December 31, 2016, the estimated accrued pension obligation for all members of the Plan was \$ 86,959 million (\$ 81,924 million - 2015). The Plan had an actuarial value of net assets at that date of \$ 81,239 million (\$ 74,947 million - 2015) indicating an actuarial deficit of \$ 5,720 million (\$ 6,977 million - 2015). 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 2016 was \$ 4,549,961 (\$ 4,485,570 - 2015) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2016, the yearly maximum pension earnings increased to \$ 54,900 from \$ 53,600 in 2015. The contributions are calculated at a rate of 9% (9% - 2015) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (14.6% - 2015) for amounts above the yearly maximum pension earnings.

10. 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:

	2016 \$	2015 \$
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 1.2% to 5.35% and outstanding during the year is	54,479,688	57,746,684
Net long-term liabilities, end of year	54,479,688	57,746,684

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

10. Net Long-Term Liabilities - continued

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

	\$
2017	3,771,945
2018	3,533,500
2019	3,650,280
2020	3,407,969
2021	3,028,341
Thereafter	37,087,653

- (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 \$ 2,585,712 (\$ 2,763,289 - 2015) are included on the Consolidated Statement of Operations and Accumulated Surplus, classified under the appropriate functional expense heading.

11. Accumulated Surplus

	2016 \$	2015 \$
Invested in tangible capital assets	709,065,100	707,287,622
Operating fund - note 18	10,105,724	8,759,416
Reserves and reserve funds	75,441,191	61,386,222
Niagara Falls Hydro Holding Corporation net equity	110,858,880	109,580,112
	905,470,895	887,013,372
Amount to be recovered - post-employment benefits	(29,668,803)	(28,859,524)
Amount to be recovered - net long-term liabilities	(54,479,688)	(57,742,364)
	(84,148,491)	(86,601,888)
	821,322,404	800,411,484

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

11. Accumulated Surplus - continued

(a) Operating fund balance

	2016 \$	2015 \$
For general reduction of taxation	1,790,347	1,491,330
For general reduction of user charges respecting waterworks - note 18	1,021,930	573,602
For general reduction of user charges respecting sewers - note 18	1,912,564	1,284,951
For general use by the parking fund	(11,412)	2,030
For general use by Library Board	791,712	775,161
For general use by the Business Improvement Areas	4,552,934	4,606,878
For general use by Airport Commission	47,649	25,464
	10,105,724	8,759,416

(b) Reserves and reserve fund balances

	2016 \$	2015 \$
Reserves set aside by council for specific purposes:		
Special purposes	47,464,942	36,384,064
Working capital	265,000	265,000
Water capital	2,773,643	2,338,363
Sewage capital	6,943,494	3,131,103
Total Reserves	57,447,079	42,118,530

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

11. Accumulated Surplus - continued

(b) Reserves and reserve fund balances - continued

	2016	2015
	\$	\$
Reserve Funds set aside by council for specific purposes:		
Licence agreements - 40 years	10,540	15,102
Sick leave liability	1,389,838	1,384,666
WSIB - Schedule II	1,312,966	1,058,587
Recreation trail development	84,691	84,381
Capital/Operations - see note 13	5,853,574	6,589,392
Tree planting - developers	75,886	75,580
Park development	241	241
Sewer and water impost	1,560,334	1,554,509
Expansion and renewal	270,710	269,678
Drainage	737,441	734,558
Prepaid works projects contributions	237,038	236,137
Sidewalk construction	36,913	36,776
Future municipal works	722,053	712,442
Lot drainage	189,769	189,042
Library funds	802,393	905,286
Sanitary	461,274	459,526
Sports fund	5,376	5,307
Projects - special needs children	17,433	17,314
Parking	(52,969)	126,896
Coat of Arm's	2,479	2,445
Lundy's Lane business improvement purposes	117,056	117,056
Board of Museum purposes	4,265	4,213
Niagara Tunnel Community Improvement	305,285	320,990
Water patrol boat	20,068	19,811
Branscombe Family Grant	4,033	3,982
Fire department radios debenture		9,544
Fire department aerial firetruck debenture	428	32,138
Niagara Sports Foundation	302	302
Chippawa Arena debenture surplus	7,422	13,651
FMC/Visitor Transportation System	3,769,796	4,226,317
Kalar Park turf debenture surplus	47,477	61,823
Total Reserve Funds	17,994,112	19,267,692
Total Reserves and Reserve Funds	75,441,191	61,386,222

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

11. Accumulated Surplus - continued

(c) Niagara Falls Hydro Holding Corporation net equity

	2016 \$	2015 \$
Balance, beginning of year	109,580,112	98,979,681
Net income	2,597,310	11,095,031
Dividends - non-controlling interest	(510,000)	(494,600)
Acquisition of non-controlling interest	(808,542)	
Balance, end of year	110,858,880	109,580,112

12. Trust Funds

Trust funds administered by the Municipality amounting to \$ 3,645,600 (\$ 3,496,859 - 2015) 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.

13. Contractual Obligations and Commitments

Capital Expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2016 is approximately \$ 49,881,857 (\$ 50,767,047 - 2015) after deducting the expenditures incurred as at December 31, 2016. 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 2021. 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 2021. 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 2021.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

14. Contributions to Joint Board

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

	2016	2015
	\$	\$
Niagara District Airport Commission	268,708	205,273

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

15. Contingent Liabilities

Legal

As at December 31, 2016, 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, 2016

16. Segmented Reporting

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

General Government

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

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 and Social and Family Services

Reported in this area is Cemetery Services and the Coronation 50 Plus Recreation Centre (the "Centre"). The mandate of Cemetery Services is to ensure the benefit and protection of each citizen who has purchased or has an interest in internment rights within each cemetery. The mission of the Centre is to enhance the quality of life and well-being of those 50 and over in the Municipality. It strives to contribute to the social, educational and recreational needs by offering programs and services in a safe and comfortable environment.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

16. Segmented Reporting - continued

Recreation and Culture

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

Planning and Development

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

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements. See note 17 for a discussion on the budgeted figures provided.

17. Budget Figures

The approved operating budget for 2016 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.

18. Correction of a Prior Period Error

The Municipality retroactively restated certain prior year figures only to correct an error in the calculation of an accounting estimate in the amount of \$ 953,243 related to unbilled water and sewer revenue as at December 31, 2015.

	Prior \$	As Restated \$
Financial Assets		
User charges receivable	5,606,190	4,652,947
Accumulated Surplus		
Operating fund	9,712,659	8,759,416
Revenues		
User fees and charges	56,542,452	55,589,209
Consolidated Statement of Cash Flows		
Change in user charges receivable	(899,602)	53,641

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

SCHEDULE OF SEGMENTED REPORTING

for the year ended December 31, 2016

	General Government		General Government		Protection		Protection		Transportation		Transportation		Environment		Environment	
	2016	2016	2015	2015	2016	2016	2016	2016	2016	2016	2015	2015	2016	2016	2016	2015
	Budget	Actual	Actual	Actual	Budget	Actual	Actual	Budget	Actual	Budget	Actual	Actual	Budget	Actual	Actual	Actual
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues																
Taxation	69,501,888	69,529,098	67,247,115		-	-	-	-	-	-	-	-	-	-	-	-
User fees and charges	892,000	691,670	680,273		1,494,100	2,695,706	2,205,848	4,112,950	3,920,159	4,064,686	4,064,686	4,064,686	41,712,907	43,900,826	41,620,222	41,620,222
Government grants	1,837,567	2,002,703	2,471,651		-	-	-	845,486	1,177,149	2,511,905	2,511,905	2,511,905	-	911	911	967
Other	26,728,600	30,159,057	29,278,362		13,200	44,854	31,961	3,284,398	8,333,210	5,944,314	5,944,314	5,944,314	365,000	3,172,413	4,895,228	4,895,228
Government business enterprise	-	2,597,310	11,095,031		-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of tangible capital assets	-	(16,540)	-		-	(6,647)	-	-	(2,590,073)	(125,190)	(125,190)	(125,190)	-	(91,559)	(48,598)	(48,598)
	98,960,055	104,963,298	110,772,432		1,507,300	2,733,913	2,237,809	8,242,834	10,840,445	12,395,715	12,395,715	12,395,715	42,077,907	46,982,591	46,467,819	46,467,819
Expenditures																
Salaries and wages	10,573,058	10,131,654	9,379,547		18,910,216	19,298,010	17,660,049	18,272,746	18,729,064	17,330,451	17,330,451	17,330,451	4,024,518	3,977,746	3,680,906	3,680,906
Operating materials and supplies	6,294,622	5,685,664	4,673,433		833,938	107,936	103,719	7,453,610	7,765,664	7,043,142	7,043,142	7,043,142	1,302,307	1,477,882	1,379,824	1,379,824
Contracted services	1,104,030	1,015,688	1,538,053		4,834,042	4,792,419	4,787,287	4,640,784	5,612,251	4,005,694	4,005,694	4,005,694	27,442,902	25,250,922	27,923,075	27,923,075
Rents and financial expenses	196,900	155,523	230,367		199,695	273,624	274,034	223,852	286,065	256,324	256,324	256,324	328,500	159,043	232,560	232,560
Interfunctional transfer	(4,848,847)	(4,314,752)	(5,089,504)		1,303,407	1,212,467	1,621,937	2,305,093	1,905,988	2,287,051	2,287,051	2,287,051	511,466	539,221	541,825	541,825
External transfer	16,000	21,906	29,494		-	-	-	-	-	-	-	-	-	-	-	-
Amortization	-	916,912	823,724		-	1,059,854	985,225	-	9,976,381	9,798,893	9,798,893	9,798,893	-	7,241,474	7,282,776	7,282,776
Debt service	46,811	17,227	13,343		126,294	109,894	145,467	48,481	32,212	66,491	66,491	66,491	440,903	428,108	468,908	468,908
	13,382,574	13,629,822	11,598,457		26,207,592	26,854,204	25,577,718	32,944,566	44,307,625	40,788,046	40,788,046	40,788,046	34,050,596	39,074,396	41,509,874	41,509,874
Annual Surplus (Deficit)	85,577,481	91,333,476	99,173,975		(24,700,292)	(24,120,291)	(23,339,909)	(24,701,732)	(33,467,180)	(28,397,331)	(28,397,331)	(28,397,331)	8,027,311	7,908,195	4,957,945	4,957,945

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, 2016

	Health/ Social 2016 Budget \$	Health/ Social 2016 Actual \$	Health/ Social 2015 Actual \$	Recreation/ Culture 2016 Budget \$	Recreation/ Culture 2016 Actual \$	Recreation/ Culture 2015 Actual \$	Planning/ Development 2016 Budget \$	Planning/ Development 2016 Actual \$	Planning/ Development 2015 Actual \$	Total 2016 Budget \$	Total 2016 Actual \$	Total 2015 Actual \$
Revenues												
Taxation	-	-	-	-	-	-	2,390,795	2,390,795	2,330,244	71,892,683	71,919,893	69,577,359
User fees and charges	637,430	684,717	662,447	6,466,076	6,324,850	5,986,976	171,000	516,413	368,757	55,486,463	58,734,341	55,589,209
Government grants	42,700	42,700	42,700	194,662	329,648	270,721	167,595	210,989	132,524	3,088,010	3,764,100	5,430,468
Other	274,178	410,026	304,731	769,890	2,935,941	2,301,920	15,000	183,131	(74,476)	31,450,266	45,238,632	42,682,040
Government business enterprise	-	-	-	-	-	-	-	-	-	-	2,597,310	11,095,031
Loss on disposal of tangible capital assets	-	(874)	-	-	(27,379)	-	-	(6,110)	(482)	-	(2,739,182)	(174,270)
	954,308	1,136,569	1,009,878	7,430,628	9,563,060	8,559,617	2,744,390	3,295,218	2,756,567	161,917,422	179,515,094	184,199,837
Expenditures												
Salaries and wages	1,540,890	1,543,114	1,482,659	8,652,849	8,590,011	8,103,633	1,912,627	1,878,641	1,756,544	63,886,904	64,148,240	59,393,789
Operating materials and supplies	310,056	191,058	253,941	8,503,695	7,420,177	7,573,530	177,995	132,122	131,408	24,876,223	22,780,503	21,158,997
Contracted services	545,753	540,902	511,453	1,165,753	1,099,840	1,088,317	852,189	1,921,166	1,372,806	40,585,453	40,233,188	41,226,685
Rents and financial expenses	35,452	59,683	38,191	195,666	197,760	178,293	137,225	106,712	149,350	1,317,290	1,238,410	1,359,119
Interfunctional transfer	180,453	143,401	153,511	527,266	493,053	465,895	21,162	20,622	19,285	-	-	-
External transfer	50,000	50,000	50,000	8,946	8,946	8,946	2,390,795	2,490,187	1,534,063	2,465,741	2,571,039	1,622,503
Amortization	-	87,554	75,131	-	4,882,035	4,921,460	-	74,330	86,441	-	24,238,540	23,973,650
Debt service	-	-	-	2,025,758	1,998,271	2,069,080	-	-	-	2,688,247	2,585,712	2,763,289
	2,662,604	2,615,712	2,564,886	21,079,933	24,690,093	24,409,154	5,491,993	6,623,780	5,049,897	135,819,858	157,795,632	151,498,032
Annual Surplus (Deficit)	(1,708,296)	(1,479,143)	(1,555,008)	(13,649,305)	(15,127,033)	(15,849,537)	(2,747,603)	(3,328,562)	(2,293,330)	26,097,564	21,719,462	32,701,805

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, 2016

	Cost			Accumulated Amortization			Net Book Value
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Balance, Beginning of Year	Amortization	
	\$	\$	\$	\$	\$	\$	\$
General							
Land	21,337,724	1,125,997	127,711	22,336,010			22,336,010
Land improvements	23,189,938	1,742,685	50,699	24,881,924	7,195,205	942,932	16,763,886
Buildings	175,072,274	3,920,484	2,396,831	176,595,927	28,636,882	3,615,647	145,480,053
Furniture and equipment	32,835,691	3,211,640	485,597	35,561,734	13,767,462	3,333,641	18,940,119
Vehicles	54,816,188	4,431,021	1,223,750	58,023,459	31,468,981	4,257,469	23,476,865
	307,251,815	14,431,827	4,284,588	317,399,054	81,068,530	12,149,689	226,996,933
Infrastructure							
Environmental	431,746,731	5,557,033	147,180	437,156,584	155,954,090	5,639,919	275,691,818
Roads	207,183,204	12,188,288	5,202,924	214,168,568	108,265,886	4,897,447	104,901,316
Water	118,107,500	3,094,746	394,943	120,807,303	45,636,936	1,551,485	73,940,202
	757,037,435	20,840,067	5,745,047	772,132,455	309,856,912	12,088,851	454,533,336
Work in Progress	22,187,673	31,764,196	32,727,975	21,223,894			21,223,894
December 31, 2016	1,086,476,923	67,036,090	42,757,610	1,110,755,403	390,925,442	24,238,540	702,754,163

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, 2016

	Cost			Accumulated Amortization			Net Book Value
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Balance, Beginning of Year	Amortization	
	\$	\$	\$	\$	\$	\$	\$
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			15,994,733
Buildings	155,441,651	20,540,726	910,103	175,072,274	6,451,059	834,297	146,435,392
Furniture and equipment	30,419,926	3,221,089	805,324	32,835,691	26,074,745	3,472,240	13,767,462
Vehicles	54,985,828	1,877,447	2,047,087	54,816,188	11,236,619	3,335,682	19,068,229
					29,210,976	4,241,656	23,347,207
	283,311,470	27,793,010	3,852,665	307,251,815	72,973,399	11,883,875	226,183,285
Infrastructure							
Environmental	428,047,696	4,129,852	430,817	431,746,731	150,802,507	5,564,709	275,792,641
Roads	200,505,218	7,285,952	607,966	207,183,204	103,948,838	4,863,259	98,917,318
Water	117,139,631	1,241,874	274,005	118,107,500	44,218,226	1,661,807	72,470,564
	745,692,545	12,657,678	1,312,788	757,037,435	298,969,571	12,089,775	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	695,551,481

See accompanying notes

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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, 2016 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.

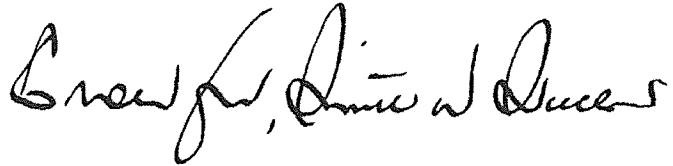
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2016 and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Niagara Falls, Ontario
November 28, 2017

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

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, 2016

	Total \$	Cemetery Perpetual Care \$	Other \$
Assets			
Cash	314,767	302,503	12,264
Investments - note 2			
Federal	1,101,716	1,101,716	
Provincial	1,255,493	1,255,493	
Corporate	1,007,297	1,006,097	1,200
	3,364,506	3,363,306	1,200
Due from Municipality operating fund	5,488		5,488
	3,684,761	3,665,809	18,952
Liabilities and Fund Balances			
Due to Municipality operating fund	39,161	39,161	
Fund balances	3,645,600	3,626,648	18,952
	3,684,761	3,665,809	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, 2016

	Total \$	Cemetery Perpetual Care \$	Other \$
Balance, Beginning of Year	3,496,859	3,477,907	18,952
Receipts			
Cemetery lot receipts	147,414	147,414	
Interest	147,104	144,305	2,799
	294,518	291,719	2,799
Expenditures			
Bank charges	2,660		2,660
Cemetery care	142,978	142,978	
Transfer to operating fund	139		139
	145,777	142,978	2,799
Balance, End of Year	3,645,600	3,626,648	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, 2016

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 \$ 3,364,506 (\$ 3,192,559 - 2015) have a market value as at December 31, 2016 of \$ 3,378,305 (\$ 3,308,860 - 2015). 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

	2016	2015
	\$	\$
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	18,952