



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

Consolidated Financial Statements

December 31, 2017

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

Consolidated Financial Statements

December 31, 2017

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CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

MANAGEMENT REPORT

December 31, 2017

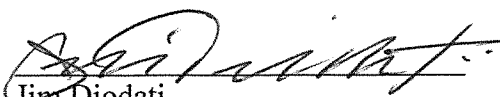
The accompanying consolidated financial statements of the Corporation of the City of Niagara Falls, Ontario (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector 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.

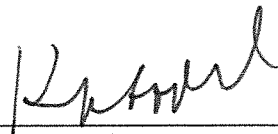
The consolidated financial statements have been audited by Crawford Smith & Swallow Chartered Professional Accountants LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their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



Jim Diodati

Mayor

January 14, 2020



Ken Todd

Chief Administrative Officer

January 14, 2020

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, 2017, 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

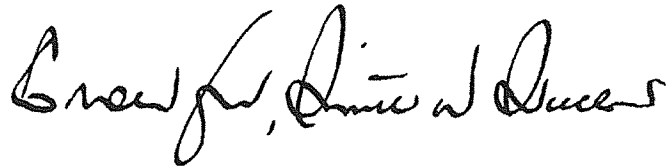
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, 2017, 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
January 14, 2020

CRAWFORD SMITH & SWALLOW
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017

(In thousands of dollars)

	2017 \$	2016 \$
Financial Assets - note 6		
Cash	100,553	97,388
Investments - note 3	34,141	31,601
Taxes receivable - note 4	11,186	11,844
Accounts receivable	14,626	17,158
User charges receivable	5,493	5,279
Long-term receivables	2,370	2,440
Note receivable - note 5	22,000	22,000
Long-term investment - note 5	89,976	88,859
	280,345	276,569
Contingent Liabilities - note 7		
Liabilities		
Accounts payable and accrued liabilities	29,780	23,427
Deferred revenue - obligatory reserve funds - note 8	36,934	37,019
Deferred revenue - note 9	12,434	13,555
Other liabilities	4,769	2,970
Post-employment benefits - note 10	31,589	29,669
Net long-term liabilities - note 11	51,813	54,480
	167,319	161,120
Net Financial Assets	113,026	115,449
Non-Financial Assets		
Tangible capital assets - note 20	726,419	708,593
Inventories and prepaid expenses	2,854	3,119
	729,273	711,712
Accumulated Surplus - notes 12 and 20	842,299	827,161

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, 2017
(In thousands of dollars)

	Budget 2017 \$ note 19	Actual 2017 \$	Actual 2016 \$
Revenues			
Taxation - note 4	73,116	73,955	71,920
User fees and charges	56,051	59,074	58,734
Government of Canada grants	2	112	99
Province of Ontario grants	2,910	3,078	2,314
Other municipal grants	1,201	2,624	1,352
Interest and penalties	2,410	2,156	2,231
Investment income	2,565	2,619	2,538
Casino and gaming revenues	21,000	26,332	24,299
Niagara Falls Hydro Holding Corporation net income - note 5		1,639	2,597
Contributions from Obligatory Reserve Funds		8,951	5,125
Other - notes 15 and 20	5,888	30,504	12,839
Contributed tangible capital assets		383	61
Loss on disposal of tangible capital assets		(261)	(2,741)
	165,143	211,166	181,368
Expenses			
General government	12,903	13,826	13,630
Protection to persons and property	27,061	28,514	26,854
Transportation services - note 20	33,613	51,132	44,321
Environmental services - note 20	34,029	42,105	39,130
Health services - note 15	1,905	27,501	1,562
Social and family services	960	1,074	1,054
Recreation and cultural services	21,212	25,328	24,690
Planning and development	5,577	6,548	6,624
	137,260	196,028	157,865
Annual Surplus	27,883	15,138	23,503
Accumulated Surplus, Beginning of Year - note 20	827,161	827,161	804,466
Niagara Falls Hydro Holding Corporation Other Comprehensive Loss - note 5			(808)
Accumulated Surplus, End of Year	855,044	842,299	827,161

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended December 31, 2017

(In thousands of dollars)

	2017 \$	2016 \$
Operations		
Annual surplus	15,138	23,503
Changes in non-cash assets and liabilities - note 16	9,637	1,114
Non-cash charges to operations		
Amortization of tangible capital assets - note 20	24,636	24,308
Loss on disposal of tangible capital assets	261	2,741
Niagara Falls Hydro Holding Corporation net income - note 5	(1,639)	(2,597)
Net increase in cash from operations	48,033	49,069
Capital		
Proceeds on disposal of tangible capital assets	213	
Acquisition of tangible capital assets - note 20	(42,936)	(36,035)
Net decrease in cash from capital	(42,723)	(36,035)
Investing		
Dividends received from Niagara Falls Hydro Holding Corporation	522	510
Financing		
Long-term debt issued	1,105	1,471
Long-term debt repaid	(3,772)	(4,738)
Net decrease in cash from financing	(2,667)	(3,267)
Increase in Cash Position	3,165	10,277
Cash Position, Beginning of Year	97,388	87,111
Cash Position, End of Year	100,553	97,388

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, 2017
(In thousands of dollars)

	2017 \$	2016 \$
Annual Surplus	15,138	23,503
Niagara Falls Hydro Holding Corporation - Other Comprehensive Loss - note 5		(808)
Acquisition of Tangible Capital Assets - note 20	(42,936)	(36,035)
Amortization of Tangible Capital Assets - note 20	24,636	24,308
Proceeds on Disposal of Tangible Capital Assets	213	
Loss on Disposal of Tangible Capital Assets	261	2,741
Change in Inventories and Prepaid Expenses - note 16	265	(430)
Increase (Decrease) in Net Financial Assets	(2,423)	13,279
Net Financial Assets, Beginning of Year	115,449	102,170
Net Financial Assets, End of Year	113,026	115,449

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

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 19).

(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:

- Niagara Falls Public 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, 2017

1. Significant Accounting Policies - continued

(a) Basis of consolidation - continued

(ii) Partial-consolidated entity

The following joint local board is proportionately consolidated. See note 17.

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. See note 2.

(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, 2017

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 - obligatory reserve funds

Deferred revenue - obligatory reserve funds represents development charge contributions, public purpose, parkland dedication and gas taxes, levied or received under the authority of federal and provincial legislation and Municipality by-laws. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(viii) 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.

(ix) 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 and Accumulated Surplus as the stipulations giving rise to the liabilities are settled.

(x) 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.

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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(x) Employee future benefits - continued

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.

(xi) Tax revenue

Taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred.

(xii) Investment income

Investment income is reported as revenue in the period earned. When required by the funding government or provincial legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(xiii) Other income

Other income is recognized as revenue when service is performed.

(xiv) 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. Significant estimates include assumptions used in estimation of provisions for accrued liabilities and in performing actuarial valuations of post-employment benefits liability. Actual results could differ from those estimates.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

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:

	(in thousands of dollars)		(in thousands of dollars)	
	School Boards		Region	
	2017	2016	2017	2016
	\$	\$	\$	\$
Taxation and user charges	39,222	40,739	76,309	74,627
Payments-in-lieu of taxes			3,762	3,410
Amounts received or receivable	39,222	40,739	80,071	78,037
Requisitions	39,222	40,739	80,071	78,037
Overlevies (Underlevies) at the end of year				

3. Investments

Investments have a book value of \$ 34,140,859 (\$ 31,601,376 - 2016) and a market value of \$ 34,140,859 (\$ 31,527,318 - 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

4. Taxes Receivable and Revenues - continued

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 - 2016)

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:

	(in thousands of dollars)	
	2017	2016
	\$	\$
Residential and farm taxation	100,627	96,606
Commercial, industrial and business taxation and supplemental taxes	81,891	84,018
Taxation from other governments	10,730	10,073
	193,248	190,697
Payments to Region and School Boards	119,293	118,777
Net Property Taxes and Payments-in-Lieu Available for Municipal Purposes	73,955	71,920

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

5. Investment in Niagara Falls Hydro Holding Corporation

	(in thousands of dollars)	
	2017	2016
	\$	\$
Statement of Financial Position		
Current assets	54,309	59,225
Capital assets	187,112	180,590
Other assets	30,560	30,360
Regulatory assets	9,176	7,739
Total Assets	281,157	277,914
Current liabilities	45,330	44,586
Other liabilities	44,323	40,203
Note payable - see below	22,000	22,000
Long-term debt	41,461	42,975
Non-controlling interest - see below	27,349	26,840
Regulatory liabilities	10,718	12,451
Total Liabilities and Other	191,181	189,055
Net Assets	89,976	88,859
Statement of Comprehensive Income		
Revenues	183,736	199,951
Operating expenses	183,877	197,810
Net income before regulatory accounting change	(141)	2,141
Regulatory debit accounting change under CGAAP	2,646	2,134
Net income before non-controlling interest	2,505	4,275
Non-controlling interest - see below	866	1,678
Net income	1,639	2,597
Acquisition of non-controlling interest - see below		(808)
Total Comprehensive Income	1,639	1,789

The investment in NFHHC is represented by 2,000 common shares of the company.

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

On October 14, 2016, NFHHC 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2017

5. Investment in Niagara Falls Hydro Holding Corporation - continued

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 was unsecured bearing interest at 4.77% and due April, 2020. On July 23, 2019, the Municipality served notice to NPEI that the note payable was due on or before August 1, 2019. The Municipality received payment in full on August 6, 2019.

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, 2017, 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. Contingent Liabilities

Legal

As at December 31, 2017, the Municipality has certain 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 Municipality 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 Municipality proposes to sell, lease, encumber or otherwise dispose directly or indirectly, of any part of the Scotiabank Convention Centre. The Municipality 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

7. Contingent Liabilities - continued

Visitor Transportation System ("WEGO")

The Municipality 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 Municipality 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 Municipality 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.

8. Deferred Revenue - Obligatory Reserve Funds

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

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

The deferred revenues are made up of the following:

	(in thousands of dollars)	
	2017	2016
	\$	\$
2% Parkland dedication	1,388	1,365
Public purpose	1,255	1,191
Federal gas tax rebate	10,625	9,560
Provincial gas tax rebate - transit	620	434
Discounted development charges	5,295	4,207
Non-discounted development charges	17,751	20,262
	36,934	37,019

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

9. Deferred Revenue

Deferred revenue includes \$ 5,359,167 related to a thirty year lease for space agreement between the Municipality and Metrolinx as part of the WEGO bus program. The Municipality 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 Municipality 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 Municipality 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.

10. Post-Employment Benefits

	(in thousands of dollars)	
	2017	2016
	\$	\$
Post-employment benefits	19,903	19,581
Long-term disability	272	240
Accumulated sick leave	3,244	2,977
WSIB - Schedule II future liability	6,818	5,464
Vacation pay	1,352	1,407
	31,589	29,669

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 \$ 4,491,985 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 4,463,185. The actual obligation is \$ 15,440,290.

As a result of actuarial valuations on long-term disability benefits, it was determined that an actuarial loss of \$ 316,889 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 249,372. The actual obligation is \$ 521,415.

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 4.25% (5% - 2016) and an inflation rate of 1.75% (2% - 2016).

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

10. Post-Employment Benefits - continued

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 \$ 1,111,980 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 832,554. The actual obligation is \$ 4,076,067.

A reserve fund has been established for the accumulated sick leave liability. The balance as at December 31, 2017 is \$ 1,390,606 (\$ 1,389,838 - 2016) - see note 12.

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 4.25% (4.5% - 2016) and an inflation rate of 1.75% (2% - 2016).

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 3.75% (4.5% - 2016) and an inflation rate of 1.75% (2% - 2016).

As a result of an actuarial valuation on the WSIB - Schedule II liability, it was determined that an actuarial loss of \$ 3,392,304 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 2,825,444. The actual obligation is \$ 9,643,230.

A reserve fund has been established for this liability. The balance as at December 31, 2017 is \$ 1,315,624 (\$ 1,312,966 - 2016) - see note 12.

The next valuation for all benefit groups is for the year ending December 31, 2020.

Vacation Pay

As a result of an actuarial valuation on the accumulated vacation pay liability, it was determined that an actuarial gain of \$ 569,406 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 497,237. The actual obligation is \$ 855,152.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

10. Post-Employment Benefits - continued

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 470,000 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. On December 31, 2017, the estimated accrued pension obligation for all members of the Plan was \$ 93,614 million (\$ 86,959 million - 2016). The Plan had an actuarial value of net assets at that date of \$ 88,211 million (\$ 81,239 million - 2016) indicating an actuarial deficit of \$ 5,403 million (\$ 5,720 million - 2016). 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 2017 was \$ 4,640,679 (\$ 4,549,961 - 2016) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2017, the yearly maximum pension earnings increased to \$ 55,300 from \$ 54,900 in 2016. The contributions are calculated at a rate of 9% (9% - 2016) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (14.6% - 2016) 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:

	(in thousands of dollars)	
	2017	2016
	\$	\$
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	51,813	54,480

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

11. Net Long-Term Liabilities - continued

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

	\$
2018	3,636,147
2019	3,754,195
2020	3,513,209
2021	3,135,163
2022	2,804,440
Thereafter	34,969,588

- (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 \$ 2,430,743 (\$ 2,585,712 - 2016) are included on the Consolidated Statement of Operations and Accumulated Surplus, classified under the appropriate functional expense heading.

12. Accumulated Surplus

	(in thousands of dollars)	
	2017	2016
	\$	\$
Invested in tangible capital assets	721,533	714,904
Operating fund	5,838	10,106
Reserves and reserve funds	86,354	75,441
Niagara Falls Hydro Holding Corporation net equity	111,976	110,859
	925,701	911,310
Amount to be recovered - post-employment benefits	(31,589)	(29,669)
Amount to be recovered - net long-term liabilities	(51,813)	(54,480)
	(83,402)	(84,149)
	842,299	827,161

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

12. Accumulated Surplus - continued

(a) Operating fund balance

	(in thousands of dollars)	
	2017	2016
	\$	\$
For general reduction of taxation	(2,582)	1,790
For general reduction of user charges respecting waterworks	1,026	1,022
For general reduction of user charges respecting sewers	1,876	1,912
For general use by the parking fund	16	(11)
For general use by Library Board	160	792
For general use by the Business Improvement Areas	5,100	4,553
For general use by Airport Commission	242	48
	5,838	10,106

(b) Reserves and reserve fund balances

	(in thousands of dollars)	
	2017	2016
	\$	\$
Reserves set aside by council for specific purposes:		
Special purposes	31,780	47,465
Working operating	265	265
Water operating	1,851	2,774
Sewer operating	5,129	6,943
Working capital	14,372	
Water capital	7,239	
Sewer capital	5,946	
Total Reserves	66,582	57,447

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

12. Accumulated Surplus - continued

(b) Reserves and reserve fund balances - continued

	(in thousands of dollars)	
	2017	2016
	\$	\$
Reserve Funds set aside by council for specific purposes:		
Licence agreements - 40 years	6	11
Sick leave liability - note 10	1,391	1,390
WSIB - Schedule II - note 10	1,316	1,313
Recreation trail development	85	85
Capital/Operations - see note 14	6,423	5,854
Tree planting - developers	76	76
Sewer and water impost	1,543	1,560
Expansion and renewal	271	271
Drainage	738	737
Prepaid works projects contributions	237	237
Sidewalk construction	37	37
Future municipal works	723	722
Lot drainage	190	190
Library funds	1,606	802
Sanitary	462	461
Sports fund	5	5
Projects - special needs children	17	17
Parking	122	(53)
Coat of Arm's	2	3
Lundy's Lane business improvement purposes	117	117
Board of Museum purposes	4	4
Niagara Tunnel Community Improvement	524	305
Water patrol boat	20	20
Branscombe Family Grant	4	4
Fire department debenture surplus		1
Chippawa Arena debenture surplus	1	7
FMC/Visitor Transportation System	3,819	3,770
Kalar Park turf debenture surplus	33	48
Total Reserve Funds	19,772	17,994
Total Reserves and Reserve Funds	86,354	75,441

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

12. Accumulated Surplus - continued

(c) Niagara Falls Hydro Holding Corporation net equity

	(in thousands of dollars)	
	2017	2016
	\$	\$
Balance, beginning of year	110,859	109,580
Net income	1,639	2,597
Dividends - non-controlling interest	(522)	(510)
Acquisition of non-controlling interest		(808)
Balance, end of year	111,976	110,859

13. Trust Funds

Trust funds administered by the Municipality amounting to \$ 3,941,371 (\$ 3,645,600 - 2016) 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, 2017 is approximately \$ 47,939,096 (\$ 49,881,857 - 2016) after deducting the expenditures incurred as at December 31, 2017. These projects will be financed by grants, subsidies, reserves, transfer from operations 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, 2017

14. Contractual Obligations and Commitments - continued

Niagara Health System

The Municipality is currently committed to funding 10% of the capital cost of the Niagara Health System ("NHS") new hospital to be located in Niagara Falls, Ontario. The last known construction budget estimate is \$ 220 million thereby committing the Municipality to \$ 22 million. The plan is dependent upon future Councils approving this allocation on an annual basis.

15. Other Information

During 2017, the Municipality approved the purchase of 20 acres of land in order that it be donated to and used by the NHS as the location for the construction of a new hospital within the Municipality. The land was purchased at a cost of \$ 11,410,415. An additional 30 acres of land was donated to the Municipality for this same purpose during the year. The donated value of this land, determined to be \$ 14,250,000, has been recognized as a donation and included in other revenue on the Consolidated Statement of Operations and Accumulated Surplus.

The Municipality has financed \$ 7,048,359 of the purchase cost through amounts previously transferred to reserves. The additional \$ 4,362,056 is to be financed out of future operating surpluses and transfers from reserves and reserve funds.

On October 11, 2017, the combined 50 acre parcel of land was transferred to the NHS. The Municipality recognized this transaction as an external transfer of \$ 25,660,415 under health services expenses in the Consolidated Statement of Operations and Accumulated Surplus. As a condition of the transfer agreement, if construction has not commenced by January 1, 2027, the Municipality has the option to repurchase the land for \$ 1.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

16. Statement of Cash Flows

Changes in cash components include:

	(in thousands of dollars)	
	2017	2016
	\$	\$
Change in investments	(2,540)	(4,712)
Change in taxes receivable	658	2,353
Change in accounts receivable	2,532	2,342
Change in user charges receivable	(214)	(626)
Change in long-term receivables	70	(238)
Change in inventories and prepaid expenses	265	(430)
Change in accounts payable and accrued liabilities	6,353	(5,807)
Change in deferred revenue - obligatory reserve funds	(85)	6,638
Change in deferred revenue	(1,121)	380
Change in other current liabilities	1,799	405
Change in post-employment benefits	1,920	809
	9,637	1,114

17. Contributions to Joint Board

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

	(in thousands of dollars)	
	2017	2016
	\$	\$
Niagara District Airport Commission	255	269

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

18. 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, and Information Systems.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

18. Segmented Reporting - continued

Protection

Reported in this functional area are Fire, Policing for the Casino Districts 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 Municipality has an arrangement with the Regional Municipality of Niagara Police Services Board that requires the Municipality to pay for its share of policing costs related to the casino districts. 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, Parking and Transit Services. The mandate for Roads 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 Parking system provides public parking opportunities and enforcement regulations throughout the Municipality. The mandate of 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.

Recreation and Culture

Reported in this functional area are Parks, Recreation and Culture. The Parks division 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 department is 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, 2017

18. 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 division 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 19 for a discussion on the budgeted figures provided.

19. Budget Figures

The consolidated operating budget for 2017 includes the budgets approved by the Municipality, several boards and municipal enterprises and 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.

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

	(in thousands of dollars)
	Budget \$
Approved Operating Surplus	-
Add:	
Library operating surplus (before capital, debt and transfers to reserves)	317
Niagara Civic and Convention Centre operating surplus	978
Net transfers to reserves	23,145
Principal repayment of long-term liabilities	3,936
Less:	
Airport operating deficit (before capital and debt)	(131)
Net transfers of indirect costs	(362)
Surplus Reported on the Consolidated Statement of Operations and Accumulated Surplus	27,883

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

20. Correction of a Prior Period Error

During the year, the Municipality completed an internal review of its tangible capital assets. As a result of this review, it was determined that tangible capital assets excluded assets from subdivisions assumed by the Municipality. This error has been corrected on a retroactive restated basis. The effects of this restatement on the December 31, 2016 figures are as follows:

	(in thousands of dollars)	
	Prior \$	As Restated \$
Non-Financial Assets		
Tangible capital assets	702,754	708,593
Accumulated Surplus		
Beginning of year	800,411	804,466
End of year	821,322	827,161
Revenues		
Other	10,984	12,839
Expenses		
Transportation services	44,308	44,321
Environmental services	39,074	39,130
Cash Flows from Operations		
Amortization of tangible capital assets	24,239	24,308
Acquisition of tangible capital assets	(34,180)	(36,035)
Change in Net Financial Assets		
Acquisition of tangible capital assets	(34,180)	(36,035)
Amortization of tangible capital assets	24,239	24,308

21. 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, 2017

(In thousands of dollars)

	General Government 2017 Budget	General Government 2017 Actual	General Government 2016 Actual	Protection 2017 Budget	Protection 2017 Actual	Protection 2016 Actual	Transportation 2017 Budget	Transportation 2017 Actual	Transportation 2016 Actual	Environment 2017 Budget	Environment 2017 Actual	Environment 2016 Actual
Revenues												
Taxation	70,787	71,626	69,529	-	-	-	-	-	-	-	-	-
User fees and charges	717	768	691	1,621	2,378	2,697	3,862	3,982	3,919	41,609	42,650	43,901
Government grants	2,455	2,793	2,003	-	-	-	1,260	1,963	1,177	-	363	1
Other	26,749	48,562	30,159	13	76	45	3,286	12,275	9,426	412	7,074	3,934
Government business enterprise	-	1,639	2,597	-	-	-	-	-	-	-	-	-
Loss on disposal of tangible capital assets	-	(39)	(17)	-	(71)	(7)	-	(25)	(2,590)	-	(95)	(92)
	100,708	125,349	104,962	1,634	2,383	2,735	8,408	18,195	11,932	42,021	49,992	47,744
Expenditures												
Salaries and wages	10,844	10,319	10,132	18,930	20,492	19,298	19,132	19,823	18,729	4,187	4,081	3,978
Operating materials and supplies	5,396	5,422	5,686	1,644	272	108	7,544	11,085	7,766	1,410	1,402	1,478
Contracted services	1,186	1,321	1,016	4,859	4,934	4,792	4,453	7,981	5,612	27,200	28,221	25,251
Rents and financial expenses	195	345	155	208	199	273	236	184	286	328	158	159
Interfunctional transfer	(4,784)	(4,497)	(4,315)	1,330	1,349	1,213	2,208	1,930	1,906	490	503	539
External transfer	28	40	22	-	-	-	-	-	-	-	-	-
Amortization	-	876	917	-	1,190	1,060	-	10,081	9,990	-	7,354	7,297
Debt service	38	-	17	90	78	110	40	48	32	414	386	428
	12,903	13,826	13,630	27,061	28,514	26,854	33,613	51,132	44,321	34,029	42,105	39,130
Annual Surplus (Deficit)	87,805	111,523	91,332	(25,427)	(26,131)	(24,119)	(25,205)	(32,937)	(32,389)	7,992	7,887	8,614

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, 2017

(In thousands of dollars)

	Health/ Social 2017 Budget \$	Health/ Social 2017 Actual \$	Health/ Social 2016 Actual \$	Recreation/ Culture 2017 Budget \$	Recreation/ Culture 2017 Actual \$	Recreation/ Culture 2016 Actual \$	Planning/ Development 2017 Budget \$	Planning/ Development 2017 Actual \$	Planning/ Development 2016 Actual \$	Total 2017 Budget \$	Total 2017 Actual \$	Total 2016 Actual \$
Revenues												
Taxation	-	-	-	-	-	-	2,329	2,329	2,391	73,116	73,955	71,920
User fees and charges	588	680	685	7,237	8,069	6,325	417	547	516	56,051	59,074	58,734
Government grants	43	73	43	196	364	330	159	258	211	4,113	5,814	3,765
Other	304	642	410	1,084	2,270	2,936	15	46	183	31,863	70,945	47,093
Government business enterprise	-	-	-	-	-	-	-	-	-	-	1,639	2,597
Loss on disposal of tangible capital assets	-	-	(1)	-	(21)	(28)	-	(10)	(6)	-	(261)	(2,741)
	935	1,395	1,137	8,517	10,682	9,563	2,920	3,170	3,295	165,143	211,166	181,368
Expenditures												
Salaries and wages	1,722	1,670	1,543	9,006	8,596	8,590	1,974	1,991	1,879	65,795	66,972	64,149
Operating materials and supplies	327	325	191	8,311	7,981	7,420	196	112	132	24,828	26,599	22,781
Contracted services	553	557	541	1,189	1,140	1,100	853	1,402	1,921	40,293	45,556	40,233
Rents and financial expenses	38	30	60	186	199	198	203	140	107	1,394	1,255	1,238
Interfunctional transfer	175	165	143	559	529	493	22	21	21	-	-	-
External transfer	50	25,710	50	9	9	9	2,329	2,821	2,490	2,416	28,580	24,308
Amortization	-	118	88	-	4,956	4,882	-	61	74	-	24,636	24,308
Debt service	-	-	-	1,952	1,918	1,998	-	-	-	2,534	2,430	2,585
	2,865	28,575	2,616	21,212	25,328	24,690	5,577	6,548	6,624	137,260	196,028	157,865
Annual Surplus (Deficit)	(1,930)	(27,180)	(1,479)	(12,695)	(14,646)	(15,127)	(2,657)	(3,378)	(3,329)	27,883	15,138	23,503

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, 2017

(In thousands of dollars)

	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		
2017	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General										
Land	22,336	256	554	22,038						22,038
Land improvements	24,882	1,747	21	26,608	8,118		911	21	9,008	17,600
Buildings	176,596	1,511	216	177,891	31,116		3,732	98	34,750	143,141
Furniture and equipment	35,562	3,002	682	37,882	16,622		3,390	669	19,343	18,539
Vehicles	58,023	3,864	3,698	58,189	34,546		4,423	3,599	35,370	22,819
	317,399	10,380	5,171	322,608	90,402		12,456	4,387	98,471	224,137
Infrastructure										
Environmental	441,251	4,454	105	445,600	161,651		5,746	39	167,358	278,242
Roads	215,256	8,199	998	222,457	109,311		4,897	903	113,305	109,152
Water	121,729	2,443	252	123,920	46,902		1,537	208	48,231	75,689
	778,236	15,096	1,355	791,977	317,864		12,180	1,150	328,894	463,083
Work in Progress	21,224	46,018	28,043	39,199						39,199
	1,116,859	71,494	34,569	1,153,784	408,266		24,636	5,537	427,365	726,419

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2017

(In thousands of dollars)

	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		
2016	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General										
Land	21,338	1,126	128	22,336						22,336
Land improvements	23,190	1,743	51	24,882	7,195		943	20	8,118	16,764
Buildings	175,072	3,921	2,397	176,596	28,637		3,616	1,137	31,116	145,480
Furniture and equipment	32,836	3,211	485	35,562	13,767		3,334	479	16,622	18,940
Vehicles	54,816	4,431	1,224	58,023	31,469		4,257	1,180	34,546	23,477
	307,252	14,432	4,285	317,399	81,068		12,150	2,816	90,402	226,997
Infrastructure										
Environmental	434,943	6,455	147	441,251	156,093		5,687	129	161,651	279,600
Roads	207,709	12,750	5,203	215,256	108,295		4,911	3,895	109,311	105,945
Water	118,634	3,490	395	121,729	45,663		1,560	321	46,902	74,827
	761,286	22,695	5,745	778,236	310,051		12,158	4,345	317,864	460,372
Work in Progress										
	22,188	31,764	32,728	21,224						21,224
	1,090,726	68,891	42,758	1,116,859	391,119		24,308	7,161	408,266	708,593

See accompanying notes

INDEPENDENT AUDITORS' REPORT - TRUST FUNDS

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the City of Niagara Falls, Ontario, which comprise the statement of financial position as at December 31, 2017 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

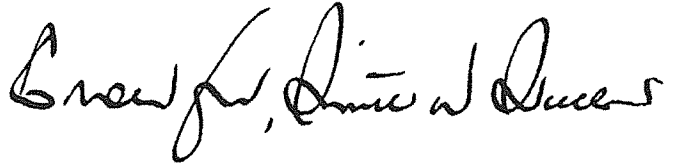
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2017 and the financial activity and changes in trust fund balances 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
January 14, 2020

CRAWFORD SMITH & SWALLOW
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

STATEMENT OF FINANCIAL POSITION - TRUST FUNDS

December 31, 2017

(In thousands of dollars)

	Total \$	Cemetery Perpetual Care \$	Other \$
Assets			
Cash	310	298	12
Investments - note 2			
Federal	1,752	1,752	
Provincial	508	508	
Corporate	1,089	1,088	1
	3,349	3,348	1
Due from Municipality operating fund	282	276	6
	3,941	3,922	19
Liabilities and Fund Balances			
Fund balances	3,941	3,922	19
	3,941	3,922	19

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, 2017
(In thousands of dollars)

	Total \$	Cemetery Perpetual Care \$	Other \$
Balance, Beginning of Year	3,646	3,627	19
Receipts			
Cemetery lot receipts	293	293	
Interest	25	22	3
	318	315	3
Expenditures			
Bank charges	3		3
Cemetery care	20	20	
	23	20	3
Balance, End of Year	3,941	3,922	19

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2017

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 \$ 3,349,054 (\$ 3,364,506 - 2016) have a market value as at December 31, 2017 of \$ 3,401,792 (\$ 3,378,305 - 2016). 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

	2017 \$	2016 \$
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