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smith &
swallow*

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

Consolidated Financial Statements

December 31, 2008



CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

Consolidated Financial Statements

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Table of Contents

	Page
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities	3
Consolidated Statement of Changes in Financial Position	4
Consolidated Schedule of Operating Fund Activities	5
Consolidated Schedule of Capital Fund Activities	6
Consolidated Schedule of Reserves and Reserve Funds	7
Notes to Consolidated Financial Statements	8 - 25
Schedule of Segmented Reporting	26 - 27
Auditors' Report - Trust Funds	28
Statement of Financial Position - Trust Funds	29
Statement of Financial Activities and Changes in Fund Balances - Trust Funds	30
Notes to Financial Statements - Trust Funds	31 - 32

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AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of Corporation of the City of Niagara Falls, Ontario as at December 31, 2008 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the city's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the city as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Niagara Falls, Ontario
July 30, 2009

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, 2008

	2008	2007
	\$	\$
Financial Assets - note 9		
Cash - note 3	52,516,684	49,415,634
Investments - note 4	24,570,818	23,313,569
Taxes receivable - note 5	17,381,152	15,599,454
Accounts receivable - notes 6	4,332,595	5,948,624
User charges receivable	12,794,793	9,241,005
Long-term receivables	456,421	495,041
Note receivable - note 7	22,000,000	22,000,000
Long-term investment - note 7	65,741,967	44,223,209
Long-term investment - note 8	1,064,155	896,576
	200,858,585	171,133,112
Contingent Liabilities - note 19		
Liabilities		
Temporary loan - note 9	5,998,233	
Accounts payable and accrued liabilities	22,485,980	23,451,145
Deferred revenue - obligatory reserve funds - note 10	15,590,119	15,691,926
Deferred revenue	194,075	543,821
Other current liabilities	1,251,620	1,401,638
Post-employment benefits - note 11	22,039,371	20,595,283
Net long-term liabilities - note 12	30,092,531	32,906,852
	97,651,929	94,590,665
Net Financial Assets	103,206,656	76,542,447
Non Financial Assets		
Inventories and prepaid expenses	859,436	752,125
Net Assets	104,066,092	77,294,572
Municipal Position		
Operating fund - note 13(a)	4,994,789	5,216,849
Capital fund - note 13(b)	(8,965,920)	7,288,099
Reserves and reserve funds - note 13(c)	71,363,003	51,171,974
Niagara Falls Hydro Holding Corporation net equity - note 13(d)	87,741,967	66,223,209
Niagara Convention & Civic Centre Inc. net equity - note 13(e)	1,064,155	896,576
	156,197,994	130,796,707
Amounts to be recovered	(52,131,902)	(53,502,135)
	104,066,092	77,294,572

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended December 31, 2008

	2008	2007
	\$	\$
Revenues		
Taxation - note 5	58,244,038	57,060,923
User fees and charges	46,136,414	44,378,605
Government of Canada grants	8,536	2,207
Province of Ontario grants	27,274,501	26,751,018
Other municipal grants	2,273,241	15,591,445
Provincial Offences Act	242,233	249,500
Interest and penalties	2,354,101	2,237,786
Investment income	3,537,900	3,284,045
Casino and gaming revenues	2,600,000	2,600,000
Change in Niagara Falls Hydro Holding Corporation net equity - note 7	21,518,758	2,690,404
Niagara Convention & Civic Centre Inc. net income - note 8	167,579	896,576
Contributions from Obligatory Reserve Funds	6,487,990	11,553,825
Proceeds on disposal of property	1,611,670	396,611
Other	1,706,978	5,577,792
	174,163,939	173,270,737
Expenditures		
General government	21,813,243	14,226,221
Protection to persons and property	20,875,456	16,976,253
Transportation services	37,932,662	31,541,776
Environmental services	38,028,470	45,497,273
Health services	1,973,375	1,959,417
Social and family services	483,092	456,479
Recreation and cultural services	20,401,217	18,006,801
Planning and development	5,884,904	4,935,320
	147,392,419	133,599,540
Net Revenues	26,771,520	39,671,197
Add: Long-term debt issued		2,820,000
Add: Post-employment benefits	1,444,088	1,253,075
Less: Long-term debt repaid	(2,814,321)	(2,470,798)
Increase (decrease) in amounts to be recovered	(1,370,233)	1,602,277
Change in Fund Balances	25,401,287	41,273,474

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
for the year ended December 31, 2008

	2008 \$	2007 \$
Operations		
Net revenues	26,771,520	39,671,197
Sources (Uses)		
Change in investments	(1,257,249)	(651,263)
Change in taxes receivable	(1,781,698)	(2,029,804)
Change in accounts receivable	1,616,029	(1,910,917)
Change in user charges receivable	(3,553,788)	2,267,315
Change in long-term receivables	38,620	104,831
Change in inventories and prepaid expenses	(107,311)	141,270
Change in temporary loans	5,998,233	
Change in accounts payable and accrued liabilities	(965,165)	(4,948,865)
Change in deferred revenue - obligatory reserve funds	(101,807)	(6,449,935)
Change in deferred revenue	(349,746)	238,078
Change in other current liabilities	(150,018)	(391,852)
Change in post-employment benefits	1,444,088	1,253,075
	830,188	(12,378,067)
Change in Niagara Falls Hydro Holding Corporation net equity	(21,518,758)	(2,690,404)
Net income of Niagara Convention & Civic Centre Inc.	(167,579)	(896,576)
Net increase in cash from operations	5,915,371	23,706,150
Financing		
Long-term debt issued		2,820,000
Long-term debt repaid	(2,814,321)	(2,470,798)
Net increase (decrease) in cash from financing	(2,814,321)	349,202
Increase in Cash Position	3,101,050	24,055,352
Cash Position, Beginning of Year	49,415,634	25,360,282
Cash Position, End of Year	52,516,684	49,415,634

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED SCHEDULE OF OPERATING FUND ACTIVITIES

for the year ended December 31, 2008

	Budget \$	2008 \$	2007 \$
Revenues			
Taxation - note 5	57,005,587	58,244,038	57,060,923
User fees and charges	44,398,215	46,136,414	44,378,605
Government of Canada grants		8,536	2,207
Province of Ontario grants	3,281,500	8,130,630	3,487,199
Provincial Offences Act	151,130	242,233	249,500
Interest and penalties	2,235,000	2,354,101	2,237,786
Investment income	2,434,000	1,905,250	2,136,511
Casino and gaming revenues	3,000,000	2,600,000	2,600,000
Proceeds on disposal of property		1,611,670	396,611
Other	1,628,107	1,706,978	5,320,202
	114,133,539	122,939,850	117,869,544
Expenditures			
General government	13,461,717	12,919,854	13,172,655
Protection to persons and property	15,387,055	18,174,153	16,218,506
Transportation services	24,657,275	24,822,397	22,970,233
Environmental services	27,609,505	26,325,142	25,470,551
Health services	1,850,811	1,943,797	1,920,397
Social and family services		483,092	456,479
Recreation and cultural services	13,911,811	13,016,981	13,361,342
Planning and development	6,014,126	5,847,943	4,865,977
	102,892,300	103,533,359	98,436,140
Net Revenues	11,241,239	19,406,491	19,433,404
Financing and Transfers			
Long-term debt repaid	(2,814,018)	(2,814,321)	(2,470,798)
Post-employment benefits		1,444,088	1,253,075
Transfers to reserves and reserve funds		(485,116)	(3,778,837)
Transfers to capital fund	(8,427,221)	(17,773,202)	(14,362,115)
Net financing and transfers	(11,241,239)	(19,628,551)	(19,358,675)
Change in Operating Fund		(222,060)	74,729
Operating Fund, Beginning of Year	5,216,849	5,216,849	5,142,120
Operating Fund, End of Year	5,216,849	4,994,789	5,216,849

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
CONSOLIDATED SCHEDULE OF CAPITAL FUND ACTIVITIES
for the year ended December 31, 2008

	2008 \$	2007 \$
Revenues		
Province of Ontario	19,143,871	23,263,819
Other municipal grants	2,273,241	15,591,445
Other		82,590
	21,417,112	38,937,854
Expenditures		
General government	8,893,389	1,053,566
Protection to persons and property	2,701,303	757,747
Transportation services	13,110,265	8,571,543
Environmental services	11,703,328	20,026,722
Health services	29,578	39,020
Recreation and cultural services	7,384,236	4,645,459
Planning and development	36,961	69,343
	43,859,060	35,163,400
Net Revenues (Expenditures)	(22,441,948)	3,774,454
Financing and Transfers		
Long-term debt issued		2,820,000
Transfers from operating fund	17,773,202	14,362,115
Transfers to reserves and reserve funds	(11,585,273)	(5,527,922)
Net financing and transfers	6,187,929	11,654,193
Change in Capital Fund	(16,254,019)	15,428,647
Capital Fund, Beginning of Year	7,288,099	(8,140,548)
Capital Fund, End of Year	(8,965,920)	7,288,099

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS
for the year ended December 31, 2008

	2008	2007
	\$	\$
Revenues		
Contributions from Obligatory Reserve Funds	6,487,990	11,553,825
Investment income	1,632,650	1,147,534
Other		175,000
	8,120,640	12,876,359
Financing and Transfers		
Transfers from capital fund	11,585,273	5,527,922
Transfers from operating fund	485,116	3,778,837
Net financing and transfers	12,070,389	9,306,759
Change in Reserves and Reserve Funds	20,191,029	22,183,118
Reserves and Reserve Funds, Beginning of Year	51,171,974	28,988,856
Reserves and Reserve Funds, End of Year	71,363,003	51,171,974

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

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 local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants with the exception of providing budget figures (note 18).

(a) Basis of consolidation

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the operating fund, capital fund, reserves and reserve funds and 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
- Waterworks Operation
- 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
- Board of Museums
- Niagara Falls Hydro Holding Corporation
- Niagara Convention & Civic Centre Inc.

All inter-fund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Municipality and the resulting interest income and expenditures.

The Niagara Falls Hydro Holding Corporation ("NFHHC") and Niagara Convention & Civic Centre Inc. ("NCCCI") are accounted for on a modified equity basis, consistent with the accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of NFHHC and NCCCI in its "Consolidated Statement of Financial Activities" with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from NFHHC and NCCCI 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, 2008

1. Significant Accounting Policies - continued

(ii) Partial-consolidated entity

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

Niagara District Airport Commission

(iii) Accounting for Region and School Board transactions

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

(iv) Trust funds

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

(b) Basis of accounting

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

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

(iii) Inventories

Inventories are valued at average cost.

(iv) Capital assets

Capital assets are recorded as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.

(v) 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.

(vi) Investment income

Investment income earned on current surplus funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each fund balance.

(vii) Amounts to be recovered

The balance referred to as "Amounts to be recovered", includes balances for post-employment benefits and net long-term liabilities.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

1. Significant Accounting Policies - continued

(viii) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Operations of School Boards and the Region of Niagara

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

	School Boards		Region	
	2008	2007	2008	2007
	\$	\$	\$	\$
Taxation and user charges	44,219,105	44,961,961	66,170,404	65,658,539
Payments-in-lieu of taxes	3,290	24,492	7,491,680	7,486,985
Amounts received or receivable	44,222,395	44,986,453	73,662,084	73,145,524
Requisitions	44,222,395	44,986,453	73,662,084	73,145,524
Overlevies (Underlevies) at the end of year				

3. Cash

This represents cash and short term investments from both the operating fund and the reserve funds (including those funds set aside in deferred revenue):

	2008	2007
	\$	\$
Operating Fund	8,656,286	16,231,204
Reserve Funds	43,860,398	33,184,430
	52,516,684	49,415,634

4. Investments

Total investments amounting to \$ 24,570,818 (\$ 23,313,569 - 2007) are recorded on the "Consolidated Statement of Financial Position" at the lower of cost or market. The market value as at December 31, 2008 is \$ 25,646,105 (\$ 23,313,569 - 2007).

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

5. Tax Receivables and Revenues

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a significant number of appeals submitted by ratepayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$ 920,000 (\$ 920,000 - 2007).

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 new legislation will limit assessment related increases in property tax bills to 5%.

6. Interfund Receivables (Payables)

As a means of financing certain activities, funds are borrowed by the operating fund from several reserve funds. Both financing and repayments are reflected as interfund transfers and therefore are eliminated from the "Consolidated Statement of Financial Activities". Likewise interfund receivable and payable balances are not reflected on the "Consolidated Statement of Financial Position". The interfund receivable and payable balance as at December 31, 2008 was (\$ 877,389) ((\$ 1,148,004) - 2007).

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

7. Investment in Niagara Falls Hydro Holding Corporation

	2008 \$	2007 \$
Statement of Financial Position		
Current assets	44,537,453	35,051,247
Capital assets	110,570,101	62,250,095
Other assets	2,486,872	663,517
Total Assets	157,594,426	97,964,859
Current liabilities	40,120,439	21,855,320
Other liabilities	10,136,562	4,862,556
Note payable	22,000,000	22,000,000
Long-term debt	4,237,226	5,023,774
Non-controlling interest - see below	15,358,232	
Total Liabilities and Other	91,852,459	53,741,650
Net Assets	65,741,967	44,223,209
Statement of Financial Activities		
Revenues	123,962,822	87,017,712
Operating expenses	120,993,558	84,327,308
Net income before non-controlling interest	2,969,264	2,690,404
Non-controlling interest - see below	661,200	
Net income	2,308,064	2,690,404
Change in accounting policy - see below	2,935,226	
Contributed surplus - see below	16,275,468	
Change in NFHHC Net Equity	21,518,758	2,690,404

On January 1, 2008, Niagara Falls Hydro Inc. ("NFHI") acquired Peninsula West Utilities Limited ("PWUL") 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 74.50% of the issued and outstanding common shares of NPEI.

Effective January 1, 2008, NPEI adopted the CICA Handbook Section 3465 - Income Taxes in order to account for future payments in lieu of corporate income taxes.

The excess of the fair value of the common shares issued to Peninsula West Power Inc. over the carrying value of PWUL's net assets immediately prior to the merger has been recorded as contributed surplus on the balance sheet of NPEI.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

8. Investment in Niagara Convention & Civic Centre Inc.

	2008	2007
	\$	\$
Statement of Financial Position		
Current assets	977,405	959,920
Capital assets	138,651	
Total Assets	1,116,056	959,920
Current liabilities	51,901	63,344
Net Assets	1,064,155	896,576
Statement of Financial Activities		
Revenues	1,127,760	1,400,000
Operating expenses	960,181	503,424
Net Income	167,579	896,576

The Niagara Convention & Civic Centre Inc. (the "Centre") was incorporated in January, 2006 under the laws of the Province of Ontario. The Centre is owned 100% by the Corporation of the City of Niagara Falls, Ontario Fallsview Business Improvement Area. The Centre was organized to obtain financing for a convention and civic centre facility to be owned by the Corporation of the City of Niagara Falls, Ontario. The Centre will operate the facility on a non-profit basis with any potential operating shortfalls or future capital requirements covered by a \$ 17,000,000 fund established primarily by the Corporation of the City of Niagara Falls, Ontario Fallsview Business Improvement Area, as well as the Corporation of the City of Niagara Falls, Ontario Victoria/Centre Business Improvement Area, the Niagara Parks Commission and the Niagara Falls Bridge Commission. To date, the Centre has not earned significant operating revenues and is considered in the development stage.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

8. Investment in Niagara Convention & Civic Centre Inc. - continued

The Corporation of the City of Niagara Falls, Ontario Fallsview Business Improvement Area is committed to funding the Centre \$ 15,000,000, the Corporation of the City of Niagara Falls, Ontario Victoria/Centre Business Improvement Area is committed to funding the Centre \$1,500,000, the Niagara Parks Commission is committed to funding the Centre \$ 375,000 and the Niagara Falls Bridge Commission is committed to funding the Centre \$ 125,000. All amounts are payable over the next fifteen years.

The construction of the Centre is expected to cost approximately \$ 84,600,000. This is to be funded through grants to be received from various sources. \$ 35,000,000 has been committed by the Federal Government, of which NIL has been received as at December 31, 2008. \$ 35,000,000 has been committed by the Provincial of Ontario, of which \$ 35,000,000 has been received by the Municipality as at December 31, 2008 and \$ 14,600,000 has been received by the Municipality from Fallsview Management Corporation as at December 31, 2008.

9. Credit Facilities

The Municipality has an authorized operating loan due on demand of \$ 21,000,000 ("Facility #1") bearing interest at prime less 0.7% to assist with general operating requirements and to finance current expenditures. An authorized revolving term loan due on demand of \$ 29,500,000 ("Facility #2") bearing interest at prime less 0.25% to assist in financing construction of a new four pad arena complex. 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, 2008, \$ 6,000,000 has been drawn on Facility #2 and NIL has been drawn upon for Facilities #1 and #3. All credit facilities are secured by a borrowing by-law/resolution(s) containing a pledge of revenues and a general security agreement.

10. 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.

	2008	2007
	\$	\$
2% Parkland dedication	1,110,569	981,016
Public purpose	614,823	947,194
Federal gas tax rebate - transit	700,706	371,413
Provincial gas tax rebate - transit	2,112,263	1,436,879
Discounted development charges	3,280,167	3,081,606
Non-discounted development charges	7,771,591	8,873,818
	15,590,119	15,691,926

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

11. Post-Employment Benefits

	2008	2007
	\$	\$
Post-employment benefits	14,304,080	12,940,034
Accumulated sick leave	3,792,214	3,620,850
WSIB - Schedule II future liability	2,628,958	2,969,288
Vacation pay	1,314,119	1,065,111
	22,039,371	20,595,283

Post-Employment Benefits and Accumulated Sick Leave

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

As a result of actuarial valuations on post-employment benefits, it was determined that actuarial losses of \$ 3,250,481 existed. These amounts are being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 2,924,613. The actual obligation is \$ 17,228,693.

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

As a result of actuarial valuations on the accumulated sick leave liability, it was determined that actuarial gain of \$ 47,814 existed. These amounts are being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 42,935. The actual obligation is \$ 3,749,279.

A reserve fund has been established for the accumulated sick leave liability. The balance as at December 31, 2008 is \$ 1,125,815 (\$ 1,073,533 - 2007).

The liabilities for post-employment benefits and accumulated sick leave as reflected in these consolidated financial statements have been determined on an actuarial basis using a discount rate of 5.25%.

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 5.25%.

As a result of an actuarial valuation on the WSIB - Schedule II liability, it was determined that an actuarial loss of \$ 1,160,483 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 1,044,435. The actual obligation is \$ 3,673,393.

A reserve fund has been established for this liability. The balance as at December 31, 2008 is \$ 180,118 (\$ 636,039 - 2007).

The next valuation for all benefit groups is for the year ending December 31, 2008.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

11. Post-Employment Benefits - continued

Vacation Pay

As at December 31, 2008, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 1,314,119 (\$ 1,065,111 - 2007). Any unused credits may be carried forward to future years.

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 amount contributed to OMERS for 2008 was \$ 2,687,747 (\$ 2,326,684 - 2007) for current services.

12. 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:

	2008	2007
	\$	\$
Total long-term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding during the year is	30,092,531	32,906,852
Net long-term liabilities, end of year	30,092,531	32,906,852

- (b) Of the net long-term liabilities reported in (a) of this note, \$ 15,245,035 in principal payments are payable from 2009 to 2013 and \$ 14,847,496 from 2014 to 2027.
- (c) The long-term liabilities in (a) issued in the name of the municipality have received approval of the **Ontario Municipal Board** for those approved on or before December 31, 1992. Those **approved after** January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

12. Net Long-Term Liabilities - continued

(d) Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Financial Activities" are as follows:

	2008	2007
	\$	\$
Principal	2,814,321	2,470,798
Interest	1,607,963	1,679,119
	4,422,284	4,149,917

13. Municipal Fund Balances at the End of the Year

(a) Operating fund balance

	2008	2007
	\$	\$
For general reduction of taxation	564,278	531,127
For general reduction of user charges respecting waterworks	881,114	838,910
For general reduction of user charges respecting sewers	1,646,308	2,177,892
For general use by Library Board	97,267	73,453
For general use by the Business Improvement Areas	1,447,026	1,329,643
For general use by the Board of Museums	158,564	122,281
For general use by Airport Commission	200,232	143,543
	4,994,789	5,216,849

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

13. Municipal Fund Balances at the End of the Year - continued

	2008 \$	2007 \$
(b) Capital fund balance		
Acquisition of capital assets to be recovered through taxation or user charges	(3,249,812)	(8,024,027)
Acquisition of capital assets to be financed from the proceeds of long-term liabilities	(14,613,825)	(4,132,585)
Acquisition of capital assets to be recovered from transfers from reserves and reserve funds	(14,044,411)	(5,876,045)
Acquisition of capital assets to be financed from proceeds of disposition of property and billings to third parties	(3,992,515)	(5,886,400)
Funds available for the acquisition of capital assets	26,934,643	31,207,156
	(8,965,920)	7,288,099

(c) Reserves and reserve fund balances

	2008 \$	2007 \$
Reserves set aside by council for specific purposes:		
Special purposes	16,430,317	14,193,870
Working capital	265,000	265,000
Sewage capital	1,266,763	1,266,763
Water capital	1,750,097	1,750,097
Total Reserves	19,712,177	17,475,730

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

13. Municipal Fund Balances at the End of the Year - continued

(c) Reserves and reserve fund balances - continued

	2008	2007
	\$	\$
Reserve Funds set aside by council for specific purposes:		
Licence agreements - 40 years	43,922	46,888
Sick leave liability	1,125,815	1,073,533
Lundy's Lane Battlefield debt retirement	44,289	56,892
WSIB - Schedule II	180,118	636,039
Fire station #5 debt retirement	48,234	62,352
Recreation trail development	69,798	53,594
Capital/Operations - see note 15	6,761,769	6,447,419
Tree planting - developers	1,262	16,730
Park development	17,196	118,025
Sewer and water impost	1,263,204	1,205,164
Expansion and renewal	219,040	209,151
Drainage	608,173	580,286
Prepaid works projects contributions	194,571	186,222
Sidewalk construction	287,807	272,222
Future municipal works	784,977	749,258
Lot drainage	157,049	150,619
Library funds	887,488	793,467
Sanitary	376,303	359,630
Sports fund	4,882	4,731
Projects - special needs children	15,383	14,881
Parking	619,343	924,371
Collins/Toby debt retirement	30,561	39,045
Heritage Week Niagara	58,009	56,125
Coat of Arm's	2,245	2,172
Lundy's Lane business improvement purposes	367,541	390,486
Board of Museum purposes	160,457	166,018
Niagara Tunnel Community Improvement	580,647	842,916
Ontario Power Generation Agreement		113,489
Water patrol boat	31,930	28,490
Branscombe Family Grant	3,671	3,390
Convention Centre	36,463,464	18,028,258
Fire department radios debenture	66,550	64,381
Fire department aerial firetruck debenture	175,128	
Total Reserve Funds	51,650,826	33,696,244
Total Reserves and Reserve Funds	71,363,003	51,171,974

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

13. Municipal Fund Balances at the End of the Year - continued

(d) Niagara Falls Hydro Holding Corporation net equity

	2008	2007
	\$	\$
Niagara Falls Hydro Holding Corporation net equity	87,741,967	66,223,209

(e) Niagara Convention and Civic Centre Inc. net equity

	2008	2007
	\$	\$
Niagara Convention & Civic Centre Inc. net equity	1,064,155	896,576

14. Trust Funds

Trust funds administered by the Municipality amounting to \$ 2,836,049 (\$ 2,719,569 - 2007) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

15. Contractual Obligations and Commitments

Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2008 is approximately \$ 99,085,000 (\$ 74,999,000 - 2007) after deducting the expenditures incurred as at December 31, 2008. 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 May 2012. 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 May 2012. 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 May 2012.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

16. Financial Instruments

Credit Risk

The Municipality is exposed to credit risk on taxes receivable, user charges receivable, accounts receivable and long-term receivables from its customers. Allowances are maintained for the potential credit losses. However, because of the large number of customers, credit risk concentration is minimal.

Cash Flow Risk

The Municipality is exposed to the risk that the interest earned on its investments will fluctuate due to changes in market interest rates. The Municipality manages its investments based on its cash flow needs and with a view to optimizing its interest income.

Interest Rate Risk

The Municipality is exposed to the risk that the value of investments will fluctuate due to changes in market interest rates. The Municipality manages its investments based on its cash flow needs and with a view to optimizing its interest income.

The balances for certain temporary loans and long-term debt bear interest at fixed rates. Consequently, the risk exposure associated with these balances is minimal.

Market Risk

Certain investments held by the Municipality are subject to the risk that the value will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market.

Fair Value

The fair value of the post-employment benefits, accumulated sick leave and WSIB - Schedule II future liability were determined using actuarial valuations based on the information presented in note 11 to the financial statements.

Long-term debt is stated at face value. It is not practicable within the constraints of timeliness or cost to determine the fair value of this financial liability with sufficient reliability.

The note receivable and long-term investment are stated at cost. It is not practicable within the constraints of timeliness or cost to determine the fair value of these financial assets with sufficient reliability.

The fair values of the Municipality's other financial instruments corresponds to their carrying values due to their short-term maturity.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

17. Contributions to Joint Board

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

	2008	2007
	\$	\$
Niagara District Airport Commission	89,696	89,696

The Municipality's share of the net assets of the Niagara District Airport Commission is approximately 32%.

18. Budget Figures

The approved operating budget for 2008 is reflected on the "Consolidated Schedule of Operating Fund Activities". 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 on their respective schedules.

19. Contingent Liabilities

The Municipality has been named as one of several defendants in a legal action seeking \$ 20,000,000 for loss or damage to property and lost revenue. The Municipality's maximum insurance coverage per claim at the time of the suit was \$ 15,000,000. The Municipality is also being sued for aggravated and punitive damages in the amount of \$ 5,000,000. There is no insurance coverage for punitive damages. The Municipality's legal counsel is unable to assess the potential liability, if any, resulting from this action. Any settlement will be reflected as a charge to operations in the year incurred.

The Municipality has been named as one of several defendants in a legal action seeking \$ 21,200,000 for general and special damages. The Municipality's maximum insurance coverage per claim at the time of the suit was \$ 20,000,000. The Municipality's legal counsel is unable to assess the potential liability, if any, resulting from this action. Any settlement will be reflected as a charge to operations in the year incurred.

No provision for possible loss has been included in these consolidated financial statements.

As at December 31, 2008, the Municipality has certain other legal claims outstanding. It is management's assertion that adequate insurance coverages are in effect for the settlement of these claims, if necessary.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

20. Tangible Capital Assets

Effective January 1, 2008, the Municipality adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of Public Sector Accounting Handbook comes into effect on January 1, 2009.

Tangible capital assets are to be initially recorded at historical cost. Cost will include all directly attributable expenditures in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location.

Amortization is recorded to reflect the cost, net of anticipated residual value, associated with the use of the asset in providing government services on a straight-line basis over the estimated useful life of the asset. Amortization has not been recorded as an expense within the Municipality's 2008 statement of financial activities. Gains and/or losses on the disposal of an asset will be recorded on the statement of financial activities as "Gain/Loss on Disposal of Assets".

Tangible assets received as contributions are recorded at their fair market value at the date of receipt and are also recorded as revenue.

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

As at the date of the financial statements, the Municipality is still working toward obtaining the necessary information in order to fully comply with Section 3150. The information required for the 2008 and 2009 Tangible Capital Assets will be completed and reflected in the consolidated financial statements for the year ending December 31, 2009.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

21. Segmented Reporting

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

General Government

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

Protection

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

Transportation

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

Environment

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

Health

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

Recreation and Culture

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

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008

21. Segmented Reporting - continued

Planning and Development

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

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements. See note 18 for a discussion on the budgeted figures provided.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
SCHEDULE OF SEGMENTED REPORTING
for the year ended December 31, 2008

	General Government		General Government		Protection		Protection		Transportation		Transportation		Environment		Environment	
	2008	2008	2007	2008	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues																
Taxation	57,005,587	58,244,038	57,060,923	-	1,553,700	2,715,387	1,559,876	4,006,893	5,407,168	5,017,845	36,626,403	34,504,335	-	-	34,311,366	34,311,366
User fees and charges	120,800	1,544,646	1,241,493	-	-	38,112	1,175	50,000	2,228,158	1,568,375	-	1,224,732	-	-	4,326,392	4,326,392
Government grants	3,153,000	24,912,365	35,115,891	-	-	16,685	-	-	4,568,994	5,515,417	494,694	1,841,925	-	-	8,356,513	8,356,513
Other	8,154,780	10,151,756	9,872,891	-	-	-	-	-	-	-	-	-	-	-	-	-
Government business enterprises	-	21,686,337	3,586,980	-	-	-	-	-	-	-	-	-	-	-	-	-
	68,434,167	116,539,142	106,878,178	1,588,700	2,770,184	1,601,129	4,056,893	12,204,320	12,101,637	37,121,097	37,570,992	46,994,271				
Expenditures																
Salaries and wages	9,362,105	8,753,940	7,310,242	13,096,113	15,865,770	13,703,855	12,669,126	13,144,622	13,089,674	2,829,489	2,595,656	2,597,613				
Operating materials and supplies	2,142,188	6,389,775	4,304,767	936,049	963,617	1,185,392	6,447,829	5,903,112	8,924,417	959,369	711,422	825,270				
Contracted services	1,472,035	971,066	726,318	578,661	29,078	64,921	4,283,973	2,956,694	2,563,905	23,060,536	22,444,382	21,241,754				
Rents and financial expenses	384,200	373,848	294,965	78,600	95,366	83,216	300,072	19,985	74,303	621,975	41,916	291,152				
External transfer	8,664	9,028	13,294	452,542	452,542	466,118	502,124	502,124	89,696	-	-	-				
Tangible capital assets	-	8,893,389	1,053,566	-	2,701,303	757,747	-	13,110,265	8,571,543	-	11,703,328	20,026,722				
Debt service	92,525	88,509	99,710	245,090	223,936	213,728	454,151	435,499	468,733	138,116	134,138	146,581				
	13,461,717	25,479,555	13,802,862	15,387,055	20,331,632	16,474,977	24,657,275	36,072,301	33,782,271	27,609,505	37,630,842	45,129,092				
	54,972,450	91,059,587	93,075,316	(13,798,355)	(17,561,448)	(14,873,848)	(20,600,387)	(23,867,981)	(21,680,634)	9,511,592	(59,850)	1,865,179				

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, 2008

	Health 2008		Health 2007		Recreation/ Culture 2008		Recreation/ Culture 2007		Planning/ Development 2008		Planning/ Development 2007		Total 2008		Total 2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues																
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	57,005,587	58,244,038	57,060,923	57,060,923
User fees and charges	335,000	367,698	359,753	1,525,419	1,449,336	1,738,519	1,738,519	1,738,519	230,000	147,844	149,753	44,398,215	46,136,414	44,378,605	44,378,605	
Government grants	-	-	-	28,500	1,023,643	1,234,519	1,234,519	1,234,519	50,000	129,268	98,318	3,281,500	29,556,278	42,344,670	42,344,670	
Other	274,000	273,368	233,894	489,763	904,209	1,014,995	1,014,995	1,014,995	-	783,935	865,771	9,448,237	18,540,872	25,899,559	25,899,559	
Government business enterprises	609,000	641,066	593,647	2,043,682	3,377,188	3,988,033	3,988,033	3,988,033	280,000	1,061,047	1,113,842	114,133,539	174,163,939	173,270,737	173,270,737	
Expenditures																
Salaries and wages	1,060,352	1,053,946	1,064,238	5,476,678	8,003,855	8,018,010	8,018,010	8,018,010	1,600,578	1,676,565	1,762,433	46,094,441	51,094,354	47,546,065	47,546,065	
Operating materials and supplies	130,970	164,657	162,290	2,823,064	3,354,779	3,440,735	3,440,735	3,440,735	85,391	331,186	132,928	13,524,860	17,818,548	18,975,799	18,975,799	
Contracted services	86,450	58,510	31,884	285,053	150,348	269,642	269,642	269,642	651,330	134,237	221,951	30,418,058	26,744,315	25,120,375	25,120,375	
Rents and financial expenses	12,000	11,137	10,996	24,365	91,579	80,508	80,508	80,508	505,000	482,510	24,901	1,926,212	1,116,341	860,041	860,041	
External transfer	561,039	563,048	553,922	4,564,991	415,908	419,485	419,485	419,485	3,171,827	3,209,188	2,712,226	9,261,187	5,151,838	4,254,741	4,254,741	
Tangible capital assets	-	29,578	39,020	-	7,384,236	4,645,459	4,645,459	4,645,459	-	36,961	69,343	-	43,859,060	35,163,400	35,163,400	
Debt service	-	-	-	737,660	725,861	750,367	750,367	750,367	-	-	-	1,667,542	1,607,963	1,679,119	1,679,119	
	1,850,811	1,880,876	1,862,350	13,911,811	20,126,566	17,624,206	17,624,206	17,624,206	6,014,126	5,870,647	4,923,782	102,892,300	147,392,419	133,599,540	133,599,540	
	(1,241,811)	(1,239,810)	(1,268,703)	(11,868,129)	(16,749,378)	(13,636,173)	(13,636,173)	(13,636,173)	(5,734,126)	(4,809,600)	(3,809,940)	11,241,239	26,771,520	39,671,197	39,671,197	

See accompanying notes

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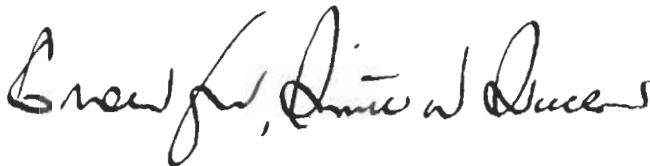
AUDITORS' REPORT - TRUST FUNDS

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

We have audited the statement of financial position of the trust funds of Corporation of the City of Niagara Falls, Ontario as at December 31, 2008 and the statement of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the city's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the city as at December 31, 2008 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.



Niagara Falls, Ontario
July 30, 2009

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, 2008

	Total \$	Ontario Home Renewal Plan \$	Cemetery Perpetual Care \$	Other \$
Assets				
Cash	408,859	17,824	309,001	82,034
Investments - note 2				
Federal	317,109		317,109	
Provincial	707,796		707,796	
Corporate	1,238,604		1,237,404	1,200
	2,263,509		2,262,309	1,200
GST receivable	83		83	
Due from (to) operating fund	162,174		162,533	(359)
Loans receivable - note 3	1,424	1,424		
	163,681	1,424	162,616	(359)
	2,836,049	19,248	2,733,926	82,875
Fund Balances	2,836,049	19,248	2,733,926	82,875

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, 2008

	Total \$	Ontario Home Renewal Plan \$	Cemetery Perpetual Care \$	Other \$
Balance, Beginning of Year	2,719,569	18,719	2,591,362	109,488
Receipts				
Cemetery lot receipts	142,564		142,564	
Interest	60,920	529	56,774	3,617
Land sale deposits	11,094			11,094
	214,578	529	199,338	14,711
Expenditures				
Cemetery Care	57,133		56,774	359
Loan repayments to Province of Ontario				
Transfer to operating fund	40,965			40,965
	98,098		56,774	41,324
Balance, End of Year	2,836,049	19,248	2,733,926	82,875

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2008

1. Basis of Accounting

Receipts and disbursements on the statement of continuity are reported on the cash basis of accounting, with the exception of revenue derived from cemetery lot sales due to the Cemetery Perpetual Care Fund which has been accrued at year end.

2. Investments

Trust fund investments of \$ 2,263,509 (\$ 2,226,359 - 2007) are recorded on the "Statement of Financial Position" at the lower of cost or market. The market value as at December 31, 2008 is \$ 2,290,920 (\$ 2,273,508 - 2007).

3. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$ 7,500 of which the maximum forgivable portion is \$ 4,000.

On July 13, 1993, the Ontario Home Renewal Program was discontinued. The municipality ceased issuing new loans as of this date and is required to remit the balance of the trust account to the Ontario Ministry of Housing by March 1, 1994. Loan receivables collected in each subsequent calendar year after 1993 must be remitted to the Province by March 1st of each year.

In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loans and the unearned forgivable loan immediately become due and payable by the homeowner.

4. Financial Instruments

Interest Rate Risk

The City's trust funds are exposed to the risk that the value of investments will fluctuate due to the changes in market interest rates. The City manages its trust fund investments based on its cash flow needs and with a view to optimizing its interest income.

Market Risk

Certain investments within the City's trust funds are subject to the risk that the value will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2008

5. Other Trust Funds

	2008	2007
	\$	\$
Trust for land sales	59,026	85,969
Trust for Mr. Ted Salci	3,305	3,203
Trust for Mr. Wayne Thomson	5,673	5,497
Trust for Ms. Janice Wing	1,676	1,624
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
	82,875	109,488