

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF NIAGARA-ON-THE-LAKE**

And Independent Auditors' Report Thereon

Year ended December 31, 2023

INDEPENDENT AUDITORS' REPORT

To The Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Niagara-on-the-Lake

Opinion

We have audited the financial statements of The Corporation of Niagara-on-the-Lake (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes and schedule to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and its consolidated results of operations, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - comparative information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022 and as at January 1, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

Other Matter – Supplementary Information

The supplementary information included in Schedule of Library Fund Activities does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

July 30, 2024

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 1)
Financial assets		
Cash	\$ 30,594,065	\$ 22,333,108
Taxes receivable		
Current year	2,025,902	1,606,879
Previous years	1,131,061	1,119,889
Accounts receivable	9,656,315	9,203,458
Debt recoverable from others (note 6)	47,862	15,399
Note receivable (note 3)	3,877,726	4,591,648
Long-term investment (note 2)	23,649,994	23,626,199
	<u>70,982,925</u>	<u>62,496,580</u>
Liabilities		
Accounts payable and accrued liabilities	16,042,696	14,611,564
Deferred revenue (note 4)	13,975,138	12,650,043
Post-employment benefits (note 5)	1,248,301	1,249,498
Net long term liabilities (note 6)	6,753,193	5,476,721
Asset retirement obligation (note 14)	1,390,086	1,390,086
	<u>39,409,414</u>	<u>35,377,912</u>
Net financial assets	<u>31,573,511</u>	<u>27,118,668</u>
Non-financial assets		
Tangible capital assets (note 13)	203,963,150	201,981,196
Inventories and prepaid expenses	499,958	347,740
	<u>204,463,108</u>	<u>202,328,936</u>
Commitments (note 8)		
Contingent liabilities (note 9)		
Accumulated surplus (note 7)	<u>\$ 236,036,619</u>	<u>\$ 229,447,604</u>

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Municipality:

Lord Mayor

Chief Administrative Officer

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	Budget (note 12)	2023	2022 (Restated- note 1)
Revenues			
Taxation	\$ 16,835,692	\$ 16,929,863	\$ 15,548,259
User fees and charges	16,479,425	18,033,613	16,497,073
Government of Canada grants (note 15)	587,510	1,831,181	309,908
Province of Ontario grants (note 15)	1,853,154	2,278,164	3,394,482
Other municipality funding (note 15)	96,900	438,144	169,119
Other deferred revenues earned	264,833	500,270	2,212,760
Interest and penalties	456,000	536,604	466,458
Investment income	738,195	1,256,602	613,649
Donations	4,500	278,295	199,204
Contributed assets	671,693	671,693	26,500
Other	2,157,477	3,539,169	2,581,653
Equity income of Niagara-on-the-Lake Energy Inc. (note 2)	-	773,795	1,786,672
Total revenues	40,145,379	47,067,393	43,806,097
Expenses			
General government	4,338,811	5,599,608	4,017,202
Protection services	5,382,387	4,832,137	4,403,541
Transportation services	8,909,118	8,915,204	9,329,530
Environmental services	15,023,768	13,257,633	13,188,091
Health services	328,989	528,289	484,219
Recreation	4,065,892	5,524,269	5,765,278
Planning and development	2,847,174	1,821,238	1,689,114
Total expenses	40,896,139	40,478,378	38,876,975
Annual surplus (deficit)	(750,760)	6,589,015	4,929,122
Other comprehensive income of Niagara-on-the-Lake Energy Inc.	-	-	-
Accumulated surplus, beginning of year, As previously reported	224,075,981	230,363,344	225,418,313
Adoption of new accounting policy (note 1)	-	(915,740)	(899,831)
Accumulated surplus, beginning of year, as restated	-	229,447,604	224,518,482
Accumulated surplus, end of year	\$ 223,325,221	\$ 236,036,619	\$ 229,447,604

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated – Note 1)
Annual surplus	\$ 6,589,015	\$ 4,929,122
Acquisition of tangible capital assets	(8,250,534)	(8,245,382)
Contributed tangible capital assets	(671,693)	(26,500)
Amortization of tangible capital assets	6,655,221	6,423,676
Proceeds on disposal of tangible capital assets	40,235	20,952
Loss on disposal of tangible capital assets	244,817	62,017
Change in inventories and prepaid expenses	(152,218)	(25,690)
	4,454,843	3,138,195
Net financial assets, beginning of year	27,118,668	25,370,559
Adoption of new accounting policy (note 1)	-	(1,390,086)
Net financial assets, end of year	\$ 31,573,511	\$ 27,118,668

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated- note 1)
Operations		
Annual surplus	\$ 6,589,015	\$ 4,929,122
Items not involving cash:		
Amortization of tangible capital assets	6,655,221	6,423,676
Niagara-on-the-Lake Energy net income	(773,795)	(1,786,672)
Contributed/Donated tangible capital assets	(671,693)	(26,500)
Loss on disposal of tangible capital assets	244,817	62,017
	12,043,565	9,601,643
Change in non-cash assets and liabilities:		
Taxes receivable	(430,195)	(510,421)
Accounts receivable	(452,857)	(489,884)
Inventories and prepaid expenses	(152,218)	(25,690)
Accounts payable and accrued liabilities	1,431,130	904,087
Deferred revenue	1,325,095	(751,049)
Post-employment benefits	(1,197)	(75,545)
Cash from operations	13,763,323	8,653,141
Capital		
Proceeds on disposal of tangible capital assets	40,237	20,952
Acquisition of tangible capital assets	(8,250,534)	(8,245,382)
Cash used in capital activities	(8,210,297)	(8,224,430)
Investing		
Dividend received	750,000	750,000
Change in debt recoverable from others	(32,463)	4,563
Collection of note receivable	713,922	683,566
Cash from investing	1,431,459	1,438,129
Financing		
Long-term debt issued	1,822,811	-
Debt principal repayments	(546,339)	(565,846)
Cash from (used) financing	1,276,472	(565,846)
Increase in cash	8,260,957	1,300,994
Cash, beginning of year	22,333,108	21,032,114
Cash, end of year	\$ 30,594,065	\$22,333,108

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

The Corporation of the Town of Niagara-on-the-Lake (the "Town") is a municipality in the Province of Ontario that provides municipal services such as fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada. Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of the Town's financial affairs and resources to the Town which are owned or controlled by the Town except for the Town's wholly owned government business enterprise, Niagara-on-the-Lake Energy Inc., which is accounted for on the modified equity basis of accounting as described below. These reporting entities and organizations include the Public Library Board. Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

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

(ii) Partial-consolidated entities:

The Niagara District Airport Commission is operated with a joint local board and is proportionately consolidated. The Town's share is 6%.

(iii) Accounting for Region and School Board transactions:

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

(iv) Trust funds:

Trust funds and their related operations are not included in these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned 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.

(c) 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.

(i) 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 prepare the asset for its intended use.

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. Work in progress assets are not amortized until the asset is available for productive use, at which time amortization commences. Gains and/or losses on the disposal of an asset are recorded on the Consolidated Statement of Operations in the year of disposal.

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

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

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(c) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Asset Class	Useful Life (Years)
General Assets:	
Land improvements	5 to 60
Buildings and fixtures	5 to 50
Machinery and equipment	5 to 40
Vehicles	5 to 20
Information technology	2 to 15
Other	5 to 50
Infrastructure:	
Linear assets	10 to 80
Street lighting	7 to 60
Other	7 to 50

Interest on debt incurred during construction of related tangible capital assets is expensed in the Consolidated Statement of Operations in the year incurred.

(ii) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in several of the buildings owned by the Town has been recognized based on estimated future expenses on closure of the site and post-closure care. These estimates are based on a financial model. Inputs including structure type, square footage, and year built, in conjunction with specific rates to be applied to each facility based on this criteria.

(iii) Inventories:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Deferred revenue:

Deferred revenue represents licenses, permits, grants and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(e) Government transfers:

Government transfers received are from federal and provincial governments. Transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made except when, and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished. Government transfers are paid to community organizations. Government transfers paid are recognized as a liability and expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

(f) 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.

(g) Deferred revenue - obligatory reserve funds:

Deferred revenue - obligatory reserve funds represents development charge contributions, payments in lieu of parking and parkland and gas tax, levied or received under the authority of federal and provincial legislation. 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.

(h) Investment income:

Investments such as GIC's and portfolio investments are recorded at amortized cost or fair value depending on the nature of the investment. 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 fund balance and forms part of the deferred revenue balance. The town held no investments at December 31, 2023 (2022 – nil)

(i) Other income:

Other income is recognized as revenue when the service is performed.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Investments:

Investments are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(k) Post-employment benefits:

- (i) The Town provides certain employee benefits which will require funding in future periods. These benefits include long-term disability, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and extended health and dental benefits for early retirees.

The costs of life insurance, benefits under WSIB, life insurance, and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, earned days accumulated for certain employees payable at retirement, health care cost trends, long term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as service payments and health and dental benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and disability 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.

- (ii) The costs of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period. OMERS has been accounted for as a defined contribution plan since it is a multi-employer plan.

(l) Note receivable

The note receivable is valued at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability is impaired. The note receivable is written off when it is no longer recoverable. Recoveries of note receivable previously written off are recognized as revenue in the year received. Interest revenue is recognized as it is earned. Notes receivable with significant concessionary terms, (such as non-interest bearing notes) are accounted for as a grant and presented as an expense on the Consolidated Statement of Operations.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(m) Use of estimates:

The preparation of the financial statements in conformity with PSAS 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 period. Significant estimates include assumptions used in estimation provisions for accrued liabilities and in performing actuarial valuations of post-employment benefits liability and the valuation of contributed assets. Actual results could differ from those estimates.

(n) Change in accounting policies:

(i) PS 3280 – Asset Retirement Obligations

On January 1, 2023, the Town adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations and selected the modified retrospective method of adoption. This resulted in a restatement of 2022 year end results for Financial Statement purposes. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. The Town has opted not to discount estimated future retirement obligation liabilities as the Town does not have adequate information regarding the anticipated timing of cash flows to settle the ARO's, which could pose an elevated risk of misstatement upon further estimation.

On January 1, 2022, the Town recognized an asset retirement obligation relating to several buildings owned by the Town that (may) contain asbestos. The financial model includes inputs such as structure type, square footage, and year builds, in conjunction with specific rates to be applied in the calculation of related ARO's for each facility based on this criteria. The buildings were originally purchased between 1842 to 2021, with an expected useful life of 50 years.

In accordance with the provisions of this new standard, the Town reflected the following adjustments for the year ended December 31, 2022:

- An increase of \$1,390,086 to the Buildings capital asset account, representing the current estimate of the obligation, and an accompanying increase of \$915,740 to Accumulated Amortization, representing various years of increased amortization had the liability originally been recognized.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

- An asset retirement obligation in the amount of \$1,390,086.
- A decrease to Opening Accumulated Surplus of \$899,831 as at January 1, 2022 as a result of the recognition of the liability and accompanying increase in depreciation expense over the year end December 31, 2022 by \$15,909 which is the net decrease in the 2022 annual surplus compared to amounts previously stated in 2022.

(ii) PS 3450 – Financial Instruments

On January 1, 2023, the Town adopted Public Accounting Standard PS 3450 – Financial Instruments. The new accounting standard addresses the reporting requirements relating to the recognition, measurement, presentation, and disclosure of financial instruments. There was no impact to the Town upon adoption of the standard.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

2. Long-term investments

The Town holds an investment in Niagara-on-the-Lake Energy Inc. ("NOTLEI") which is represented by 1,001 common shares of the company. NOTLEI is wholly owned by the Town. Summary financial information is as follows:

Financial Position:

	2023	2022
Assets:		
Current	\$ 7,254,035	\$ 6,850,926
Capital	40,538,979	38,504,426
Other non-current	5,279,982	5,493,093
Regulatory balances	2,684,702	2,965,078
Total assets and regulatory balances	\$ 55,757,698	\$ 53,813,523
Liabilities:		
Current	\$ 7,975,901	\$ 5,261,995
Notes payable to Town of Niagara-on-the-Lake	3,877,725	4,591,647
Long-term debt	10,349,575	11,404,702
Other	9,649,173	8,612,819
Regulatory balances	255,330	316,161
Equity	23,649,994	23,626,199
Total liabilities, regulatory balances and equity	\$ 55,757,698	\$ 53,813,523

Operations:

	2023	2022
Revenue	\$ 34,061,231	\$ 31,529,368
Expenses (including income tax provision)	(33,063,518)	(31,501,376)
Net movement in regulatory balances (net of tax)	(223,918)	1,635,847
Net income and net movement in regulatory balances	773,795	1,663,839
Other comprehensive loss	-	122,833
Dividend income paid to Town of Niagara-on-the-Lake	(750,000)	(750,000)
Change in investment in Niagara-on-the-Lake Energy Inc.	\$ 23,795	\$ 1,036,672

Town of Niagara-on-the-Lake investment represented by:

	2023	2022
Investment in shares of the Corporation	\$ 7,054,844	\$ 7,054,844
Accumulated net income, net of dividends received	16,595,150	16,571,355
Total investment in Niagara-on-the-Lake Energy Inc.	\$ 23,649,994	\$ 23,626,199

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

2. Long-term investments (continued):

NOTLEI delivered electricity to the Town and related organizations in the amount of \$830,957 (2022 - \$773,610) and provided locate services to the Town in the amount of \$171,077 (2022 - \$197,793).

3. Note receivable:

The notes receivable are comprised of the following:

	2023	2022
Note 1	\$ 1,087,665	\$ 1,252,606
Note 2	386,163	718,381
Note 3	433,898	650,661
Note 4	1,970,000	1,970,000
	<hr/>	<hr/>
	\$ 3,877,726	\$ 4,591,648

Note 1 bears interest at 7.25%, is unsecured and is repayable annually in the aggregate principal and interest of \$250,000 (2022 - \$250,000). Note 2 bears interest at 3.50%, is due on February 1, 2025 and is repayable in blended monthly payments of \$29,968. Note 3 bears interest at 3.5%, is due on October 1, 2025 and is repayable in blended monthly payments of \$19,312. Note 4 bears interest at 3.0% and is due on demand. The Town has waived its right to demand payment on notes 2 to 4 until January 1, 2025. These notes have been postponed in favour of the demand instalment loan owing by NOTLEI. The notes are unsecured.

4. Deferred revenue:

A requirement of PSAS 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 Town has approved the eligible expenditures and used the funds for the capital project for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to support the cost of growth related capital projects associated with new development.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

4. Deferred revenue (continued):

The deferred revenues are made up of the following:

	2022	Externally restricted inflows	Revenue earned	2023
Building permit surplus	\$ 77,819	\$ 363,568	\$ 237,300	\$ 204,087
Canada Community Building Fund	1,507,366	622,376	1,740,584	389,157
Cash-in-lieu of parking	353,331	-	-	353,331
Development charges	8,277,782	2,565,184	240,828	10,602,138
Ontario Community Infrastructure Fund	1,226,394	1,510,615	1,726,691	1,010,318
Recreational land	695,694	447,819	(1,863)	1,145,376
Provincial Modernization Fund	106,146	-	24,005	82,142
Other deferred	405,511	171,814	388,736	188,589
	<u>\$12,650,043</u>	<u>\$ 5,681,376</u>	<u>\$ 4,356,281</u>	<u>\$ 13,975,138</u>

5. Post-employment benefits and other liabilities:

The Town provides certain employees benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance ("WSIB") Act, and life insurance, extended health, and dental benefits to early retirees.

	2023	2022
Retiree benefits	\$ 558,691	\$ 565,997
Accrued vacation pay	441,244	439,269
Accumulated sick leave	51,261	47,127
Future payments required to WSIB	197,105	197,105
	<u>\$ 1,248,301</u>	<u>\$ 1,249,498</u>

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

5. Post-employment benefits and other liabilities (continued):

Information about the Town's benefit plans is as follows:

	2023	2022
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,268,340	\$ 1,344,490
Current benefit cost	41,069	(32,711)
Interest	20,150	20,312
Benefits paid	(63,019)	(63,750)
Balance, end of year	1,266,540	1,268,341
Unamortized actuarial loss	(18,239)	(18,843)
Liability for benefits	\$ 1,248,301	\$ 1,249,498

Amortization of the actuarial loss of \$604 (2022 - \$604) has been included in expenses on the Consolidated Statement of Operations.

(i) Accumulated Sick Leave

Under the Town's sick leave benefit plan, employees can choose either to carry forward up to 5 unused days to the next year, have all unused credits paid out at the end of the year, or any combination of the two choices. Credits are paid out at 50%. The accrued benefit obligation and the expense for the year ended December 31, 2023 were determined by an actuarial review. The last actuarial valuation was performed in 2021 for the December 31, 2020 year-end.

(ii) Retiree Benefits

The Town pays health care, dental, travel and life insurance benefits for early retirees to age 65. The Town recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the year ended December 31, 2023 were determined by an actuarial review and analysis of changes made to plans since the last valuation. The last actuarial valuation was performed in 2021 for the December 31, 2020 year-end.

(iii) Accrued WSIB

The Town has elected to be treated as a Schedule 1 employer for the purposes of WSIB where a premium is paid to cover the Town's responsibilities under the Workplace Safety and Insurance Board Act ("WSIB").

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

5. Post-employment benefits and other liabilities (continued):

(iv) Actuarial Assumptions

The main actuarial assumptions used for the valuations are as follows:

Interest (discount rate):

The accrued benefit obligation was determined using a discount rate of 3.25% (2022 – 3.25%).

Inflation:

Inflation was assumed to be 1.75% (2022 - 1.75%).

Medical, dental and travel costs:

Medical, dental and travel costs are assumed to increase at a rate of 5.75% in 2021 per year reducing by 0.3333% per year to 3.75% in 2027 and to 3.75% per year thereafter.

Salary escalations:

Future salary has been assumed to escalate at a rate of 2.75% per year (2022 - 2.75%).

(v) Pension Agreements

The Town makes contributions to the Ontario Municipal Employees Retirement Fund ("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 2023 was \$987,571 (2022 - \$898,721) for current service and is included as an expenditure in the consolidated statement of operations. Employees' contribution to OMERS in 2023 was \$987,571 (2022 - \$898,721).

Contributions for employees with a normal retirement age of 65 were being made at a rate of 9% for earnings up to the yearly maximum pensionable earnings of \$66,600 and at a rate of 14.6% for earnings greater than the yearly maximum pensionable earnings.

The OMERS pension plan has a deficit at December 31, 2023 of \$4.2 billion (2022 - \$6.7 billion) based on an actuarial valuation of plan assets. Increases in future contributions may be required to fund deficits in the plan.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

6. Net long-term liabilities:

- (a) The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2023	2022
The Town has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities.	\$ 6,753,193	\$ 5,476,721
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage, have been assumed by individuals.	(47,862)	(15,399)
Net long-term liabilities, end of year	\$ 6,705,331	\$ 5,461,322

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

2024	\$ 608,220
2025	604,898
2026	526,884
2027	540,692
2028	556,982
Thereafter	3,867,655
	\$ 6,705,331

- (d) Interest charges on long-term debt in the amount of \$162,379 (2022 - \$161,532) are included on the Consolidated Statement of Operations, classified under the appropriate functional expense heading. The long-term debt bears interest at rates ranging from 1.35% to 10.45% payable semiannually. The long-term liabilities mature at various times up to 2043.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

7. Accumulated surplus:

	2023	2022 (Restated)
Invested in tangible capital assets	\$ 203,963,150	\$ 201,981,196
Operating fund	(4,230,105)	(4,377,729)
Reserves and reserve funds	21,454,779	16,318,844
Investment in Niagara-on-the-Lake Energy Inc.	23,649,994	23,626,199
	244,837,818	237,548,510
Amounts to be recovered		
Asset retirement obligation costs	(1,390,086)	(1,390,086)
Post-employment benefits	(1,248,301)	(1,249,498)
Net long-term liabilities	(6,162,812)	(5,461,322)
	(8,801,199)	(8,100,906)
	\$ 236,036,619	\$ 229,447,604

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

7. Accumulated surplus (continued):

Reserve and reserve balances:

	2023	2022
Reserves set aside by Council for specific purposes:		
Base mapping	\$ 700	\$ 700
Bridges and culverts	25,958	25,958
Building vehicle and equipment	78,643	69,643
By-law vehicle and equipment	56,882	42,757
Capital levy	2,748,253	1,979,565
Cenotaph Maintenance	149,519	-
Community centre	7,340	13,591
Contingencies	30,684	30,684
Corporate studies	34,090	17,590
COVID 19	-	-
Debt reduction	164,173	245,136
Developer Contributions	20,000	-
Dock area improvement	204,461	167,846
Donations	139,588	367,471
Election expenses	40,000	20,000
Fire Vehicle & Equipment	(19,574)	(26,074)
Fleet replacement	287,374	(32,640)
Grant and other	294,523	182,542
Irrigation	402,158	339,946
Municipal Accommodation Tax	969,063	226,574
Ontario disabilities	182,213	185,138
Planning appeals	240,344	55,731
Parking revenue	2,631,906	1,994,323
Sidewalk improvements	31,694	31,694
Storm water management	1,457,775	738,778
Street lighting	14,150	9,617
Tax rate stabilization	50,121	121
Training and development	11,857	11,857
Tree Cash-in-Lieu	12,100	6,950
Wastewater capital improvements	4,794,722	4,397,088
Wastewater rate stabilization	228,428	228,428
Water capital improvements	5,792,494	4,621,314
Water rate stabilization	194,486	194,486
Winter maintenance	8,692	8,692
Working funds	50,000	50,000
Total reserves	\$ 21,335,817	\$ 16,205,506
Reserve funds set aside by Council for specific purposes:		
Bequest/Garden	7,403	6,986
Library development and computer	16,224	11,017
Library donations	38,725	38,725
Recreation enhancement	56,610	56,610
	118,962	113,338
Total reserves and reserve funds	\$ 21,454,779	\$ 16,318,844

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

8. Commitments:

(a) Capital expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2023 is approximately \$6,046,151 (2022 - \$6,523,527) after deducting the expenditures incurred as at December 31, 2023. These projects will be financed by grants, subsidies and long-term liabilities in future years.

(b) Niagara Health System

The Town is currently committed to funding \$3,500,000 of the local share of the construction costs of the Niagara Health System (“NHS”) hospital located in St. Catharines. The Town has approved a plan to fund this commitment through annual tax levies in the years 2011 to 2031. The plan is dependent upon future councils approving this levy on an annual basis. A balance of \$824,114 is owing on this commitment at December 31, 2023 (2022 - \$927,128)

9. Contingent liabilities:

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts, including punitive or extraordinary damages. In respect of most outstanding claims, the Town believes that insurance coverage is adequate, and that no material exposure exists on the eventual outcome of such litigation, therefore no provision has been made in the accompanying financial statements.

10. Contributions to Joint Board:

The following contributions were made by the Town to:

	2023	2022
Niagara District Airport Commission	\$ 64,726	\$ 58,820

The Town’s share of the net assets of the Niagara District Airport Commission is approximately 6%.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

11. Segmented reporting:

The Town 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:

(i) 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.

(ii) Protection services:

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 Town. 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.

(iii) Transportation services:

Reported in this functional area are Roads and Works. The mandate for Roads and Works is to provide quality road and traffic maintenance and operations to the residents and businesses of the Town. This area is also responsible for winter control.

(iv) Environment services:

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.

(v) Health services:

Reported in this functional 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. Also included here is the Town's commitment to the Niagara Health System hospital.

(vi) Recreation:

Reported in the 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 Town.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

11. Segmented reporting (continued):

(vii) Planning and Development:

Reported in this functional area are Planning and Development. Planning creates the policy framework and implementation tools required to shape the future of the Town. Development is responsible for ensuring that the Town'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. Tax revenue is allocated to the segments based on budgeted expenditures. For grants received, the allocation is based on the purpose of the grant. For user fees and charges, the allocation is based on the nature of the user fee generated. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Tax Revenue Breakdown -The Town levies four forms of taxation to fund various aspects of Operations as follows:

1. The **General Levy** is the Town's main revenue source in addition to user fees and represents the overall net budget (Total Expenses less Total Revenues) related to levy supported activities. This includes both operating and capital funding for Fire and Emergency Services, Roads Operations, Parks and Recreation Operations, Planning and Development Services, Library Services, and other General Administrative functions.
2. The Town's **Storm levy** is a special tax only directed towards Urban landowners who are the beneficiaries of the existing services.
3. The **Niagara Health System levy** is described in Note 9 summarized as the Town's local share of the construction costs associated with the Niagara Health System hospital in St. Catharines.
4. The **Municipal Accommodation Tax ("MAT")** is a new tax the Town introduced in 2022 through by-law 5435-22 and has since been amended via by-law 5540-23 in 2023. The MAT is applicable to accommodation establishments purchased for a period of 28 consecutive days or less. Funds generated from the program will be placed into a special reserve to be used for tourism promotion, Town capital infrastructure and tourism initiatives. Criteria for use of funds will be developed through a MAT committee in 2024.

The Town recognized \$16,929,862 (2022 - \$15,548,259) in Property Tax revenue and \$1,505,503 (2022 -\$453,149) in Municipal Accommodation Tax revenue in 2023 as follows:

Tax Levy	2023 Revenue	2022 Revenue
General	\$ 15,853,271	\$ 14,547,961
Storm	973,579	897,289
NHS	103,012	103,009
Sub-total Property Tax Revenue	16,929,862	15,548,259
Municipal Accommodation Tax	1,505,503	453,149
Total Tax Revenues	\$ 18,435,365	16,001,408

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

11. Segmented reporting (continued):

2023										
	General							Planning and		
	Government	Protection	Transportation	Environment	Health	Recreation	Development			Total
Revenues:										
Taxation	\$ 5,171,464	\$ 2,399,898	\$ 4,214,460	\$ -	\$ 2,850	\$ 4,256,333	\$ 884,858			\$ 16,929,863
User fees and charges	487,034	982,923	3,078,245	12,114,014	421,753	436,051	513,593			18,033,613
Government grants	543,807	59,892	3,852,516	35,311	-	48,650	7,313			4,547,489
Other	3,710,288	326,604	817,984	102,877	-	1,108,481	44,707			6,110,941
Contributed assets	671,693	-	-	-	-	-	-			671,693
Equity income in NOTLEI Inc.	773,795	-	-	-	-	-	-			773,795
Total revenues	11,358,080	3,769,317	11,963,206	12,252,202	424,603	5,849,514	1,450,471			47,067,393
Expenses:										
Salaries and wages	4,785,113	2,610,108	2,710,116	1,259,935	148,222	2,151,934	1,238,722			14,904,150
Operating materials and supplies	1,309,065	700,128	1,482,211	301,402	194,938	1,478,608	144,706			5,611,058
Contracted services	2,192,646	103,899	1,641,350	7,789,050	513	130,061	139,218			11,996,737
Rents and financial expenses	127,091	11,705	15,934	3,202	-	17,731	-			175,663
Interfunctional transfers	(3,940,694)	564,722	991,129	1,530,685	46,961	606,190	201,007			-
Amortization	338,089	807,485	2,039,272	2,368,976	34,641	1,056,809	9,949			6,655,221
Loss on sale of tangible capital assets	244,817	-	-	-	-	-	-			244,817
External transfers	521,662	-	-	-	103,014	900	41,616			667,192
Debt service	21,819	34,090	35,192	4,383	-	82,036	46,020			223,540
Total expenses	5,599,608	4,832,137	8,915,204	13,257,633	528,289	5,524,269	1,821,238			40,478,378
Annual surplus (deficit)	\$ 5,758,473	\$ (1,062,820)	\$ 3,048,002	\$ (1,005,431)	\$ (103,686)	\$ 325,245	\$ (370,767)			\$ 6,589,015

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2022

11. Segmented reporting (continued):

2022									
	General Government	Protection	Transportation	Environment	Health	Recreation	Planning and Development	Total	
Revenues:									
Taxation	\$ 4,979,694	\$ 2,200,033	\$ 3,938,526	\$ -	\$ 147,511	\$ 3,703,932	\$ 578,563	\$ 15,548,259	
User fees and charges	302,592	775,411	2,705,557	11,636,122	269,548	299,963	507,880	16,497,073	
Government grants	1,159,493	(12,869)	2,279,503	-	-	435,603	12,139	3,873,869	
Other	2,173,796	395,715	781,017	1,104,673	-	1,618,523	-	6,073,724	
Contributed assets	26,500	-	-	-	-	-	-	26,500	
Equity income in NOTLEI Inc.	1,786,672	-	-	-	-	-	-	1,786,672	
Total revenues	10,428,747	3,358,290	9,704,603	12,740,795	417,059	6,058,021	1,098,582	43,806,097	
Expenses:									
Salaries and wages	4,117,738	2,317,669	2,597,575	1,468,908	155,798	2,394,235	999,781	14,051,704	
Operating materials and supplies	1,278,395	555,930	1,301,253	756,368	150,705	1,522,831	127,697	5,693,179	
Contracted services	1,599,959	240,207	2,273,857	7,100,337	953	126,474	273,426	11,615,213	
Rents and financial expenses	144,887	166	82,254	6,817	-	10,704	-	244,828	
Interfunctional transfers	(3,963,653)	519,500	1,049,510	1,530,354	42,291	634,663	187,335	-	
Amortization	330,704	730,771	1,984,563	2,317,319	31,299	1,001,891	11,220	6,407,767	
Loss on sale of tangible capital assets	61,826	-	-	-	-	-	-	61,826	
External transfers	423,664	-	-	-	103,014	900	36,278	563,856	
Debt service	23,682	36,163	40,472	7,838	-	61,161	53,377	222,693	
Total expenses	4,017,202	4,400,406	9,329,484	13,187,941	484,060	5,752,859	1,689,114	38,861,066	

Annual surplus (deficit)	\$	6,411,546	\$	(1,042,116)	\$	375,119	\$	(447,146)	\$	(67,001)	\$	305,161	\$	(590,532)	\$	4,945,031
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THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

12. Budget data:

The audited budget data presented in these consolidated financial statements are based upon the 2023 operating and capital budgets approved by Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the actual amounts for 2023 were used in order to adjust the budget numbers to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

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

	Budget Amount
Revenue:	
Operating budget as approved	\$ 43,954,962
Add:	
Development charges	240,828
Building Code Act	237,300
Recreational Land (the Planning Act)	(1,863)
Modernization Fund	24,005
Contributed tangible capital assets	671,693
Less:	
Transfers from other funds	(4,146,141)
Principal and dividends from NOTLEI	(835,405)
Total revenue	40,145,379
Expenses:	
Operating budget as approved	43,954,962
Add:	
Amortization	6,655,221
Employee future benefits	(1,197)
Capital projects resulting in operating expenses	117,981
Loss on disposal of tangible capital assets	244,817
Less:	
Transfer to reserves, including capital	(9,507,117)
Debt principal payments	(568,528)
Total expenses	40,896,139
Annual Deficit	\$ (750,760)

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

13. Tangible capital assets:

(a) Work in progress:

Work in progress having a value of \$5,977,619 (2022 - \$6,206,197) is not depreciated. Depreciation of these assets commence when the assets are placed in service. No interest was capitalized during the period.

(b) Contributed capital assets:

Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$671,693 (2022 - \$26,500).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair market value could not be made for a tangible capital asset, the asset was recognized at a nominal value. Nominal values totaling \$nil (2022 - \$nil) have been assigned to Buildings, Land, Machinery and Equipment, Land Improvements, and Linear Asset categories.

(d) Works of art and historical treasures:

No works of art or historical treasures are held by the Town.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

13. Tangible capital assets (continued):

2023 General	Opening NBV (restated)	Opening Cost (restated)	Additions	Disposals	Closing Balance	Opening Accumulated Amortization (restated)	Amortization	Deletions	Closing Accumulated Amortization	Total
Land	\$ 7,220,133	\$ 7,220,133	\$ 12,800	\$ -	\$ 7,232,933	\$ -	\$ -	\$ -	\$ -	\$ 7,232,933
Land improvements	5,486,748	8,571,508	778,345	19,226	9,330,626	3,084,760	301,371	11,535	3,374,595	5,956,030
Buildings and fixtures	18,433,418	32,936,513	102,492	2,891	33,036,115	14,503,097	858,504	678	15,360,923	17,675,192
Machinery and equipment	5,506,598	10,124,485	709,667	70,200	10,763,952	4,617,887	521,381	34,722	5,103,610	5,660,342
Vehicles	7,254,444	12,933,368	901,490	76,654	13,758,204	5,678,923	750,195	75,670	6,352,464	7,405,739
Information technology	515,419	2,016,173	223,973	150,518	2,089,629	1,500,754	164,066	150,104	1,513,302	575,327
Exterior lighting	2,623,644	4,471,082	285,081	35,058	4,721,105	1,847,438	212,092	35,058	2,024,472	2,696,633
Subtotal: General assets	47,040,404	78,273,263	3,013,848	354,546	80,932,563	31,232,859	2,807,609	307,767	33,730,365	47,202,197
Infrastructure										
Linear assets	143,728,631	211,547,310	6,136,957	334,949	217,349,318	67,818,679	3,655,797	98,760	71,375,716	145,973,602
Street lighting	2,435,694	3,720,371	-	4,533	3,715,838	1,284,677	104,527	113	1,389,091	2,326,747
Other	2,570,270	4,265,282	-	-	4,265,282	1,695,010	87,287	-	1,782,297	2,482,985
Subtotal: Infrastructure assets	148,734,595	219,532,963	6,136,957	339,482	225,330,438	70,798,366	3,847,612	98,874	74,547,104	150,783,334
Work in progress										
Opening balance	6,206,197	6,206,197	8,922,227	-	15,128,424	-	-	-	-	15,128,424
Internally transferred	-	-	(9,150,805)	-	(9,150,805)	-	-	-	-	(9,150,805)
Subtotal: Work in progress	6,206,197	6,206,197	(228,578)	-	5,977,619	-	-	-	-	5,977,619
Grand total as at December 31, 2023	\$ 201,981,196	\$ 304,012,422	\$ 8,922,226	\$ 694,028	\$312,240,620	\$ 102,031,226	\$ 6,655,221	\$ 406,641	\$108,277,469	\$203,963,150

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

13. Tangible capital assets (continued):

2022 General	Opening NBV	Opening Cost	Additions	Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Deletions	Closing Accumulated Amortization	Net Adjustment for ARO recognition	Total
Land	\$ 6,845,841	\$ 6,845,841	\$ 374,292	\$ -	\$ 7,220,133	\$ -	\$ -	\$ -	\$ -	-	\$ 7,220,133
Land improvements	5,004,324	7,851,209	767,534	47,235	8,571,508	2,846,885	274,530	36,655	3,084,760	-	5,486,748
Buildings and fixtures	18,542,249	31,286,107	260,320	-	31,546,427	12,743,858	843,498	-	13,587,356	474,346	18,433,418
Machinery and equipment	5,468,929	9,595,890	529,395	799	10,124,486	4,126,961	491,534	608	4,617,887	-	5,506,598
Vehicles	6,814,486	11,834,226	1,171,185	72,043	12,933,368	5,019,740	731,227	72,043	5,678,924	-	7,254,444
Information technology	373,171	1,847,107	300,320	131,254	2,016,173	1,473,936	152,950	126,133	1,500,754	-	515,419
Exterior lighting	1,969,947	3,666,716	836,553	32,186	4,471,083	1,696,769	182,856	32,186	1,847,439	-	2,623,644
Subtotal: General assets	45,018,947	72,927,096	4,239,599	283,517	76,883,178	27,908,149	2,676,595	267,625	30,317,120	474,346	47,040,404
Infrastructure											
Linear assets	140,818,101	205,289,307	6,518,944	260,941	211,547,310	64,471,206	3,541,337	193,864	67,818,679	-	143,728,631
Street lighting	2,407,673	3,589,169	131,202	-	3,720,371	1,181,496	103,181	-	1,284,677	-	2,435,694
Other	2,612,576	4,220,932	44,348	-	4,265,280	1,608,356	86,654	-	1,695,010	-	2,570,270
Subtotal: Infrastructure assets	145,838,350	213,099,408	6,694,494	260,941	219,532,961	67,261,058	3,731,172	193,864	70,798,366	-	148,734,595
Work in progress											
Opening balance	8,868,407	8,868,407	8,271,883	-	17,140,290	-	-	-	-	-	17,140,290
Internally transferred	-	-	(10,934,093)	-	(10,934,093)	-	-	-	-	-	(10,934,093)
Subtotal: Work in progress	8,868,407	8,868,407	(2,662,210)	-	6,206,197	-	-	-	-	-	6,206,197
Grand total as at December 31, 2022	\$199,725,704	\$294,894,911	\$ 8,271,883	\$ 544,458	\$302,622,336	\$ 95,169,207	\$ 6,407,767	\$ 461,489	\$101,115,486	474,346	\$201,981,196

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

14. Asset Retirement Obligation (ARO):

The Town's Asset retirement obligation consists of asbestos obligations as follows:

The Entity owns and operates several buildings that are either known to have or possibly have asbestos, which represents a health hazard upon demolition of the building and encompasses a legal obligation to remove it. Following the adoption of PS3280 – Asset retirement obligations, the Entity recognized an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at January 1, 2022. The Town used a financial model that includes inputs such as structure type, square footage, and year builds, in conjunction with specific rates to be applied in the calculation of related ARO's for each facility based on this criteria. The buildings had an estimated useful life of 50 years when they were purchased, with various number of years remaining depending on this date. The total sum of ARO's for each building have resulted in an increase in Buildings capital assets and the restatement of prior year numbers. The ARO schedule is as follows:

Asset Retirement Obligation (Asbestos Removal)	Balance at December 31, 2023	Balance at December 31, 2022
Opening Balance	1,390,086	-
Adjustment on adoption of the ARO standard (Note 1)	-	1,390,086
Adjustments to ARO - increase/(decrease)	-	-
Closing Balance	1,390,086	1,390,086

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

15. Government transfers:

Government transfers do not include payments in lieu of taxes received from Federal and Provincial governments. These amounts are included with taxation revenue on the Consolidated Statement of Operations:

	Budget	2023	2022
Operating transfers:			
Federal	\$ 8,000	\$ 90,597	\$ 288,651
Provincial	436,193	551,473	1,912,991
Upper-Tier/Other Municipalities	96,900	438,144	169,119
	<u>541,093</u>	<u>1,080,214</u>	<u>2,370,761</u>
Capital transfers:			
Federal	579,510	1,740,584	21,257
Provincial	1,416,961	1,726,691	1,481,851
	<u>1,996,471</u>	<u>3,467,275</u>	<u>1,503,108</u>
Total transfers	<u>\$ 2,537,564</u>	<u>\$ 4,547,489</u>	<u>\$ 3,873,869</u>

Government transfers paid are included in the Consolidated Statement of Operations and are summarized in Note 11 - Segmented Information under External Transfers.

16. Trust funds:

Trust funds administered by the Town amounting to \$1,308,985 (2022 - \$1,246,213) have not been included in these Consolidated financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Schedule of Library Fund Activities
(Unaudited)

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022
Revenues:			
Development charges	\$ 16,380	\$ 16,851	\$ 15,329
Municipal grant	822,746	822,746	786,279
Donations	7,000	13,119	5,705
Federal Grants	-	-	68,680
Provincial grants	35,276	35,476	35,476
Miscellaneous	15,100	19,478	14,963
Other grants	8,000	9,362	27,147
	<u>904,502</u>	<u>917,032</u>	<u>953,579</u>
Expenditures:			
Amortization	135,509	135,509	124,487
Building maintenance	7,000	9,753	7,029
Contracted Services	5,210	5,208	4,677
Insurance	7,672	7,672	6,846
Licensing and computer support	24,981	22,666	25,012
Memberships	1,940	2,488	1,644
General library expenses	27,450	30,298	28,775
Office supplies	30,535	42,545	48,956
Professional development	6,000	4,812	512
Professional fees	1,500	169	486
Program expenditures	5,150	6,162	3,802
Public relations	1,750	2,120	1,899
Rent	60,000	60,000	60,000
Telephone	5,000	5,936	3,232
Wage and benefits	687,926	706,328	654,368
Workshops	3,000	2,643	2,436
	<u>1,070,623</u>	<u>1,104,310</u>	<u>974,161</u>
Annual deficit	(166,121)	(187,278)	(20,582)
Add: Amortization of tangible capital assets	-	135,509	124,487
Less: Acquisition of tangible capital assets	-	(38,453)	(182,510)
Transfers to/(from) reserve fund	29,388	8,231	103,905
Adjusted annual (deficit) surplus	\$ (136,733)	\$ (81,991)	\$ 25,300

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The Town of Niagara-on-the-Lake

Opinion

We have audited the financial statements of the trust funds of The Corporation of the Town of Niagara-on-the-Lake (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2023,
- the statement of operations and accumulated surplus for the year then ended,
- the statement of cash flows for the year then ended,
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

July 30, 2024

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Statement of Financial Position – Trust Funds

As at December 31, 2023, with comparative information for 2022

	Cemetery Care & Maintenance	Cemetery Preneeds Internments	2023 Total	2022 Total
Financial Assets				
Cash	\$ 1,239,009	\$ 118,889	\$ 1,357,898	\$ 1,274,437
Due from Town of Niagara-on-the-Lake (note 2)	-	549	549	-
	1,239,009	119,438	1,358,447	1,274,437
Liabilities				
Due to Town of Niagara-on-the-Lake (note 2)	49,461	-	49,461	28,224
Net financial assets and accumulated surplus	\$1,189,548	\$ 119,438	\$1,308,986	\$ 1,246,214

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Statement of Operations and Accumulated Surplus – Trust Funds

Year ended December 31, 2023, with comparative information for 2022

	Cemetery Care & Maintenance	Cemetery Preneeds Internments	2023 Total	2022 Total
Revenues:				
Care & maintenance agreements	\$ 62,911	\$ -	\$ 62,911	\$ 48,683
Interest earned	62,027	6,160	68,187	28,708
	124,938	6,160	131,098	77,391
Expenditures:				
Interest transferred	62,027	-	62,027	25,915
Cemetery preneeds	-	6,299	6,299	8,917
	62,027	6,299	68,326	34,832
Annual surplus (deficit)	62,911	(139)	62,772	42,559
Accumulated surplus, beginning of year	1,126,637	119,577	1,246,214	1,203,655
Accumulated surplus, end of year	\$1,189,548	\$ 119,438	\$ 1,308,986	\$1,246,214

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Statement of Cash Flows – Trust Funds

Year ended December 31, 2023 with comparative information for 2022

	2023	2022
Operations:		
Annual surplus	\$ 62,772	\$ 42,559
Uses:		
Change in due to/from Town of Niagara-on-the-Lake	20,689	31,388
Increase in cash	83,461	22,849
Cash, beginning of year	1,274,437	1,200,490
Cash, end of year	\$ 1,357,898	\$ 1,274,437

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE

Notes to Trust Funds Financial Statements

Year ended December 31, 2023

1. Significant accounting policies:

The financial statements of The Corporation of the Town of Niagara-on-the-Lake trust funds are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") established by the Public Sector Accounting Board ("PSAB") of CPA Canada.

(a) Basis of accounting:

- (i) Receipts 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 the receipt of goods and services and the creation of a legal obligation to pay.

2. Due from/to Town of Niagara-on-the-Lake:

The amounts owing from and to The Corporation of the Town of Niagara-on-the-Lake are non-interest bearing with no fixed terms of repayment.