

*crawford
smith &
swallow*

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

Consolidated Financial Statements

December 31, 2010



CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

Consolidated Financial Statements

December 31, 2010

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Crawford, Smith and Swallow
Chartered Accountants LLP

4741 Queen Street
Niagara Falls, Ontario
L2E 2M2
Telephone (905) 356-4200
Telecopier (905) 356-3410



Offices in:
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario
Niagara-on-the-Lake, Ontario
Port Colborne, Ontario

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Niagara Falls, Ontario which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Niagara Falls, Ontario as at December 31, 2010, and the consolidated results of its operations, consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Niagara Falls, Ontario
October 14, 2011

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, 2010

	2010 \$	2009 \$
Financial Assets - note 7		
Cash	38,786,223	48,548,138
Investments - note 3	26,620,875	26,547,895
Taxes receivable - note 4	18,113,208	16,760,794
Accounts receivable	8,291,224	6,247,016
User charges receivable	13,381,989	12,881,301
Long-term receivables	698,678	522,378
Note receivable - note 5	22,000,000	22,000,000
Long-term investment - note 5	70,239,385	67,934,338
Long-term investment - note 6	300,040	1,353,254
	198,431,622	202,795,114
Contingent Liabilities - note 16		
Liabilities		
Temporary loan - note 7	35,000,000	28,477,426
Accounts payable and accrued liabilities	31,167,646	29,168,928
Deferred revenue - obligatory reserve funds - note 8	14,439,152	13,727,990
Deferred revenue	487,987	307,927
Other current liabilities	2,564,569	1,212,194
Post-employment benefits - note 9	25,386,523	23,833,116
Net long-term liabilities - note 10	42,665,832	30,099,414
	151,711,709	126,826,995
Net Financial Assets	46,719,913	75,968,119
Non-Financial Assets		
Tangible capital assets	629,561,282	571,160,049
Inventories and prepaid expenses	923,223	1,091,820
	630,484,505	572,251,869
Accumulated Surplus - note 11	677,204,418	648,219,988

Signed on behalf of the Municipality

 Mayor

 Chief Administrative Officer

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED
SURPLUS

for the year ended December 31, 2010

	Budget \$	2010 \$	2009 \$
Revenues			
Taxation - note 4	59,817,866	61,848,050	58,371,552
User fees and charges	48,234,651	47,787,268	45,721,594
Government of Canada grants	2,500	15,425,679	15,786,884
Province of Ontario grants	3,210,232	5,409,539	7,520,475
Other municipal grants		374,042	154,351
Provincial Offences Act	180,000	273,554	158,217
Interest and penalties	3,043,000	2,758,471	2,784,796
Investment income	1,815,000	2,968,552	3,969,112
Casino and gaming revenues	2,633,333	2,633,333	2,600,000
Change in Niagara Falls Hydro Holding Corporation net equity - note 5		2,305,047	2,192,371
Niagara Convention & Civic Centre Inc. net income (loss) - note 6		(1,053,214)	289,099
Contributions from Obligatory Reserve Funds		8,093,216	7,420,972
Other	2,496,040	3,606,583	3,217,690
Gain on disposal of tangible capital assets		1,709,855	1,332,743
	121,432,622	154,139,975	151,519,856
Expenses			
General government	14,813,904	11,347,508	11,869,479
Protection to persons and property	17,417,547	19,922,190	17,905,764
Transportation services	20,982,361	32,287,904	29,491,890
Environmental services	31,406,388	37,782,553	35,051,044
Health services	1,861,168	1,411,723	1,853,874
Social and family services		853,262	503,122
Recreation and cultural services	13,164,543	16,295,814	13,999,019
Planning and development	5,423,541	5,254,591	5,490,845
	105,069,452	125,155,545	116,165,037
Excess of Revenues Over Expenses	16,363,170	28,984,430	35,354,819
Accumulated Surplus, Beginning of Year	648,219,988	648,219,988	612,865,169
Accumulated Surplus, End of Year	664,583,158	677,204,418	648,219,988

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2010

	2010 \$	2009 \$
Operations		
Excess of revenues over expenses	28,984,430	35,354,819
Sources (Uses)		
Change in investments	(72,980)	(1,977,077)
Change in taxes receivable	(1,352,414)	620,358
Change in accounts receivable	(2,044,208)	(1,914,421)
Change in user charges receivable	(500,688)	(86,508)
Change in long-term receivables	(176,300)	(65,957)
Change in inventories and prepaid expenses	168,597	(232,384)
Change in temporary loans	6,522,574	22,479,193
Change in accounts payable and accrued liabilities	1,998,718	6,682,948
Change in deferred revenue - obligatory reserve funds	711,162	(1,862,129)
Change in deferred revenue	180,060	113,852
Change in other current liabilities	1,352,375	(39,426)
Change in post-employment benefits	1,553,407	1,793,745
	8,340,303	25,512,194
Non-cash charges to operations		
Amortization of tangible capital assets	16,148,575	14,800,598
Gain on disposal of tangible capital assets	(1,709,855)	(1,332,743)
	14,438,720	13,467,855
Net increase in cash from operations	51,763,453	74,334,868
Capital		
Proceeds on disposal of tangible capital assets	2,028,812	1,645,913
Acquisition of tangible capital assets	(74,868,765)	(77,474,740)
Net decrease in cash from capital activities	(72,839,953)	(75,828,827)
Investing		
Change in Niagara Falls Hydro Holding Corporation equity	(2,305,047)	(2,192,371)
Change in Niagara Convention & Civic Centre Inc. equity	1,053,214	(289,099)
Net decrease in cash from investing	(1,251,833)	(2,481,470)
Financing		
Long-term debt issued	15,929,441	2,959,604
Long-term debt repaid	(3,363,023)	(2,952,721)
Net increase in cash from financing	12,566,418	6,883
Decrease in Cash Position	(9,761,915)	(3,968,546)
Cash Position, Beginning of Year	48,548,138	52,516,684
Cash Position, End of Year	38,786,223	48,548,138

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL
ASSETS

for the year ended December 31, 2010

	2010	2009
	\$	\$
Excess of Revenues over Expenses	28,984,430	35,354,819
Acquisition of Tangible Capital Assets	(74,868,765)	(77,474,740)
Amortization of Tangible Capital Assets	16,148,575	14,800,598
Proceeds on Disposal of Tangible Capital Assets	2,028,812	1,645,913
Gain on Disposal of Tangible Capital Assets	(1,709,855)	(1,332,743)
Change in Inventories and Prepaid Expenses	168,597	(232,384)
Decrease in Net Financial Assets	(29,248,206)	(27,238,537)
Net Financial Assets, Beginning of Year	75,968,119	103,206,656
Net Financial Assets, End of Year	46,719,913	75,968,119

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

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 15).

(a) Basis of consolidation

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, reserves, reserve funds and changes in investment in tangible capital assets. It includes the activities of all committees of council and the following boards, municipal enterprises and utilities which are under the control of council:

Library Board
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 Chair-A-Van
Niagara Falls Hydro Holding Corporation
Niagara Convention & Civic Centre Inc.

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 Operations and Accumulated Surplus" 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, 2010

1. Significant Accounting Policies - continued

(a) Basis of consolidation - continued

(ii) Partial-consolidated entity

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

Niagara District Airport Commission (Joint Board)

(iii) Accounting for Region and School Board transactions

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

(iv) Trust funds

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

(b) Basis of accounting

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

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

(iii) Investments

Investments consist of Government of Canada treasury bills and crown corporation bonds; provincial government bonds; and Canadian corporate bonds. Investments are recorded at the lower of cost plus accrued interest and market value.

(iv) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(v) Tangible capital assets

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

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(v) Tangible capital assets - continued

Amortization is recorded to reflect the cost, net of anticipated residual value, associated with the use of the asset in providing government services on a straight-line basis over the estimated useful life of the asset. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized. Gains and/or losses on the disposal of an asset is recorded on the "Consolidated Statement of Operations and Accumulated Surplus" as "gain/loss on disposal of assets".

<u>Asset Class</u>	<u>Period</u>
General Assets	
Land	- NIL
Land improvements	- 10-60 years
Buildings	- 15-100 years
Furniture and equipment	- 10-25 years
Vehicles	- 6-25 years
Infrastructure	
Environmental	- 30-100 years
Roads	- 10-75 years
Water	- 15-100 years

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

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

(vi) Inventories

Inventories are valued at average cost.

(vii) Deferred revenue

Funds received for specific purposes are accounted for as deferred revenue until the Municipality discharges the obligation which led to the receipt of the funds.

(viii) Government transfers

Government transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

1. Significant Accounting Policies - continued

(b) Basis of accounting - continued

(ix) 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, expenses and overlevies of the school boards and the Region of Niagara are comprised of the following:

	School Boards		Region	
	2010	2009	2010	2009
	\$	\$	\$	\$
Taxation and user charges	44,736,066	44,002,517	68,625,761	67,178,787
Payments-in-lieu of taxes	3,218	3,251	6,875,601	7,199,181
Amounts received or receivable	44,739,284	44,005,768	75,501,362	74,377,968
Requisitions	44,739,284	44,005,768	75,501,362	74,377,968
Overlevies (Underlevies) at the end of year				

3. Investments

Investments have a book value of \$ 26,620,875 (\$ 26,547,895 - 2009) and a market value of \$ 26,752,539 (\$ 26,748,950 - 2009).

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

4. 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 - 2009).

The Province of Ontario instituted a mandatory capping program through the provisions of Bill 79, which limited assessment related increases to 10% in 1998, and an additional 5% in each of 1999 and 2000. Multi-residential, commercial and industrial property owners experiencing decreases were also capped at appropriate levels to fund the phasing-in of increases. The Province has enacted Bill 140, which serves to extend the capping provisions of Bill 79 indefinitely. The legislation limits assessment related increases in property tax bills to 5%.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

5. Investment in Niagara Falls Hydro Holding Corporation

	2010 \$	2009 \$
Statement of Financial Position		
Current assets	41,256,479	43,557,883
Capital assets	118,189,002	114,309,200
Other assets	4,770,620	3,541,593
Total Assets	164,216,101	161,408,676
Current liabilities	29,082,178	30,804,275
Other liabilities	10,712,423	12,894,067
Note payable	22,000,000	22,000,000
Long-term debt	15,751,245	11,863,745
Non-controlling interest - see below	16,430,870	15,912,251
Total Liabilities and Other	93,976,716	93,474,338
Net Assets	70,239,385	67,934,338
Statement of Financial Activities		
Revenues	135,653,360	124,524,457
Operating expenses	132,702,194	121,520,235
Net income before non-controlling interest	2,951,166	3,004,222
Non-controlling interest - see below	646,119	681,519
Net income	2,305,047	2,322,703
Change in accounting policy - see below		(130,332)
Change in NFHHC Net Equity	2,305,047	2,192,371

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 74.5% 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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

6. Investment in Niagara Convention & Civic Centre Inc.

	2010	2009
	\$	\$
Statement of Financial Position		
Current assets	1,589,978	1,331,707
Capital assets	112,309	96,091
Total assets	1,702,287	1,427,798
Current liabilities	1,402,247	74,544
Net Assets	300,040	1,353,254
Statement of Financial Activities		
Revenues	1,326,113	1,143,723
Operating expenses	2,379,327	854,624
Net Income (Loss)	(1,053,214)	289,099

The Niagara Convention & Civic Centre Inc. (operating as Scotiabank Convention Centre) (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 \$16,840,000 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. The Centre opened on April 8, 2011.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

6. 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, subject to certain criteria being met on an annual basis and the Niagara Falls Bridge Commission is committed to funding the Centre \$ 125,000. All amounts are payable over 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 \$ 28,938,025 has been received as at December 31, 2010 (2009 - \$ 14,391,834). \$ 35,000,000 was committed and received from the Province of Ontario and \$ 14,600,000 was received from Fallsview Management Corporation, both, as at December 31, 2009.

7. Credit Facilities

The Municipality has an authorized operating loan due on demand of \$ 15,500,000 ("Facility #1") bearing interest at prime less 0.5% to assist with general operating requirements and to finance current expenditures. An authorized revolving term loan due on demand of \$ 35,000,000 ("Facility #2") bearing interest at 2.18% to assist in financing construction of a new four pad arena complex. A credit facility of \$ 2,000,000 ("Facility #3") related to commercial cards &/or Scotia VISA business cards whose availment and interest rate are per cardholder agreement. An authorized revolving term loan due on demand of \$ 1,000,000 ("Facility #4") bearing interest at prime less 0.25% to assist in financing the Community Improvement Program. As at December 31, 2010, \$ 35,000,000 has been drawn on Facility #2 and NIL has been drawn upon for Facilities #1 and #4. All credit facilities are secured by a borrowing by-law/resolution(s) containing a pledge of revenues and a general security agreement.

8. Deferred Revenue - Obligatory Reserve Funds

The following balances are reflected as deferred revenue - obligatory reserve funds as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

	2010	2009
	\$	\$
2% Parkland dedication	1,166,525	1,053,368
Public purpose	408,778	447,577
Federal gas tax rebate - transit	2,248,284	3,161,124
Provincial gas tax rebate - transit	347,923	345,637
Discounted development charges	2,133,978	2,873,051
Non-discounted development charges	8,133,664	5,847,233
	14,439,152	13,727,990

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

9. Post-Employment Benefits

	2010	2009
	\$	\$
Post-employment benefits	16,270,617	15,436,525
Accumulated sick leave	4,340,859	4,057,347
WSIB - Schedule II future liability	3,309,257	2,960,974
Vacation pay	1,465,790	1,378,270
	25,386,523	23,833,116

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 renders the services.

As a result of actuarial valuations on post-employment benefits, it was determined that actuarial gain of \$ 1,060,449 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 918,738. The actual obligation is \$ 15,351,879.

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 loss of \$ 278,121 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 226,240. The actual obligation is \$ 4,567,099.

A reserve fund has been established for the accumulated sick leave liability. The balance as at December 31, 2010 is \$ 1,236,421 (\$ 1,201,796 - 2009).

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% and an inflation rate of 3%.

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% and an inflation rate of 3%.

As a result of an actuarial valuation on the WSIB - Schedule II liability, it was determined that an actuarial loss of \$ 3,271,876 existed. This amount is being amortized over the expected average remaining service lives of several employee groups. The unamortized value is \$ 2,768,510. The actual obligation is \$ 6,077,767.

A reserve fund has been established for this liability. The balance as at December 31, 2010 is \$ 786,217 (\$ 588,079 - 2009).

The next valuation for all benefit groups is for the year ending December 31, 2011.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

9. Post-Employment Benefits - continued

Vacation Pay

As at December 31, 2010, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 1,465,790 (\$ 1,378,270 - 2009). 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 2010 was \$ 2,761,629 (\$ 2,722,450 - 2009) for current services.

10. Net Long-Term Liabilities

(a) The balance of net long-term liabilities reported on the "Consolidated Statement of Financial Position" is made up as follows:

	2010	2009
	\$	\$
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	42,665,832	30,099,414
Net long-term liabilities, end of year	42,665,832	30,099,414

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

	\$
2011	4,445,515
2012	4,293,524
2013	4,089,804
2014	3,777,678
2015	3,429,782
Thereafter	22,629,529

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

10. Net Long-Term Liabilities - continued

- (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 issued 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.
- (d) Interest charges of \$ 1,703,704 (\$ 1,520,646 - 2009) are included on the "Consolidated Statement of Operations and Accumulated Surplus", classified under the appropriate functional expense heading.

11. Accumulated Surplus

	2010 \$	2009 \$
Invested in tangible capital assets	602,795,762	543,182,117
Operating fund	6,400,904	5,543,214
Reserves and reserve funds	43,520,682	62,139,595
Niagara Falls Hydro Holding Corporation net equity	92,239,385	89,934,338
Niagara Convention & Civic Centre Inc. net equity	300,040	1,353,254
	745,256,773	702,152,518
Amount to be recovered - post-employment benefits	(25,386,523)	(23,833,116)
Amount to be recovered - net long-term liabilities	(42,665,832)	(30,099,414)
	(68,052,355)	(53,932,530)
	677,204,418	648,219,988

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

11. Accumulated Surplus - continued

(a) Operating fund balance

	2010	2009
	\$	\$
For general reduction of taxation	657,814	645,168
For general reduction of user charges respecting waterworks	886,485	881,398
For general reduction of user charges respecting sewers	1,669,442	1,646,528
For general use by Library Board	146,239	147,739
For general use by the Business Improvement Areas	2,577,337	1,792,642
For general use by the Board of Museums	275,530	240,194
For general use by Airport Commission	188,057	189,545
	6,400,904	5,543,214

(b) Reserves and reserve fund balances

	2010	2009
	\$	\$
Reserves set aside by council for specific purposes:		
Special purposes	18,635,837	16,382,177
Working capital	265,000	265,000
Sewage capital	947,163	1,317,163
Water capital	2,568,532	1,418,532
Total Reserves	22,416,532	19,382,872

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

11. Accumulated Surplus - continued

(b) Reserves and reserve fund balances - continued

	2010	2009
	\$	\$
Reserve Funds set aside by council for specific purposes:		
Licence agreements - 40 years	35,312	39,740
Sick leave liability	1,236,421	1,201,796
Lundy's Lane Battlefield debt retirement	15,947	30,269
WSIB - Schedule II	786,217	588,079
Fire station #5 debt retirement		19,425
Recreation trail development	73,071	71,155
Capital/Operations - see note 13	7,155,847	7,233,232
Tree planting - developers	1,285	1,278
Park development	17,483	17,382
Sewer and water impost	1,388,046	1,348,168
Expansion and renewal	238,902	232,305
Drainage	667,305	647,940
Prepaid works projects contributions	210,859	205,062
Sidewalk construction	344,073	303,929
Future municipal works	861,048	836,368
Lot drainage	168,861	164,280
Library funds	978,891	995,628
Sanitary	410,445	399,059
Sports fund	4,960	4,931
Projects - special needs children	15,642	15,551
Parking	585,705	569,323
Collins/Toby debt retirement	11,020	20,898
Coat of Arm's	2,286	2,272
Lundy's Lane business improvement purposes	117,056	307,466
Board of Museum purposes	171,967	161,416
Niagara Tunnel Community Improvement	147,331	305,788
Water patrol boat	32,470	32,281
Branscombe Family Grant	3,734	3,713
Convention Centre	5,161,887	26,703,386
Fire department radios debenture	48,479	56,522
Fire department aerial firetruck debenture	140,250	158,685
Niagara Sports Foundation	356	967
Chippawa Arena debenture surplus	38,306	42,319
Kalar Park turf debenture surplus	32,688	36,110
Total Reserve Funds	21,104,150	42,756,723
Total Reserves and Reserve Funds	43,520,682	62,139,595

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

11. Accumulated Surplus - continued

(c) Niagara Falls Hydro Holding Corporation net equity

	2010	2009
	\$	\$
Niagara Falls Hydro Holding Corporation net equity	92,239,385	89,934,338

(d) Niagara Convention & Civic Centre Inc. net equity

	2010	2009
	\$	\$
Niagara Convention & Civic Centre Inc. net equity	300,040	1,353,254

12. Trust Funds

Trust funds administered by the Municipality amounting to \$ 3,017,949 (\$ 2,933,212 - 2009) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus".

13. Contractual Obligations and Commitments

Capital Expenditures

The estimated future capital expenditures based on projects in progress at December 31, 2010 is approximately \$ 38,111,543 (\$ 114,399,746 - 2009) after deducting the expenditures incurred as at December 31, 2010. 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.

Loan Guarantee

In 2010, the Municipality guaranteed a \$ 400,000 line of credit for the Winter Festival of Lights. This credit is to be reduced by \$ 100,000 annually beginning in 2011 and each year thereafter.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

14. Contributions to Joint Board

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

	2010	2009
	\$	\$
Niagara District Airport Commission	89,291	89,291

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

15. Budget Figures

The approved operating budget for 2010 is reflected on the "Consolidated Statement of Operations and Accumulated Surplus". These numbers have not been audited but are presented for information purposes only. The budgets established for capital funds, reserves and reserve funds are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts and have not been reflected. Budget figures have been reclassified to comply with PSAB reporting requirements.

16. 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, 2010, 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, 2010

17. Change in Accounting Policies

Effective January 1, 2009, the Municipality retroactively restated the prior year figures to include certain tangible capital assets previously omitted.

	Prior \$	As Restated \$
Non-Financial Assets		
Tangible capital assets	552,608,478	571,160,049
Accumulated Surplus		
Invested in tangible capital assets	524,630,546	543,182,117
Revenues		
Gain on disposal of tangible capital assets	1,348,773	1,332,743
Expenses		
General government	12,494,575	11,869,479
Protection to persons and property	17,800,423	17,905,764
Transportation services	29,679,256	29,491,890
Environmental services	34,727,227	35,051,044
Health services	1,854,090	1,853,874
Social and family services	513,198	503,122
Recreation and cultural services	14,422,624	13,999,019
Planning and development	5,531,402	5,490,845
Consolidated Statement of Cash Flows		
Amortization of tangible capital assets	14,311,919	14,800,598
Acquisition of tangible capital assets	(76,128,303)	(77,474,740)
Gain on disposal of tangible capital assets	1,348,773	1,332,743
Consolidated Statement of Change in Net Financial Assets		
Amortization of tangible capital assets	14,311,919	14,800,598
Acquisition of tangible capital assets	(76,128,303)	(77,474,740)
Gain on disposal of tangible capital assets	1,348,773	1,332,743

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

18. Segmented Reporting

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

General Government

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

Protection

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

Transportation

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

Environment

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

Health

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

Recreation and Culture

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

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2010

19. 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 15 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, 2010

	General Government		General Government		Protection		Transportation		Transportation		Environment		Environment	
	2010 Budget	2010 Actual	2009 Actual	2010 Budget	2010 Actual	2009 Actual	2010 Budget	2010 Actual	2009 Actual	2010 Budget	2010 Actual	2009 Actual	2010 Actual	2009 Actual
Revenues														
Taxation	59,817,866	61,848,050	58,371,552	-	-	-	-	-	-	-	-	-	-	-
User fees and charges	604,060	878,048	834,742	1,649,232	1,273,188	1,813,374	3,966,611	4,146,227	4,678,760	39,721,205	38,990,901	36,200,224	36,200,224	
Government grants	2,903,000	16,589,735	18,980,688	-	-	-	50,000	3,082,439	563,496	-	2,212	3,494,357	3,494,357	
Other	7,683,333	9,431,519	10,094,669	-	70,051	310,552	1,743,220	7,035,186	5,657,109	90,000	958,522	1,841,728	1,841,728	
Government business enterprises	-	1,251,833	2,481,470	-	-	-	-	-	-	-	-	-	-	
Gain on disposal of capital assets	-	483,106	1,388,826	-	7,731	4,954	-	959,140	(211,225)	-	74,251	(8,450)	(8,450)	
	71,008,259	90,482,291	92,151,947	1,649,232	1,350,970	2,128,880	5,759,831	15,222,992	10,668,140	39,811,205	40,025,886	41,527,859	41,527,859	
Expenditures														
Salaries and wages	8,675,082	8,583,730	8,378,231	15,729,660	16,497,495	15,013,267	13,187,776	14,077,887	13,538,345	3,373,346	3,520,746	3,221,270	3,221,270	
Operating materials and supplies	5,104,876	3,833,504	4,686,591	795,819	1,546,375	982,925	4,812,150	6,386,481	5,110,085	882,687	1,350,023	888,108	888,108	
Contracted services	771,028	1,298,539	1,210,824	68,020	73,909	49,058	2,490,062	3,220,009	2,661,702	26,662,379	24,945,661	23,598,328	23,598,328	
Rents and financial expenses	195,100	194,851	170,814	135,200	131,674	78,814	24,738	35,249	33,241	390,000	215,548	143,713	143,713	
Interfunctional transfer	-	(3,252,888)	(3,225,153)	-	491,642	611,321	-	1,950,144	1,764,911	-	388,898	486,778	486,778	
External transfer	-	4,365	123,867	452,542	452,542	452,542	89,291	103,296	89,403	-	-	-	-	
Amortization	-	622,201	448,134	-	503,758	490,587	-	6,158,687	5,898,942	-	7,036,612	6,598,468	6,598,468	
Debt service	67,818	63,206	76,171	236,306	224,795	227,250	378,344	356,151	395,261	97,976	325,065	114,379	114,379	
	14,813,904	11,347,508	11,869,479	17,417,547	19,922,190	17,905,764	20,982,361	32,287,904	29,491,890	31,406,388	37,782,553	35,051,044	35,051,044	
	56,194,355	79,134,783	80,282,468	(15,768,315)	(18,571,220)	(15,776,884)	(15,222,530)	(17,064,912)	(18,823,750)	8,404,817	2,243,333	6,476,815	6,476,815	

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, 2010

	Health		Health		Recreation/ Culture		Recreation/ Culture		Planning/ Development		Planning/ Development		Total		Total	
	2010 Budget \$	2009 Actual \$	2010 Actual \$	2009 Actual \$	2010 Budget \$	2009 Actual \$	2010 Budget \$	2009 Actual \$	2010 Budget \$	2009 Actual \$	2010 Budget \$	2009 Actual \$	2010 Actual \$	2009 Actual \$	2010 Actual \$	
Revenues																
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
User fees and charges	-	398,928	-	384,097	2,186,543	1,837,673	1,661,394	1,661,394	107,000	262,303	149,002	149,002	59,817,866	61,848,050	47,787,268	58,371,552
Government grants	-	-	199,732	1,521,716	1,921,732	1,521,716	226,886	226,886	60,000	13,158	196,283	196,283	48,234,651	47,787,268	21,209,260	45,721,593
Other	-	138,592	-	223,229	644,820	2,497,646	1,114,420	1,114,420	6,000	202,193	929,081	929,081	3,212,732	20,333,709	20,333,709	23,461,710
Government business enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on disposal of capital assets	-	180,771	-	163,307	-	4,856	(4,669)	(4,669)	-	-	-	-	-	1,251,833	2,481,470	2,481,470
	-	718,291	-	770,633	3,031,095	5,861,891	2,998,031	2,998,031	173,000	477,654	1,274,366	1,274,366	121,432,622	154,139,975	151,519,856	151,519,856
Expenditures																
Salaries and wages	1,176,690	1,328,598	1,366,142	1,366,142	8,663,345	8,091,144	8,165,720	8,165,720	1,747,030	1,713,960	1,731,285	1,731,285	52,552,929	53,813,560	18,231,034	51,414,260
Operating materials and supplies	128,645	223,303	327,077	327,077	3,133,721	4,808,669	3,014,177	3,014,177	129,961	82,679	99,163	99,163	14,987,859	18,231,034	29,922,200	15,108,126
Contracted services	91,500	90,640	77,498	77,498	220,470	220,069	236,166	236,166	22,500	73,373	128,773	128,773	30,325,959	29,922,200	27,962,349	27,962,349
Rents and financial expenses	12,350	22,192	22,698	22,698	106,600	97,313	95,623	95,623	30,000	358,265	362,912	362,912	893,988	1,055,092	907,815	907,815
Interfunctional transfer	-	99,434	83,809	83,809	-	318,333	269,321	269,321	-	4,437	9,013	9,013	-	-	-	-
External transfer	451,983	448,983	428,121	428,121	331,554	320,371	230,803	230,803	3,494,050	2,951,823	3,126,507	3,126,507	4,819,420	4,281,380	16,148,575	4,451,243
Amortization	-	51,835	-	51,651	-	1,705,428	1,279,624	1,279,624	-	70,054	33,192	33,192	-	1,703,704	1,520,646	1,520,646
Debt service	-	-	-	-	708,853	734,487	707,585	707,585	-	-	-	-	1,489,297	1,489,297	-	-
	1,861,168	2,264,985	2,356,996	2,356,996	13,164,543	16,295,814	13,999,019	13,999,019	5,423,541	5,254,591	5,490,845	5,490,845	105,069,452	125,155,545	116,165,037	116,165,037
	(1,861,168)	(1,546,694)	(1,586,363)	(1,586,363)	(10,133,448)	(10,433,923)	(11,000,988)	(11,000,988)	(5,250,541)	(4,776,937)	(4,216,479)	(4,216,479)	16,363,170	28,984,430	35,354,819	35,354,819

See accompanying notes

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CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2010

	Cost				Accumulated Amortization		Net Book Value
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Amortization	Disposals	
	\$	\$	\$	\$	\$	\$	\$
General							
Land	2,962,498	3,718,353	285,001	6,395,850			6,395,850
Land improvements	7,530,498	2,467,924	45,515	9,952,907	308,411	44,605	3,751,027
Buildings	40,407,376	33,941,474		74,348,850	962,593		16,955,557
Furniture and equipment	7,224,490	2,701,816	362,284	9,564,022	1,000,523	362,284	4,361,144
Vehicles	32,501,011	978,734	702,792	32,776,953	2,285,360	697,237	18,013,538
	90,625,873	43,808,301	1,395,592	133,038,582	4,556,887	1,104,126	43,081,266
Infrastructure							
Environmental	397,139,298	11,621,415		408,760,713	5,215,833		132,685,287
Roads	171,682,162	1,158,387	92,351	172,748,198	4,642,960	71,815	89,069,964
Water	106,925,710	840,646	14,162	107,752,194	1,732,895	7,207	38,739,775
	675,747,170	13,620,448	106,513	689,261,105	11,591,688	79,022	260,495,026
Work in Progress	93,397,871	17,440,016		110,837,887			110,837,887
December 31, 2010	859,770,914	74,868,765	1,502,105	933,137,574	16,148,575	1,183,148	303,576,292
							629,561,282

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO
SCHEDULES OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2010

	Balance, Beginning of Year		Cost			Accumulated Amortization			Balance, End of Year	Net Book Value
	\$	\$	Additions	Disposals	Balance, End of Year	Amortization	Disposals	\$		
General										
Land	2,817,376		145,135	13	2,962,498					2,962,498
Land improvements	6,658,151		972,310	99,963	7,530,498					4,043,277
Buildings	39,794,881		612,495		40,407,376			238,775	86,894	24,414,412
Furniture and equipment	6,366,695		1,360,143	502,348	7,224,490			785,997	502,348	3,501,585
Vehicles	27,868,917		6,244,381	1,612,287	32,501,011			2,046,408	1,605,381	16,075,596
	83,506,020		9,334,464	2,214,611	90,625,873			3,691,478	2,194,623	50,997,368
Infrastructure										
Environmental	395,640,072		1,646,041	146,815	397,139,298			4,792,291	68,954	269,669,844
Roads	167,266,710		5,279,570	864,118	171,682,162			4,601,701	652,495	87,183,343
Water	105,711,195		1,277,290	62,775	106,925,710			1,715,128	59,077	69,911,623
	668,617,977		8,202,901	1,073,708	675,747,170			11,109,120	780,526	426,764,810
Work in Progress	33,460,496		59,937,375		93,397,871					93,397,871
December 31, 2009	785,584,493		77,474,740	3,288,319	859,770,914			14,800,598	2,975,149	571,160,049

See accompanying notes

Crawford, Smith and Swallow
Chartered Accountants LLP

4741 Queen Street
Niagara Falls, Ontario
L2E 2M2
Telephone (905) 356-4200
Telecopier (905) 356-3410



Offices in:
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario
Niagara-on-the-Lake, Ontario
Port Colborne, Ontario

INDEPENDENT AUDITORS' REPORT - TRUST FUNDS

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the City of Niagara Falls, Ontario, which comprise the statement of financial position as at December 31, 2010 and the statement of financial activities and changes in fund balances for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the City of Niagara Falls, Ontario as at December 31, 2010 and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

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

Niagara Falls, Ontario
October 14, 2011

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, 2010

	Total \$	Ontario Home Renewal Plan \$	Cemetery Perpetual Care \$	Other \$
Assets				
Cash	614,423	18,082	584,119	12,222
Investments - note 2				
Federal	540,193		540,193	
Provincial	993,807		993,807	
Corporate	1,054,304		1,053,104	1,200
	2,588,304		2,587,104	1,200
GST/HST receivable	128		128	
	3,202,855	18,082	3,171,351	13,422
Liabilities and Fund Balances				
Due to operating fund	184,906		184,894	12
Fund balances	3,017,949	18,082	2,986,457	13,410
	3,202,855	18,082	3,171,351	13,422

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, 2010

	Total \$	Ontario Home Renewal Plan \$	Cemetery Perpetual Care \$	Other \$
Balance, Beginning of Year	2,933,212	19,372	2,858,858	54,982
Receipts				
Cemetery lot receipts	127,599		127,599	
Interest	116,433	134	115,542	757
Land sale deposits	620			620
	244,652	134	243,141	1,377
Expenditures				
Bad debts - OHRP loan receivable	1,424	1,424		
Bank charges	17			17
Cemetery care	115,632		115,542	90
Paid to Mr. Ted Salci campaign	3,336			3,336
Paid to Mr. Wayne Thomson	5,720			5,720
Paid to Ms. Janice Wing	1,684			1,684
Transfer to operating fund	32,102			32,102
	159,915	1,424	115,542	42,949
Balance, End of Year	3,017,949	18,082	2,986,457	13,410

See accompanying notes

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2010

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 \$ 2,588,304 (\$ 2,462,056 - 2009) are recorded on the "Statement of Financial Position" at the lower of cost or market. The market value as at December 31, 2010 is \$ 2,719,791 (\$ 2,510,395 - 2009).

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.

CORPORATION OF THE CITY OF NIAGARA FALLS, ONTARIO

NOTES TO FINANCIAL STATEMENTS - TRUST FUNDS

for the year ended December 31, 2010

4. Other Trust Funds

	2010	2009
	\$	\$
Trust for land sales	215	31,058
Trust for Mr. Ted Salci		3,328
Trust for Mr. Wayne Thomson		5,713
Trust for Ms. Janice Wing		1,688
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
	13,410	54,982
