

Consolidated financial statements of

Corporation of the Town of Ajax

December 31, 2011

Corporation of the Town of Ajax

December 31, 2011

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Independent Auditor's Report

To the Members of Council, Inhabitants
and Ratepayers of the
Corporation of the Town of Ajax

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Ajax, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, 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 Consolidated Financial Statements

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

Auditor's 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 auditor's judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 included 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 financial position of the Corporation of the Town of Ajax as at December 31, 2011 and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 11, 2012

Corporation of the Town of Ajax

Consolidated statement of financial position as at December 31, 2011

	2011	2010
	\$	\$
Financial assets		
Cash (Note 3)	71,886,945	46,442,241
Temporary investments (Note 3)	-	21,000,000
Inventories for resale	10,170	9,158
Land held for resale	6,435,641	6,448,527
Taxes receivable	10,494,978	10,461,145
Accounts receivable	11,205,359	11,196,977
Investment in government business enterprise (Note 5)	52,855,221	51,795,600
	152,888,314	147,353,648
Liabilities		
Accounts payable and other liabilities	18,305,326	20,202,976
Deferred revenue (Note 6)	28,060,178	29,194,181
Accrued interest on municipal debt	154,873	165,924
Municipal debt (Note 7)	12,174,047	13,598,500
Employee benefits payable (Note 8)	5,125,871	4,734,299
Landfill post-closure liability (Note 9)	506,246	488,902
	64,326,541	68,384,782
Contingencies and commitments (Note 11)		
Net financial assets	88,561,773	78,968,866
Non-financial assets		
Tangible capital assets (Note 13)	412,373,246	384,973,409
Construction in progress (Note 13)	12,267,181	8,534,671
Inventories of supplies	213,297	259,500
Prepaid expenses	971,081	643,619
	425,824,805	394,411,199
Accumulated surplus (Note 10)	514,386,578	473,380,065

Corporation of the Town of Ajax

Consolidated statement of operations year ended December 31, 2011

	2011 budget (Note 12) (Unaudited)	2011	2010
	\$	\$	\$
Revenue			
Net taxation	47,567,795	48,470,085	45,756,438
Taxation from other governments	599,900	580,739	594,014
User charges	12,087,000	14,372,047	11,404,226
Government grants	255,100	3,258,116	5,338,431
Gaming and casino revenues	5,904,000	6,535,433	6,064,302
Restricted funds earned (Note 6)	20,134,400	12,164,709	11,016,026
Investment income	1,562,700	1,773,094	1,771,685
Penalties and interest on taxes receivable	1,650,000	1,718,787	1,774,799
Donations and contributions from developers (Note 13)	60,900	20,552,555	31,964,100
Income from government business enterprise (Note 5)	-	3,004,881	2,714,463
Other	336,400	2,115,618	4,010,079
(Loss) on disposal of tangible capital assets	-	(81,827)	(60,049)
	90,158,195	114,464,237	122,348,514
Expenses (Note 14)			
General government	12,168,600	12,372,577	11,850,638
Protection to persons and property	18,477,400	17,450,484	18,230,687
Transportation services	13,723,500	14,115,499	12,804,941
Environmental services	2,233,200	2,599,416	2,384,908
Health services	125,000	125,000	62,500
Social and family services	180,000	154,840	133,076
Recreation and culture services	22,527,800	22,853,661	21,599,212
Planning and development	3,730,300	3,786,247	3,174,992
	73,165,800	73,457,724	70,240,954
Annual surplus	16,992,395	41,006,513	52,107,560
Accumulated surplus, beginning of year,	473,380,065	473,380,065	421,272,505
Accumulated surplus, end of year,	490,372,460	514,386,578	473,380,065

Corporation of the Town of Ajax

Consolidated statement of change in net financial assets year ended December 31, 2011

	2011 budget (Note 12) (Unaudited)	2011	2010
	\$	\$	\$
Annual surplus	16,992,395	41,006,513	52,107,560
Acquisition of tangible capital assets	(3,677,200)	(42,167,448)	(64,795,574)
Amortization of tangible capital assets	12,900,000	13,973,357	12,456,547
Loss on sale of tangible capital assets	-	81,827	60,044
Proceeds on sale of tangible capital assets	-	712,427	43,436
	26,215,195	13,606,676	(127,987)
Acquisition of construction in progress	(22,220,600)	(9,852,033)	(6,561,110)
Transfer of construction in progress to tangible capital assets	-	5,994,882	10,715,358
Construction in progress expensed	-	124,641	192,476
	(22,220,600)	(3,732,510)	4,346,724
Acquisition inventory of supplies	-	(213,297)	(259,500)
Use/consumption of inventory of supplies	-	259,500	230,070
Acquisition of prepaid expenses	-	(971,081)	(643,619)
Use/consumption of prepaid expenses	-	643,619	537,730
	-	(281,259)	(135,319)
Net change in net financial assets	3,994,595	9,592,907	4,083,418
Net financial assets, beginning of year	88,561,773	78,968,866	74,885,448
Net financial assets, end of year	92,556,368	88,561,773	78,968,866

Corporation of the Town of Ajax

Consolidated statement of cash flows year ended December 31, 2011

	2011	2010
	\$	\$
Operating activities		
Annual surplus	41,006,513	52,107,560
Items not involving cash		
Income from investment in government business enterprise	(3,004,881)	(2,714,463)
Amortization	13,973,357	12,456,547
Loss on disposal of tangible capital assets	81,827	60,044
Value of contributed tangible capital assets recognized as revenue	(20,405,916)	(31,840,469)
	31,650,900	30,069,219
Changes in non-cash assets and liabilities		
Increase in accounts receivable	(8,382)	(8,159,682)
Increase in taxes receivable	(33,833)	(494,862)
Decrease (increase) in accounts payable and other liabilities	(1,897,650)	6,073,458
Decrease in deferred revenue	(1,134,003)	(1,014,755)
Increase (decrease) in land for resale	12,886	(5,574,934)
Increase in inventory held for resale	(1,012)	(967)
Decrease (increase) in inventories of supplies	46,203	(29,430)
Increase in prepaid expenses	(327,462)	(105,889)
Increase in accounts payable and accrued liabilities	-	-
Increase in employee benefits payable	391,572	469,706
Increase in landfill post-closure liability	17,344	23,240
	28,716,563	21,255,104
Capital transactions		
Acquisition of tangible capital assets	(42,167,448)	(64,795,574)
Contributed tangible capital assets	20,405,916	31,840,469
(Increase) decrease in construction in progress	(3,732,510)	4,346,724
Proceeds on disposal of tangible capital assets	712,427	43,436
	(24,781,615)	(28,564,945)
Investing activity		
Dividend from government business enterprise	1,945,260	1,675,762
Financing activities		
Municipal debt issued	-	2,314
Municipal debt repaid	(1,424,453)	(3,775,725)
Decrease in accrued interest on municipal debt	(11,051)	(7,835)
	(1,435,504)	(3,781,246)
Net change in cash and temporary investments	4,444,704	(9,415,325)
Cash and temporary investments, beginning of year	67,442,241	76,857,566
Cash and temporary investments, end of year (Note 3)	71,886,945	67,442,241

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

1. Summary of significant accounting of policies

Management responsibility

The consolidated financial statements (the “financial statements”) of Corporation of the Town of Ajax (the “Town”) are the representations of management prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (“PSAB”) of the Canadian Institute of Chartered Accountants.

Basis of accounting

The focus of these financial statements is on the financial position of the Town and the changes thereto. The consolidated statement of financial position includes all the financial assets and liabilities of the Town as well as non-financial assets. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Net financial assets form a part of the financial position and are the difference between financial assets and liabilities. This provides information about the municipality’s overall future revenue requirements and its ability to finance activities and meet its obligations. Non-financial assets are normally used to deliver services. Their value lies with their service potential rather than their ability to generate future cash inflows. They form part of the financial position as they provide resources that the government can employ in the future to meet its objectives. The accumulated surplus is made up of the combination of net financial assets and non-financial assets.

Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity

(i) Consolidated financial statements

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the activities of all committees of Council, the Town of Ajax Public Library Board, the Ajax Downtown Business Improvement Area and the Pickering Village Business Improvement Area which are controlled by the Town.

All material inter-fund transactions and balances are eliminated on consolidation.

(ii) Investment in Veridian Corporation

The Town’s investment in Veridian Corporation is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, Veridian Corporation’s accounting policies are not adjusted to conform to those of the Town and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual earnings or loss of Veridian Corporation in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Dividends that the Town may receive from Veridian Corporation and other capital transactions are reflected as adjustments in the investment asset account.

(iii) Operations of School Boards and the Region of Durham

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

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies (continued)

Basis of accounting (continued)

(b) Basis of accounting

(i) Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses 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.

(ii) Investments

Temporary investments are recorded at the lower of cost and market value. Accrued interest is included in accounts receivable.

(iii) Tangible capital assets ("TCA")

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly related to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for use as follows:

Land improvements	15-40 years
Buildings	20 to 50 years
Computer hardware/software	5 years
Vehicles and rolling equipment	7 to 20 years
Furniture fixtures and equipment	5 to 20 years
Road network	20 to 75 years
Storm water network	25 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Land is not amortized.

Tangible capital assets received as contributions, excluding road allowances, are recorded at their fair value at the date contributed, and that amount is also recorded as revenue. Contributed road allowances are recorded at nominal value.

(iv) Deferred revenue

Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. In addition, any contributions received with external restrictions are deferred until the related expenditures are made.

(v) Post employment benefits

The present value of the cost of providing employees with future benefit programs is recognized as employees earn these entitlements through service. Actuarial gains and losses are amortized over the average remaining service period ("ARSP").

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies (continued)

Basis of accounting (continued)

(b) Basis of accounting (continued)

(vi) Inventory

Inventory is valued at cost which is determined on a weighted-average basis.

(vii) Government transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

(viii) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

(ix) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Accounts involving significant estimates include allowance for doubtful accounts, accrued liabilities, employee future benefits liabilities, landfill post closure liability and estimates relating to tangible capital assets. Actual results could differ from these estimates.

2. Operations of school boards and the Region of Durham

Further to Note 1 (a) (iii) requisitions are made by the Region of Durham and School Boards requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized as follows:

	Region	School board
	\$	\$
Taxation	92,579,597	40,615,160
Payments in lieu of taxes	424,846	363,253
	93,004,443	40,978,413

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

3. Cash and temporary investments

	2011	2010
	\$	\$
Unrestricted		
Cash	37,597,135	17,629,553
Temporary investments	-	14,784,951
	37,597,135	32,414,504
Restricted		
Cash	34,289,810	28,812,688
Temporary investments	-	6,215,049
	34,289,810	35,027,737
	71,886,945	67,442,241

Cash is held on deposit earning interest on a monthly basis. The interest rate is tiered and based on average balances and will fluctuate based on the bank's prime rate.

4. Restricted assets

	2011	2010
	\$	\$
Cash (Note 3)	34,289,810	28,812,688
Temporary investments (Note 3)	-	6,215,049
Interest receivable	36,216	50,718
Due to own municipality	(5,163,721)	(4,830,416)
	29,162,305	30,248,039
Consists of		
Obligatory funds in deferred revenue (Note 6)	27,145,996	28,300,278
Reserve funds	2,016,309	1,947,761
	29,162,305	30,248,039

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

5. Investment in government business enterprise

- (a) Veridian Corporation is owned by the Town of Ajax, City of Pickering, Municipality of Clarington and the City of Belleville. The Town has a 32.1% per cent interest in Veridian Corporation. Veridian Corporation, as a government business enterprise, is accounted for on the modified equity basis in these financial statements. Veridian Corporation serves as the electrical distribution utility for a number of communities including the four noted above and conducts non-regulated utility service ventures through its subsidiaries.

The following table provides condensed supplementary consolidated financial information for the corporation and its subsidiaries for the year ended December 31. The amounts are disclosed in thousands of dollars:

(000's)	2011	2010
	\$	\$
Financial position		
Assets		
Current	79,455	74,269
Capital and intangibles	183,895	173,727
Other	19,296	20,633
Total assets	282,646	268,629
Liabilities		
Current	69,996	58,298
Long-term debt	86,649	76,928
Other	22,433	33,136
	179,078	168,362
Shareholders' equity		
Share capital	67,260	67,260
Contributed capital	25	25
Retained earnings	36,283	32,982
	103,568	100,267
Total liabilities and equity	282,646	268,629
Results of operations		
Revenue	286,271	256,203
Other income	4,313	4,713
Unrealized loss	2,644	-
Expenses	282,498	252,843
Earnings from discontinued operations	3,919	408
Net earnings for the year	9,361	8,481

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

5. Investment in Veridian Corporation (continued)

(b) Equity in Veridian Corporation

	2011	2010
	\$	\$
Balance, beginning of year	51,795,600	50,756,899
Equity share of net earnings for the year	3,004,881	2,714,463
Dividend received from Veridian Corporation	(1,945,260)	(1,675,762)
Balance, end of year	52,855,221	51,795,600

(c) Promissory note receivable

The following promissory notes are receivable and form part of the investment in government business enterprise:

	2011	2010
	\$	\$
Veridian Corporation	5,550,000	5,550,000
Veridian Connections Inc.	14,060,000	14,060,000
Total	19,610,000	19,610,000

The note issued by Veridian Corporation is due November 1, 2012, as per bylaw 103-2009. The note is convertible into common shares at the option of the holder at the rate of one common share for every \$1,000 of principal then outstanding, on or before November 1, 2012.

The interest rate of the note issued by Veridian Corporation is the greater of:

- 6%;
- a rate equal to the Ontario Energy Board's deemed long-term debt rate.

On March 29, 2010 bylaw 46-2010 was approved by Council which amended the note issued by Veridian Connections Inc. only. The new maturity date of the note is November 1, 2039 with the following interest rates:

- from November 1, 2009 to April 30, 2010 - 7.62%
- from May 1, 2010 to December 31, 2014 - 5.57%
- every 5 years, starting January 1, 2015 the rate will be reset based on the Ontario Energy Board's deemed long term debt rate.

The note is no longer convertible but the Town may demand full or partial repayment with six months notice with certification that the funds are required for municipal purposes.

The Town has signed an inter-creditor agreement confirming the subordinated ranking of these promissory notes to the senior debt financing issued by Veridian.

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

5. Investment in Veridian Corporation (continued)

(d) *Contingencies and guarantees of Veridian Corporation (the "Corporation") as disclosed in their financial statements are as follows:*

(i) Insurance claims

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities.

Insurance premiums charged to each member utility consist of a levy per \$1,000 of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Insurance limits of up to \$30,000,000 per occurrence are covered by MEARIE.

(ii) Other claims

An action has been brought under the Class Proceedings Act: 1992. The plaintiff class seeks \$500,000,000 in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to Section 347 of the Criminal Code.

By Order dated July 22, 2010, the Ontario Superior Court of Justice formalized a settlement pursuant to which the defendant LDCs will pay the amount of \$17,000,000 plus costs and taxes in settlement of all claims. Under the settlement, all of the LDCs involved in the settlement, including the Corporations, requested an order from the OEB allowing for the future recovery from customers of all costs related to the settlement.

As per the OEB order dated February 22, 2011, the costs and damages arising from the settlement of this class action shall be recoverable from all ratepayers of the LDCs. The OEB issued its decision allowing the Corporation to recover its share of the settlement in the amount of \$347,000.

The payment to settle the Corporation's portion of the class action suit was made on June 30, 2011. The OEB order authorized the Corporation to recover the balance of \$345,000 effective over a 12 month period of recovery from May 1, 2011 to April 30, 2012.

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

5. Investment in Veridian Corporation (continued)

(d) *Contingencies and guarantees of Veridian Corporation (the "Corporation") as disclosed in their financial statements are as follows (continued):*

(iii) Contractual obligation - Hydro One Networks Inc. ("HONI")

The Corporation's subsidiary, Veridian Connections Inc. ("VCI"), is party to a connection and cost recovery agreement with HONI related to the construction by HONI of a transformer station designated to meet VCI's anticipated electricity load growth. Construction of the project was completed during 2007 and VCI connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenues, VCI is obliged to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to VCI. The construction costs allocated to VCI for the project are \$9,975,000.

The Corporation has recorded a liability and a corresponding intangible asset for \$1,212,000 as at December 31, 2011 (2010 - \$1,212,000), based on management's best estimate of the present value of the future transformation connection revenue shortfall. HONI will perform a true-up based on actual load in 2012.

(iv) Environmental liability

In 2008, Environment Canada issued its final regulations governing the management of PCBs. Costs relating to future expenditures associated with the removal and destruction of PCB contaminated transformers and remediation of chemically-contaminated lands has been estimated in the amount of \$412,000, which has been recorded as a liability at December 31, 2011. Because such expenditures are expected to be recoverable in future rates, the Corporation has recorded an equivalent amount as a regulatory asset.

(e) *Lease commitments*

Future minimum lease payment obligations under operating leases are as follows:

	\$
2012	157,000
2013	2,000
2014	2,000
2015	2,000
2016	2,000
Thereafter	70,000
	<hr/> 235,000

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

6. Deferred revenue

The obligatory reserve funds and other deferred revenue balances are summarized below:

	2011	2010
	\$	\$
Obligatory reserve funds		
Development charges	20,553,353	23,788,348
Gas tax	3,021,139	1,753,600
Recreational land	1,973,550	1,543,281
Building approvals	1,597,954	1,215,049
	27,145,996	28,300,278
Other		
Other unearned revenues	914,182	893,903
	28,060,178	29,194,181

The changes during the year in obligatory reserve funds which are reflected directly in the deferred revenue balance are analyzed as follows:

	Development charges act	Gas tax	Recreational land	Building approvals	Total
	\$	\$	\$	\$	\$
Opening balance	23,788,348	1,753,600	1,543,281	1,215,049	28,300,278
Restricted funds received	7,054,568	2,765,873	420,027	382,905	10,623,373
Interest earned	335,259	29,978	21,815	-	387,052
Revenue recognized	(10,624,822)	(1,528,312)	(11,573)	-	(12,164,707)
Closing balance	20,553,353	3,021,139	1,973,550	1,597,954	27,145,996

7. Municipal debt

	2011	2010
	\$	\$

The municipality has assumed responsibility for the payment of principal and interest charges on certain debt issued by the Regional Municipality of Durham and internally. At the end of the year, the outstanding principal was

15,622,104 14,362,500

The municipality has entered into a Development Agreement for the construction of infrastructure and is responsible for the payment of principal only, upon completion. At the end of the year, the outstanding principal was

1,200,000 1,800,000

Amount to be recovered from future revenue

16,822,104 16,162,500

Less: amount owed to operating fund

(4,648,057) (2,564,000)

Net municipal debt

12,174,047 13,598,500

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

7. Municipal debt (continued)

The above long-term debt has interest rates ranging from 2.650% to 6.375% per annum and maturity dates in, 2015, 2018, 2019 and 2021. The annual required payment expected for 2012 is \$1,406,939 including principal and interest, and the timing of principal repayments are as follows to be paid from general municipal revenues:

	\$
2012	863,255
2013	905,188
2014	950,311
2015	2,197,684
2016	1,048,373
2017 to 2021	6,209,236
	<hr/> 12,174,047

The above debt issued in the name of the municipality has been approved by by-law as required by legislation. 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.

Interest paid or payable in 2011 and included in expenses is \$570,144 (2010 - \$703,126).

8. Employee benefits payable

The Town provides certain employee benefits which will require funding in the future.

	2011	2010
	\$	\$
Vacation payable	1,125,645	1,023,256
Post employment benefits	3,767,227	3,455,502
Council severance	232,999	255,541
	<hr/> 5,125,871	4,734,299
Less: amount already funded from operations to mitigate the future impact of these obligation	(537,061)	(549,538)
	<hr/> 4,588,810	4,184,761

a) Vacation payable

Vacation pay owing at December 31, 2011 has been partially funded from operations and included in employee future benefits payable in these financial statements.

b) Post employment benefits

The Town sponsors a defined benefit plan for retirement benefits other than pensions for substantially all of its employees and councillors. The plan provides extended health and dental as well as vision coverage to full-time employees and councillors. The plan is unfunded and requires no contribution from employees or councillors. Total benefit payments to retirees during the year were \$145,498 (2010 - \$134,418).

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. The last actuarial valuation was completed as at December 31, 2010 and the accrued benefit obligation of \$4,870,110 for 2011 is based on an extrapolation of that valuation.

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

8. Employee benefits payable (continued)

b) Post employment benefits (continued)

The post-employment benefit liability at December 31, 2011 includes the following components:

	2011	2010
	\$	\$
Actuarially determined accrued benefit obligation	4,870,110	4,380,566
Unamortized actuarial losses	<u>(1,102,883)</u>	<u>(925,064)</u>
	<u>3,767,227</u>	<u>3,455,502</u>

The current actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the municipality's best estimates; however actual experience may vary from these estimates. The main actuarial assumptions employed for the valuation are as follows:

Expected inflation rate	2.50%
Discount rate	4.50%
Medical cost increases	
First year	8.05%
Decreasing over 10 years to	1% plus CPI
Expected rate of dental cost increase	1% plus CPI
Estimated average remaining service life of the employee group	13.6 years

The post-employment benefit expense is reported on the consolidated statement of operations in the various functional categories. Composition of the amount is as follows:

	2011	2010
	\$	\$
Current year benefit cost	169,071	159,077
Amortization of actuarial losses	68,535	56,184
Interest on post-employment benefit liability	<u>219,617</u>	<u>216,198</u>
	<u>457,223</u>	<u>431,459</u>

c) Pension agreement

The Town makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), a multi-employer pension plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to 419,007 active and retired members and 947 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial value of the Plan was conducted at December 31, 2011. The results of this valuation disclosed total actuarial liabilities of \$64,548 million in respect of benefits accrued for service with actuarial assets at that date of \$57,258 million indicating an actuarial deficit of \$7,290 million. As OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2011 was \$2,448,976 (2010 - \$2,023,111).

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

8. Employee benefits payable (continued)

d) Council severance

Part of the remuneration package includes eligibility of all Councillors to receive a severance payment of one month salary per year of continuous service, with a minimum of four years of continuous service, to a maximum payment of 12 months should they not be re-elected. The estimated liability based on service and salary levels as at December 31, 2011 totalling \$232,999 (2010 - \$255,541) has been fully funded from operations and included in employee benefits payable in these financial statements.

9. Landfill post-closure liability

The Town owns one closed landfill site requiring post-closure care including monitoring of ground and surface water, leachate and gas, as well as ongoing maintenance and annual reporting to comply with environmental legislation. Municipalities are required to recognize liabilities for all of these future costs as the sites are filled, therefore all post-closure costs must be estimated and recognized fully for closed sites. This liability is unfunded and is therefore included in accumulated surplus (Note 11).

In 2006, an environmental consulting firm was engaged to estimate post-closure costs. The estimate was based on assumptions regarding the nature and amount of annual expenses, an inflation factor of 2%, a 40 year future monitoring requirement and discounted at 5.5%. Actual experience may vary from these assumptions and as new information becomes available.

Based on an extrapolation of that valuation, the estimated present value of costs as at December 31, 2011 is \$506,246 (2010 - \$488,902). Composition of the liability is as follows:

	2011	2010
	\$	\$
Liability, beginning of the year	488,902	465,662
Expenses	(9,290)	(2,308)
Cost adjustment to account for inflation	26,634	25,548
	506,246	488,902

10. Accumulated surplus

	2011	2010
	\$	\$
Internal 'current fund'	148,995	25,102
Invested in tangible capital assets	412,373,246	384,973,409
Invested in construction in progress	12,267,181	8,534,671
Municipal debt (Note 7)	(12,174,047)	(13,598,500)
Internal debt - owing to operating fund (Note 7)	(4,648,057)	(2,564,000)
Internal 'capital fund'	2,074,689	4,615,828
Reserve/reserve fund balances	50,148,765	37,823,091
Equity in government business enterprise (Note 5)	52,855,221	51,795,600
Employee benefits payable (Note 8)	(4,588,810)	(4,184,761)
Landfill post-closure (Note 9)	(506,246)	(488,902)
Land for resale	6,435,641	6,448,527
	514,386,578	473,380,065

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

11. Contingencies and commitments

a) *Capital project commitments*

The Town has committed to many capital projects expected to be completed over several years including a new recreation facility in North Ajax and various road works. As at December 31, 2011 the Town had awarded contracts in the amount of \$92,582,300 (2010 - \$59,988,600) but only \$63,142,200 (2010 - \$46,368,800) of those awarded amounts had been spent. The remaining contractual commitments of \$29,440,100 (2010 - \$13,619,800) will be incurred as capital expenditures as the work is completed. Funding for the completion costs is expected to include debt proceeds and use of funds from various discretionary and obligatory reserve funds as well as grants.

b) *Legal matters*

The Town has been named in litigation matters, the outcome of which is undeterminable and accordingly, no provision has been provided for any potential liability in these financial statements. Should any loss result from these claims, which is not covered by insurance, such loss would be charged to operations in the year of resolution or earlier if the loss is likely and measurable.

c) *Participation in Durham Municipal Insurance Pool*

The municipality is a member of the Durham Municipal Insurance Pool ("DMIP"), which was created in July 2000. DMIP provides insurance coverage to seven member municipalities.

The annual contributions from each member municipality are based on the value of its insured assets, claims experience, population and risk management philosophy. Future levies depend on the experience of the pool. Beyond the \$10,000 Town deductible, DMIP covers eligible insurance claims up to \$500,000. DMIP has outside coverage in place for claims over \$500,000.

Because DMIP is a multi-municipality insurance pool, surpluses or deficits are a joint responsibility of the member municipalities through future levies. The municipality does not recognize any share of the DMIP surplus or deficit, but has made provision for a self-insurance reserve amounting to \$739,600 (2010 - \$674,600) and estimated deductible amounts of \$97,700 (2010 - \$174,300) for all outstanding claims.

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

12. Budget figures

The 2011 Budget adopted by Council on February 14, 2011 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures treated all tangible capital asset additions as expenses and did not include amortization expense on tangible capital assets, post employment benefits or landfill costs. As a result, the budget figures presented in the Consolidated Statements of Operations and Change in Net Financial Assets represent the budget adopted by Council on February 14, 2011 with adjustments as follows:

	2011 budget adopted by Council	Non TCA expenditures from capital	Amortization/ post emp ben/ landfill costs	2011 budget presented in statements
	\$	\$	\$	\$
Revenue				
Taxation	48,167,695	-	-	48,167,695
Restructured funds earned	20,134,400	-	-	20,134,400
Other	21,856,100	-	-	21,856,100
	<u>90,158,195</u>	<u>-</u>	<u>-</u>	<u>90,158,195</u>
Expenses				
General government	10,471,000	548,700	1,148,900	12,168,600
Protection	17,246,500	88,500	1,142,400	18,477,400
Transportation	5,959,600	1,607,500	6,156,400	13,723,500
Environmental	537,200	25,000	1,671,000	2,233,200
Health	125,000	-	-	125,000
Social and family	180,000	-	-	180,000
Recreation and culture	18,880,100	442,200	3,205,500	22,527,800
Planning and development	3,426,500	257,000	46,800	3,730,300
	<u>56,825,900</u>	<u>2,968,900</u>	<u>13,371,000</u>	<u>73,165,800</u>
Annual surplus	33,332,295	<u>(2,968,900)</u>	<u>(13,371,000)</u>	<u>16,992,395</u>
Capital expenditures	(28,866,700)			
Transfers to (from)				
reserve/reserve funds	(4,669,700)			
Transfer GBE dividends	1,605,000			
Debt proceeds	-			
Debt repayment	(1,462,200)			
Budgeted use of prior year surplus	<u>(61,305)</u>			
Consists of				
Ajax Public Library	(45,000)			
Ajax Downtown BIA	(14,685)			
Pickering Village BIA	(1,620)			
Town of Ajax	-			
	<u>(61,305)</u>			

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

13. Tangible capital assets

	General assets						Infrastructure assets				2011
	Land	Land improv.	Buildings	Vehicles & rolling equipment	Computer hardware & software	Furniture, fixtures & equipment	Land	Road network	Storm water network	Vehicles & rolling equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	94,454,039	36,022,122	82,046,554	9,322,422	1,214,695	9,376,222	6,149,554	208,946,003	69,659,755	5,681,514	522,872,880
Additions	4,279,973	2,331,061	9,775,207	574,351	111,202	1,201,430	942,365	16,680,152	5,872,512	399,195	42,167,448
Disposals	(96,443)	(140,250)	(680,430)	(603,417)	(278,337)	(355,020)	-	(1,060,494)	(58,312)	(252,382)	(3,525,085)
Cost, end of year	98,637,569	38,212,933	91,141,331	9,293,356	1,047,560	10,222,632	7,091,919	224,565,661	75,473,955	5,828,327	561,515,243
Accumulated amortization, beginning of year	-	13,755,880	17,020,971	4,787,359	818,243	4,877,084	-	73,961,262	19,818,209	2,860,463	137,899,471
Amortization	-	1,776,294	2,086,073	702,234	174,986	1,013,828	-	6,006,883	1,783,173	429,886	13,973,357
Disposals	-	(140,250)	(542,093)	(603,417)	(278,337)	(355,020)	-	(537,737)	(58,312)	(215,665)	(2,730,831)
Accumulated amortization, end of year	-	15,391,924	18,564,951	4,886,176	714,892	5,535,892	-	79,430,408	21,543,070	3,074,684	149,141,997
Net book value, beginning of year	94,454,039	22,266,242	65,025,583	4,535,063	396,452	4,499,138	6,149,554	134,984,741	49,841,546	2,821,051	384,973,409
Net book value, end of year	98,637,569	22,821,009	72,576,380	4,407,180	332,668	4,686,740	7,091,919	145,135,253	53,930,885	2,753,643	412,373,246

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

13. Tangible capital assets (continued)

	General assets						Infrastructure assets				2010
	Land	Land improv.	Buildings	Vehicles & rolling equipment	Computer hardware & software	Furniture, fixtures & equipment	Land	Road network	Storm water network	Vehicles & rolling equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost of beginning of year	91,016,791	30,617,870	64,650,642	9,157,108	1,428,989	8,329,507	4,239,524	188,474,461	57,331,971	5,300,358	460,547,221
Additions	3,437,248	5,777,518	17,513,688	362,497	60,594	1,492,261	1,910,030	21,323,152	12,327,784	590,802	64,795,574
Disposals	-	(373,266)	(117,776)	(197,183)	(274,888)	(445,546)	-	(851,610)	-	(209,646)	(2,469,915)
Cost, end of year	94,454,039	36,022,122	82,046,554	9,322,422	1,214,695	9,376,222	6,149,554	208,946,003	69,659,755	5,681,514	522,872,880
Accumulated amortization, beginning of year	-	12,484,388	15,407,626	4,280,348	884,085	4,384,780	-	69,439,563	18,285,553	2,643,016	127,809,359
Amortization	-	1,612,634	1,731,121	675,173	209,046	937,850	-	5,325,455	1,532,656	432,612	12,456,547
Disposals	-	(341,142)	(117,776)	(168,162)	(274,888)	(445,546)	-	(803,756)	-	(215,165)	(2,366,435)
Accumulated amortization, end of year	-	13,755,880	17,020,971	4,787,359	818,243	4,877,084	-	73,961,262	19,818,209	2,860,463	137,899,471
Net book value, beginning of year	91,016,791	18,133,482	49,243,016	4,876,760	544,904	3,944,727	4,239,524	119,034,898	39,046,418	2,657,342	332,737,862
Net book value, end of year	94,454,039	22,266,242	65,025,583	4,535,063	396,452	4,499,138	6,149,554	134,984,741	49,841,546	2,821,051	384,973,409

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

13. Tangible capital assets (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$12,267,181 (2010 - \$8,534,671).

Assets contributed to the Town in 2011, consisting of Land, Road Network and Storm Water Network, had a fair market value of \$20,405,916 (2010 - \$31,840,469). They have been capitalized at their fair value.

The Town holds various works of art and historical treasures pertaining to the heritage and history of the Town of Ajax. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Under agreement with Toronto Region Conservation Authority (TRCA), the Town has the right to use certain lands owned by TRCA for recreational purposes and enjoyment of the general public. Within the terms of the agreement, the Town is responsible for the full cost of construction and maintenance of assets which are situated on the property as well as maintenance and improvements to the land.

The following table summarizes the value of assets located on TRCA land.

	Buildings	Land improvements	Storm water network	Total
	\$	\$	\$	\$
Cost, beginning of year	2,525,568	3,987,657	616,130	7,129,355
Additions	-	126,823	-	126,823
Disposals	-	-	-	-
Cost, end of year	2,525,568	4,114,480	616,130	7,256,178
Accumulated amortization, beginning of year	334,537	1,727,384	394,976	2,456,897
Amortization	51,977	176,190	24,645	252,812
Disposals	-	-	-	-
Accumulated amortization, end of year	386,514	1,903,574	419,621	2,709,709
Net book value, beginning of year	2,191,031	2,260,273	221,154	4,672,458
Net book value, end of year	2,139,054	2,210,906	196,509	4,546,469

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

14. Segmented information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

This item relates to revenues and expenses of the Town itself and cannot be directly attributed to specific segments.

Protection to persons and property

Protection includes fire services, animal control and building inspection/enforcement of building code to ensure the safety and protection of citizens and their property.

Transportation services

Transportation includes construction and maintenance of the Municipality's roadways, including snow removal, asphalt patching and sidewalk repairs.

Environmental services

Environmental services include urban storm water management costs, litter pickup and closed landfill site monitoring costs.

Health, social and family services

Health and social services for assistance or services for seniors.

Recreation and culture services

Recreation and cultural services are actively supported by the municipality and include recreation programs, current and new facilities, parks, maintenance and construction and library services.

Planning and development

Planning and development provides a number of services including municipal planning and review of all property development plans through its application processes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Where revenues are not directly attributable to a segment, they are prorated as a percentage of the segment's expenses versus total expenses.

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

14. Segmented information (continued)

	2011								
	General government	Protection to persons and property	Transportation services	Environmental services	Health, social and family services	Recreation and culture services	Planning and development	Unallocated	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Taxation	8,261,692	11,652,424	9,425,516	1,735,740	186,861	15,260,354	2,528,237	-	49,050,824
User charges	377,494	2,504,286	2,538,293	108,940	34,119	7,121,948	1,686,967	-	14,372,047
Government grants	(931)	-	1,791,608	-	-	1,467,439	-	-	3,258,116
Gaming and casinos	1,100,772	1,552,546	1,255,835	231,266	24,897	2,033,260	336,857	-	6,535,433
Investment income	298,644	421,213	340,714	62,744	6,755	551,633	91,391	-	1,773,094
Restricted funds earned	252,579	747	3,302,187	-	-	8,565,213	43,983	-	12,164,709
Penalties and interest on taxes	289,497	408,312	330,279	60,822	6,548	534,737	88,592	-	1,718,787
Donations and contributed assets	47,950	3,426	10,268,139	6,574,918	-	3,658,122	-	-	20,552,555
Government business enterprise	-	-	-	-	-	-	-	3,004,881	3,004,881
Gain (loss) on disposal	484,030	-	(522,757)	-	-	(43,100)	-	-	(81,827)
Other	187,704	264,741	1,215,340	39,436	4,245	346,712	57,440	-	2,115,618
	11,299,431	16,807,695	29,945,154	8,813,866	263,425	39,496,318	4,833,467	3,004,881	114,464,237
Expenses									
Salaries, wages and benefits	7,455,254	14,810,060	3,354,429	251,915	13,709	12,684,040	3,245,735	-	41,815,142
Materials, supplies and services	2,123,659	965,534	3,131,250	370,532	7,697	4,265,885	430,974	-	11,295,531
Contracted services	1,197,570	463,990	1,093,674	143,438	2,348	1,449,935	359,440	-	4,710,395
Rents and financial expenses	838,202	32,370	172,531	-	13,402	176,894	485	-	1,233,884
Amortization	1,135,776	1,046,281	6,623,892	1,783,173	-	3,381,443	2,792	-	13,973,357
Other	(377,884)	132,249	(260,277)	50,358	242,684	895,464	(253,179)	-	429,415
	12,372,577	17,450,484	14,115,499	2,599,416	279,840	22,853,661	3,786,247	-	73,457,724
Annual surplus	(1,073,146)	(642,789)	15,829,655	6,214,450	(16,415)	16,642,657	1,047,220	3,004,881	41,006,513

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2011

14. Segmented information (continued)

	2010								
	General government	Protection to persons and property	Transportation services	Environmental services	Health, social and family services	Recreation and culture services	Planning and development	Unallocated	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Taxation	7,819,970	12,030,031	8,449,697	1,573,748	129,056	14,252,842	2,095,107	-	46,350,452
User charges	378,083	2,130,959	605,417	80,745	29,568	7,082,436	1,097,018	-	11,404,226
Government grants	54,447	-	3,160,254	-	-	2,123,730	-	-	5,338,431
Gaming and casinos	1,023,133	1,573,960	1,105,524	205,903	16,885	1,864,783	274,115	-	6,064,302
Investment income	298,908	459,832	322,979	60,154	4,933	544,796	80,083	-	1,771,685
Restricted funds earned	3,437,283	102,593	2,998,708	-	-	4,477,443	-	-	11,016,026
Penalties and interest on taxes	299,433	460,640	323,546	60,260	4,942	545,754	80,223	-	1,774,799
Donations and contributed assets	42,250	10,200	16,342,359	10,379,613	1,200	5,188,478	-	-	31,964,100
Government business enterprise	-	-	-	-	-	-	-	2,714,463	2,714,463
(Loss) on disposal	-	-	(60,049)	-	-	-	-	-	(60,049)
Other	108,453	166,841	3,484,445	21,826	1,790	197,669	29,055	-	4,010,079
	13,461,960	16,935,056	36,732,880	12,382,249	188,374	36,277,930	3,655,602	2,714,463	122,348,514
Expenses									
Salaries, wages and benefits	7,034,817	14,137,788	2,969,015	313,314	2,072	11,939,930	2,936,767	-	39,333,703
Materials, supplies and services	2,197,044	1,754,409	2,975,013	361,824	4,737	4,190,032	407,590	-	11,890,649
Contracted services	1,348,469	461,656	939,157	136,591	2,364	1,405,733	168,024	-	4,461,994
Rents and financial expenses	688,689	32,651	91,655	-	11,079	151,685	566	-	976,325
Amortization	892,267	1,048,554	5,903,479	1,532,656	-	3,076,799	2,792	-	12,456,547
Other	(310,648)	795,629	(73,378)	40,523	175,324	835,033	(340,747)	-	1,121,736
	11,850,638	18,230,687	12,804,941	2,384,908	195,576	21,599,212	3,174,992	-	70,240,954
Annual surplus	1,611,322	(1,295,631)	23,927,939	9,997,341	(7,202)	14,678,718	480,610	2,714,463	52,107,560

Financial statements of

**Corporation of the Town of Ajax -
Ajax Downtown Business
Improvement Area**

December 31, 2011

**Corporation of the Town of Ajax -
Ajax Downtown Business Improvement Area**

December 31, 2011

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Town of Ajax

We have audited the accompanying financial statements of the Ajax Downtown Business Improvement Area of the Corporation of the Town of Ajax, which comprise the statement of financial position as at December 31, 2011, and the statement of operations 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.

Auditor's 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 auditor's 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 auditor considers 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 in our audit 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 Ajax Downtown Business Improvement Area of the Corporation of the Town of Ajax as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 11, 2012

Corporation of the Town of Ajax - Ajax Downtown Business Improvement Area

Statement of operations
year ended December 31, 2011

	Budget	2011	2010
	\$	\$	\$
Revenue			
Municipal tax levy	20,315	20,315	10,345
Sign advertising	2,500	-	930
	22,815	20,315	11,275
Expenses			
Office	500	137	1,168
Landscape maintenance and improvements	22,000	2,000	2,000
Promotion and advertising	10,000	-	11,377
Audit	2,500	1,883	-
Sign maintenance and hydro	2,500	1,895	2,200
	37,500	5,914	16,745
Annual surplus (deficit)	(14,685)	14,401	(5,470)
Accumulated surplus, beginning of year	14,685	14,685	20,155
Accumulated surplus, end of year	-	29,086	14,685

Corporation of the Town of Ajax - Ajax Downtown Business Improvement Area

Statement of financial position
as at December 31, 2011

	2011	2010
	\$	\$
Financial assets		
Cash	602	1,970
HST receivable	331	711
Due from Town of Ajax	28,483	14,284
	29,416	16,965
Liabilities		
Accounts payable	330	2,280
Accumulated surplus	29,086	14,685

Corporation of the Town Ajax - Ajax Downtown Business Improvement Area

Notes to the financial statements

December 31, 2011

1. Summary of significant accounting policies

Nature of business

The Ajax Downtown Business Improvement Area ("BIA") is accountable to the Council of the Town of Ajax, with the goal of promoting the Downtown Ajax business area.

Management responsibility

The financial statements of the BIA of the Corporation of the Town of Ajax are the representation of management prepared in accordance with accounting policies established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of judgement in making estimates.

The focus of these financial statements is on the financial position of the BIA and the changes thereto. The statement of financial position includes all the assets and liabilities of the business improvement area. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the business improvement area's overall future revenue requirements and its ability to finance activities and meet its obligations.

Accrual basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. 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.

Revenue recognition

The BIA receives revenue from two main sources and applies the following recognition policies:

- a) Taxation revenue is recognized in the calendar year it is raised from ratepayers by the Town.
- b) Revenue from sign advertising is recognized at the beginning of the contract.

2. Tangible capital assets

Section 3150, Tangible Capital Assets of the Public Sector Accounting Board Handbook, requires the capitalization and amortization of Tangible Capital Assets in the financial statements.

The BIA has no Tangible Capital Assets to disclose.

3. Statement of cash flows and changes in net debt

A statement of cash flows and changes in net debt are not presented since the information is readily apparent from other financial statements.

Financial statements of

**Corporation of the Town of Ajax
Pickering Village Business
Improvement Area**

December 31, 2011

Corporation of the Town of Ajax
Pickering Village Business Improvement Area

December 31, 2011

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Ajax

We have audited the accompanying financial statements of the Pickering Village Business Improvement Area of the Corporation of the Town of Ajax, which comprise the statement of financial position as at December 31, 2011, and the statement of operations 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.

Auditor's 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 auditor's 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 auditor considers 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 in our audit 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 Pickering Village Business Improvement Area of the Corporation of the Town of Ajax as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 11, 2012

Corporation of the Town of Ajax Pickering Village Business Improvement Area

Statement of financial position
as at December 31, 2011

	2011	2010
	\$	\$
Financial assets		
Cash	8,599	5,619
Accounts receivable	-	600
HST receivable	1,064	326
	9,663	6,545
Liabilities		
Accounts payable	160	3,602
Due to Town of Ajax	9,193	1,323
	9,353	4,925
Accumulated surplus	310	1,620

Corporation of the Town of Ajax

Pickering Village Business Improvement Area

Statement of operations
year ended December 31, 2011

	Budget	2011	2010
	\$	\$	\$
Revenue			
Municipal tax levy (net of tax adjustment)	48,380	48,380	51,697
Miscellaneous	-	220	-
	48,380	48,600	51,697
Expenses			
Administration, office and audit	3,000	3,426	6,281
Website and marketing	8,000	4,980	725
Landscape/maintenance	-	800	-
Festivals and events (Note 2)	14,000	9,454	40,894
Construction/streetscape	25,000	31,250	-
	50,000	49,910	47,900
Annual (deficit) surplus	(1,620)	(1,310)	3,797
Accumulated surplus (deficit), beginning of year	1,620	1,620	(2,177)
Accumulated surplus, end of year	-	310	1,620

Corporation of the Town Ajax

Pickering Village Business Improvement Area

Notes to the financial statements

December 31, 2011

1. Summary of significant accounting policies

Nature of business

The Pickering Village Business Improvement Area (the "BIA") is accountable to the Council of the Town of Ajax, with the goal of promoting the Pickering Village business area.

Management responsibility

The financial statements of the BIA of the Corporation of the Town of Ajax are the representation of management prepared in accordance with accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Precise determination of many assets and liabilities are dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

The focus of these financial statements is on the financial position of the business improvement area and the changes thereto. The statement of financial position includes all the assets and liabilities of the BIA. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus (deficit) represents the financial position and is the difference between assets and liabilities. This provides information about the business improvement area's overall future revenue requirements and its ability to finance activities and meet its obligations.

Accrual basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. 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.

Revenue recognition

The BIA receives revenue from a variety of sources and applies the following recognition policies:

- a) Taxation revenue is recognized in the calendar year it is raised from ratepayers by the Town.
- b) Revenue from donations and events is recognized when the cash is collected.

2. Festivals and events expense amounts

Certain activities undertaken by the BIA for fundraising and promotion have been reported at their net cost. Gross amounts are as follows:

	2011	2010
	\$	\$
Festivals and events		
Expenses	10,654	63,063
Less: recoveries	1,200	22,169
	<u>9,454</u>	<u>40,894</u>

3. Statement of cash flows and changes in net debt

A Statement of cash flows and changes in net debt are not presented since the information is readily apparent from other financial statements.

Corporation of the Town Ajax

Pickering Village Business Improvement Area

Notes to the financial statements

December 31, 2011

4. Tangible capital assets

Section 3150, Tangible Capital Assets of the Public Sector Accounting Board Handbook, requires the capitalization and amortization of tangible property, plant and equipment in the financial statements.

The BIA has no tangible capital assets to disclose.

5. Area improvements

The BIA has committed \$100,000 to the Town of Ajax for the upgraded streetscape work completed by the Town. The commitment is payable over 4 years at \$25,000 per year, starting in 2011 and will be included in the BIA's annual budget for the years 2011 to 2014. For the year ended December 31, 2011 the BIA paid \$31,250 towards the four year commitment.

Financial statements of

**Corporation of the Town of Ajax
Public Library Board**

December 31, 2011

Corporation of the Town of Ajax Public Library Board

December 31, 2011

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Independent Auditor's Report

To the Board Members, Members of Council,
Inhabitants and Ratepayers of
The Corporation of the Town of Ajax

We have audited the accompanying financial statements of the Corporation of the Town of Ajax Public Library Board, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, change in net debt, 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 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.

Auditor's 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 auditor's 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 auditor considers 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 Corporation of the Town of Ajax Public Library Board as at December 31, 2011, and the results of its operations change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 26, 2012

Corporation of the Town of Ajax Public Library Board

Statement of financial position
as at December 31, 2011

	2011	2010
	\$	\$
Financial assets		
Cash	259,673	67,135
Accounts receivable	-	28,731
Due from own municipality	-	1,827
	259,673	97,693
Liabilities		
Accounts payable and accrued liabilities	57,646	41,034
Employee future benefits payable (Note 2)	169,220	158,952
Deferred revenue	20,822	20,822
Due to own municipality	25,652	-
	273,340	220,808
Net debt	(13,667)	(123,115)
Non-financial assets		
Tangible capital assets (Note 6)	1,498,459	1,462,435
Prepaid expenses	18,108	16,958
	1,516,567	1,479,393
Accumulated surplus (Note 3)	1,502,900	1,356,278

Corporation of the Town of Ajax Public Library Board

Statement of operations
year ended December 31, 2011

	Budget (Unaudited - Note 4)	2011	2010
	\$	\$	\$
Revenues			
Contributions from own municipality			
Operating	3,447,800	3,447,800	3,191,500
Capital	80,000	80,000	82,711
Fines and miscellaneous	138,300	128,327	131,283
Province of Ontario grant			
Per household	83,300	83,286	83,286
Pay equity	71,400	71,368	71,368
Other grants	3,000	51,325	29,118
Donations	1,200	1,248	4,070
Interest earned	1,600	4,788	2,069
	3,826,600	3,868,142	3,595,405
Expenses			
Salaries and benefits	2,879,200	2,828,751	2,803,406
Materials and supplies	278,000	242,245	225,128
Utilities, services and rent	267,200	248,532	245,853
Amortization	-	401,992	384,275
	3,424,400	3,721,520	3,658,662
Annual surplus (deficit) (Note 4)	402,200	146,622	(63,257)
Accumulated surplus, beginning of year	1,356,278	1,356,278	1,419,535
Accumulated surplus, end of year	1,758,478	1,502,900	1,356,278

Corporation of the Town of Ajax Public Library Board

Statement of change in net debt year ended December 31, 2011

	Budget (Unaudited - Note 4)	2011	2010
	\$	\$	\$
Annual surplus (deficit)	402,200	146,622	(63,257)
Acquisition of tangible capital assets	(447,200)	(438,016)	(441,047)
Amortization of tangible capital assets	-	401,992	384,275
	(45,000)	110,598	(120,029)
Prepaid expenses incurred	-	(18,108)	(16,958)
Use of prepaid expenses	-	16,958	16,177
	-	(1,150)	(781)
Net change in net (debt) financial assets	(45,000)	109,448	(120,810)
Net debt, beginning of year	(123,115)	(123,115)	(2,305)
Net debt, end of year	(168,115)	(13,667)	(123,115)

Corporation of the Town of Ajax Public Library Board

Statement of cash flows year ended December 31, 2011

	2011	2010
	\$	\$
Operating activities		
Annual surplus (deficit)	146,622	(63,257)
Item not involving cash		
Amortization	401,992	384,275
Decrease (increase) in accounts receivable	28,731	(13,349)
Increase (decrease) in accounts payable	16,612	(52,302)
Increase in prepaid expenses	(1,150)	(781)
Increase (decrease) in payable to own municipality	27,479	(24,293)
Increase in employee future benefits payable	10,268	16,201
	630,554	246,494
Capital transactions		
Acquisition of tangible capital assets	(438,016)	(441,047)
Net change in cash	192,538	(194,553)
Cash, beginning of year	67,135	261,688
Cash, end of year	259,673	67,135

Corporation of the Town of Ajax

Public Library Board

Notes to the financial statements
December 31, 2011

1. Summary of significant accounting policies

Management responsibility

The financial statements of the Corporation of the Town of Ajax Public Library Board are the representation of management prepared in accordance with standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Basis of accounting

The focus of these financial statements is on the financial position of the Library Board and the changes thereto. The statement of financial position includes all the financial assets and liabilities of the Board. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Net debt forms part of the financial position and is the difference between financial assets and liabilities. This provides information about the Board's overall future revenue requirements and its ability to finance activities and meet its obligations.

Estimates and measurement

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations, particularly for balances such as employee future benefits payable. For these, management uses estimates based on assumptions and calculations contained in reports completed by actuarial experts. Actual results can differ from the estimates due to uncertainty. The reports and cost calculations are reviewed and updated periodically at which time estimates are adjusted if necessary.

Revenues and expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues, as they are earned and measurable; expenses are recognized, as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Government transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

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.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Library collections	7 years
Furniture, fixtures and equipment	10 years

Corporation of the Town of Ajax

Public Library Board

Notes to the financial statements
December 31, 2011

1. Summary of significant accounting policies (continued)

Deferred revenue

Deferred revenues represent grants which have been received but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

2. Employee future benefits payable

The Library Board provides certain employee benefits which will require funding in future periods.

	2011	2010
	\$	\$
Vacation payable	54,062	43,997
Post employment benefits	115,158	114,955
Total estimated liability	169,220	158,952
Less: amount already funded from operations to mitigate the future impact of these obligations	(54,062)	(43,997)
Net amount to be recovered from future revenues	115,158	114,955

a) *Vacation payable*

Vacation pay owing at December 31, 2011 has been funded from operations.

b) *Post employment benefits*

The Library Board sponsors a defined benefit plan for retirement benefits other than pensions for substantially all of its full time employees. The plan provides extended health and dental as well as vision coverage to employees. The plan is unfunded and requires no contribution from employees. Total benefit payments to retirees during the year were \$12,993 (2010 - \$5,926).

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. An actuarial valuation was completed as at December 31, 2011, and the accrued benefit obligation of \$115,158 shown for 2011 (2010 - \$114,955) is based on that valuation. Actual experience cost increases and discount rate adjustments as compared to the previous assumptions have resulted in a net loss of \$13,670 (2010 - \$23,774) which will be amortized over the estimated average remaining service life of the employee group.

The post-employment benefit liability at December 31, 2011 includes the following components:

	2011	2010
	\$	\$
Accrued benefit obligation	140,855	138,729
Unamortized actuarial losses	(25,697)	(23,774)
Post employment benefit liability	115,158	114,955

Corporation of the Town of Ajax

Public Library Board

Notes to the financial statements
December 31, 2011

2. Employee future benefits payable (continued)

b) Post employment benefits (continued)

The calculation of the actuarial valuation at December 31, 2011 was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates, however, actual experience may vary from these estimates. The main actuarial assumptions employed for the valuation are as follows:

Expected inflation rate	2.50%
Discount rate	4.50%
Medical cost increases	8.05%
First year	
Decreasing over 10 years to	1% plus CPI
Expected rate of dental cost coverage	1% plus CPI
Estimated average remaining service life of the employee group	10.5 years

The post employment benefit expense is reported as a component of current expenses on the statement of operations. Composition of the amount is as follows:

	2011	2010
	\$	\$
Current year benefit cost	4,215	4,085
Amortization of actuarial losses	2,264	1,302
Post-employment benefit expense	6,479	5,387
Interest on Post employment benefit liability	6,717	6,686
Total expense related to post employment benefits	13,196	12,073

c) Pension agreement

The Library Board makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), a multi-employer pension plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 400,000 active and retired members and approximately 928 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial value of the Plan was conducted at December 31, 2011. The results of this valuation disclosed total actuarial liabilities of \$64,548 million in respect of benefits accrued for service with actuarial assets at that date of \$57,258 million indicating an actuarial deficit of \$7,290 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the library does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2011 was \$170,100 (2010 - \$143,021).

Corporation of the Town of Ajax

Public Library Board

Notes to the financial statements
December 31, 2011

3. Accumulated surplus

	2011	2010
	\$	\$
Operating fund	119,599	8,798
Invested in capital assets (Note 6)	1,498,459	1,462,435
Employee future benefits payable (Note 2)	(115,158)	(114,955)
	1,502,900	1,356,278

4. Budget figures

The budget adopted by the Library Board on February 22, 2011 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget adopted by Council on February 7, 2011 with adjustments as follows:

	2011	2010
	\$	\$
Budgeted deficit for the year	(45,000)	(75,000)
Add: capital expenditures	447,200	437,200
Budgeted surplus per statement of operations	402,200	362,200

5. Lease commitments

a) Building rentals

The three library locations are owned by the Town of Ajax. The library contributed \$236,055 (2010 - \$242,096) in the year for the use of those facilities.

b) Equipment

The Library Board has entered into 7 lease agreements for office equipment. The committed expenditures for the remaining terms are as follows:

	\$
2012	47,180
2013	47,180
2014	35,385
	129,745

Corporation of the Town of Ajax Public Library Board

Notes to the financial statements
December 31, 2011

6. Tangible capital assets

	2011			2010		
	Collections	Furniture and equipment	Total	Collections	Furniture and equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, beginning of year	3,062,067	9,851	3,071,918	3,058,907	-	3,058,907
Additions	438,016	-	438,016	431,196	9,851	441,047
Writeoffs	(324,086)	-	(324,086)	(428,036)	-	(428,036)
Balance, end of year	3,175,997	9,851	3,185,848	3,062,067	9,851	3,071,918
Accumulated amortization						
Balance, beginning of year	1,608,699	784	1,609,483	1,653,244	-	1,653,244
Amortization expense	400,826	1,166	401,992	383,491	784	384,275
Writeoffs	(324,086)	-	(324,086)	(428,036)	-	(428,036)
Balance, end of year	1,685,439	1,950	1,687,389	1,608,699	784	1,609,483
Net book value, end of year	1,490,558	7,901	1,498,459	1,453,368	9,067	1,462,435