

Consolidated financial statements of

Corporation of the Town of Ajax

December 31, 2012

Corporation of the Town of Ajax

December 31, 2012

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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, 2012, 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, 2012 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 LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 7, 2013

Corporation of the Town of Ajax

Consolidated statement of financial position as at December 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash (Note 3)	68,684,607	71,886,945
Temporary investments (Note 3)	50,000	-
Inventories for resale	8,292	10,170
Land held for resale	500,775	6,435,641
Taxes receivable	10,436,065	10,494,978
Accounts receivable	13,029,984	11,205,359
Investment in government business enterprise (Note 5)	54,616,869	52,855,221
	147,326,592	152,888,314
Liabilities		
Accounts payable and other liabilities	19,925,659	18,305,326
Deferred revenue (Note 6)	22,226,428	28,060,178
Accrued interest on municipal debt	143,158	154,873
Municipal debt (Note 7)	11,310,792	12,174,047
Employee benefits payable (Note 8)	5,537,890	5,125,871
Landfill post-closure liability (Note 9)	519,880	506,246
	59,663,807	64,326,541
Contingencies and commitments (Note 11)		
Net financial assets	87,662,785	88,561,773
Non-financial assets		
Tangible capital assets (Note 13)	452,417,482	412,373,246
Construction in progress (Note 13)	29,342,538	12,267,181
Inventories of supplies	194,670	213,297
Prepaid expenses	755,840	971,081
	482,710,530	425,824,805
Accumulated surplus (Note 10)	570,373,315	514,386,578

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

Corporation of the Town of Ajax

Consolidated statement of operations year ended December 31, 2012

	2012 budget (Note 12)	2012	2011
	\$	\$	\$
Revenue			
Net taxation	50,074,904	50,392,452	48,470,085
Taxation from other governments	581,600	581,927	580,739
User charges	11,660,000	12,759,754	14,372,047
Government grants	215,300	284,463	3,258,116
Gaming and casino revenues	6,276,500	6,893,533	6,535,433
Restricted funds earned (Note 6)	11,945,700	15,629,090	12,164,709
Investment income	1,648,500	1,903,111	1,773,094
Penalties and interest on taxes receivable	1,650,000	1,772,349	1,718,787
Donations and contributions from developers (Note 13)	49,100	44,548,355	20,552,555
Income from government business enterprise (Note 5)	-	3,270,348	3,004,881
Other	388,200	10,713,433	2,115,618
(Loss) on disposal of tangible capital assets	-	(459,932)	(81,827)
	84,489,804	148,288,883	114,464,237
Expenses (Note 14)			
General government	12,174,300	28,732,748	12,372,577
Protection to persons and property	19,129,800	18,700,593	17,450,484
Transportation services	14,297,200	14,246,608	14,115,499
Environmental services	2,445,000	2,596,174	2,599,416
Health services	125,000	125,000	125,000
Social and family services	176,500	173,153	154,840
Recreation and culture services	23,970,200	23,956,960	22,853,661
Planning and development	3,935,800	3,770,910	3,786,247
	76,253,800	92,302,146	73,457,724
Annual surplus	8,236,004	55,986,737	41,006,513
Accumulated surplus, beginning of year	514,386,578	514,386,578	473,380,065
Accumulated surplus, end of year	522,622,582	570,373,315	514,386,578

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

Corporation of the Town of Ajax

Consolidated statement of change in net financial assets year ended December 31, 2012

	2012 budget (Note 12)	2012	2011
	\$	\$	\$
Annual surplus	8,236,004	55,986,737	41,006,513
Acquisition of tangible capital assets	(7,803,400)	(56,109,686)	(42,167,448)
Amortization of tangible capital assets	14,169,000	15,216,804	13,973,357
Loss on sale of tangible capital assets	-	459,932	81,827
Proceeds on sale of tangible capital assets	-	388,714	712,427
	14,601,604	15,942,501	13,606,676
Additions to construction in progress	(21,930,200)	(18,194,841)	(9,852,033)
Transfer of construction in progress to tangible capital assets	-	1,119,403	5,994,882
Construction in progress expensed	-	81	124,641
	(21,930,200)	(17,075,357)	(3,732,510)
Acquisition inventory of supplies	-	(194,670)	(213,297)
Use/consumption of inventory of supplies	-	213,297	259,500
Acquisition of prepaid expenses	-	(755,840)	(971,081)
Use/consumption of prepaid expenses	-	971,081	643,619
	-	233,868	(281,259)
Net change in net financial assets	(7,328,596)	(898,988)	9,592,907
Net financial assets, beginning of year	87,712,785	88,561,773	78,968,866
Net financial assets, end of year	80,384,189	87,662,785	88,561,773

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

Corporation of the Town of Ajax

Consolidated statement of cash flows year ended December 31, 2012

	2012	2011
	\$	\$
Operating activities		
Annual surplus	55,986,737	41,006,513
Items not involving cash		
Income from investment in government business enterprise	(3,270,348)	(3,004,881)
Amortization	15,216,804	13,973,357
Loss on disposal of tangible capital assets	459,932	81,827
Value of contributed tangible capital assets recognized as revenue	(44,548,355)	(20,405,916)
	23,844,770	31,650,900
Changes in non-cash assets and liabilities		
Increase in accounts receivable	(1,824,625)	(8,382)
Decrease (Increase) in taxes receivable	58,913	(33,833)
Increase (Decrease) in accounts payable and other liabilities	1,620,333	(1,897,650)
Decrease in deferred revenue	(5,833,750)	(1,134,003)
Decrease in land for resale	5,934,866	12,886
Decrease (Increase) in inventory held for resale	1,878	(1,012)
Decrease in inventories of supplies	18,627	46,203
Decrease (Increase) in prepaid expenses	215,241	(327,462)
Increase in employee benefits payable	412,019	391,572
Increase in landfill post-closure liability	13,634	17,344
	24,461,906	28,716,563
Capital transactions		
Acquisition of tangible capital assets	(56,109,686)	(42,167,448)
Contributed tangible capital assets	44,548,355	20,405,916
(Increase) decrease in construction in progress	(17,075,357)	(3,732,510)
Proceeds on disposal of tangible capital assets	388,714	712,427
	(28,247,974)	(24,781,615)
Investing activity		
Dividend from government business enterprise	1,508,700	1,945,260
Financing activities		
Municipal debt repaid	(863,255)	(1,424,453)
Decrease in accrued interest on municipal debt	(11,715)	(11,051)
	(874,970)	(1,435,504)
Net change in cash and temporary investments	(3,152,338)	4,444,704
Cash and temporary investments, beginning of year	71,886,945	67,442,241
Cash and temporary investments, end of year (Note 3)	68,734,607	71,886,945

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

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, 2012

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	20-50 years
Computer hardware/software	5 years
Vehicles and rolling equipment	7-20 years
Furniture fixtures and equipment	5-20 years
Road network	20-75 years
Storm water network	25-75 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, 2012

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	95,235,700	40,338,869
Payments in lieu of taxes	444,639	351,612
	<u>95,680,339</u>	<u>40,690,481</u>

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

3. Cash and temporary investments

	2012	2011
	\$	\$
Unrestricted		
Cash	41,653,726	37,597,135
Temporary investments	50,000	-
	41,703,726	37,597,135
Restricted		
Cash (Note 4)	27,030,881	34,289,810
	27,030,881	34,289,810
	68,734,607	71,886,945

Cash is held on deposit earning interest on a monthly basis. The interest rate is based on average balances and will fluctuate based on the bank's prime rate. The temporary investments consist of a \$50,000 redeemable GIC maturing on September 19, 2013 at an interest rate of 1.15%.

4. Restricted assets

	2012	2011
	\$	\$
Cash (Note 3)	27,030,881	34,289,810
Interest receivable	43,142	36,216
Due to own municipality	(2,269,299)	(5,163,721)
	24,804,724	29,162,305
Consists of		
Obligatory funds in deferred revenue (Note 6)	21,292,820	27,145,996
Reserve funds	3,511,904	2,016,309
	24,804,724	29,162,305

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

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:

(In thousands)	2012	2011
	\$	\$
Financial position		
Assets		
Current	86,594	79,455
Capital and intangibles	191,528	183,895
Other	21,919	19,296
Total assets	300,041	282,646
Liabilities		
Current	49,230	69,996
Long-term debt	115,553	86,649
Other	26,202	22,433
	190,985	179,078
Shareholders' equity		
Share capital	67,260	67,260
Contributed capital	25	25
Retained earnings	41,771	36,283
	109,056	103,568
Total liabilities and equity	300,041	282,646
Results of operations		
Revenue	295,957	286,271
Other income	117	4,313
Unrealized loss	67	2,644
Expenses	285,551	282,498
Earnings from discontinued operations	(268)	3,919
Net earnings for the year	10,188	9,361

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

5. Investment in Veridian Corporation (continued)

(b) Equity in Veridian Corporation

	2012	2011
	\$	\$
Balance, beginning of year	52,855,221	51,795,600
Equity share of net earnings for the year	3,270,348	3,004,881
Dividend received from Veridian Corporation	(1,508,700)	(1,945,260)
Balance, end of year	54,616,869	52,855,221

(c) Promissory note receivable

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

	2012	2011
	\$	\$
Veridian Corporation	5,550,000	5,550,000
Veridian Connections Inc.	14,060,000	14,060,000
	19,610,000	19,610,000

The note issued by Veridian Corporation matured on November 1, 2012 and has been amended with a new maturity date of December 31, 2015 as per bylaw 135-2012.

The interest rate of the note issued by Veridian Corporation, remained unchanged, and 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, 2012

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) Contractual obligation - Hydro One

The Corporation's subsidiary, Veridian Connections Inc. ("VCI"), is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One 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, 2012 (2011 - \$1,212,000), based on management's best estimate of the present value of the future transformation connection revenue shortfall. Hydro One will perform a true-up based on actual load at the end of the fifth, tenth and fifteenth anniversaries of the in-service date.

(iii) 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 \$206,000, which has been recorded as a liability at December 31, 2012. 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:

	\$
2013	32,000
2014	32,000
2015	32,000
2016	24,000
2017	2,000
Thereafter	70,000
	<u>192,000</u>

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

6. Deferred revenue

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

	2012	2011
	\$	\$
Obligatory reserve funds		
Development charges	15,602,531	20,553,353
Gas tax	3,557,505	3,021,139
Recreational land	662,202	1,973,550
Building approvals	1,470,582	1,597,954
	21,292,820	27,145,996
Other		
Other unearned revenues	933,608	914,182
	22,226,428	28,060,178

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	20,553,353	3,021,139	1,973,550	1,597,954	27,145,996
Restricted funds received	6,359,778	2,765,873	299,206	-	9,424,857
Interest earned	287,745	42,772	20,540	-	351,057
Revenue recognized	(11,598,345)	(2,272,279)	(1,631,094)	(127,372)	(15,629,090)
Closing balance	15,602,531	3,557,505	662,202	1,470,582	21,292,820

7. Municipal debt

	2012	2011
	\$	\$

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

14,113,833 15,622,104

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 1,200,000

Amount to be recovered from future revenue

15,313,833 16,822,104

Less: amount owed to operating fund

(4,003,041) (4,648,057)

Net municipal debt

11,310,792 12,174,047

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

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 2013 is \$1,408,392 including principal and interest, and the timing of principal repayments are as follows to be paid from general municipal revenues:

	\$
2013	905,188
2014	950,311
2015	2,197,684
2016	1,048,373
2017 to 2021	6,209,236
	<hr/> 11,310,792

The above debt issued in the name of the Town 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 2012 and included in expenses is \$531,969 (2011 - \$570,144).

8. Employee benefits payable

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

	2012	2011
	\$	\$
Vacation payable	1,204,884	1,125,645
Post employment benefits	4,096,407	3,767,227
Council severance	236,599	232,999
	<hr/> 5,537,890	5,125,871
Less: amount already funded from operations to mitigate the future impact of these obligation	(574,664)	(537,061)
Unfunded portion	<hr/> 4,963,226	4,588,810

a) Vacation payable

Vacation pay owing at December 31, 2012 has been partially funded from operations and is 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 \$169,228 (2011 - \$145,498).

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 \$5,426,651 for 2012 is based on an extrapolation of that valuation.

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

8. Employee benefits payable (continued)

b) Post employment benefits (continued)

The post-employment benefit liability at December 31, 2012 includes the following components:

	2012	2011
	\$	\$
Actuarially determined accrued benefit obligation	5,426,651	4,870,110
Unamortized actuarial losses	(1,330,244)	(1,102,883)
	4,096,407	3,767,227

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 Town'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	3.75 %
Medical cost increases	
First year	7.40 %
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:

	2012	2011
	\$	\$
Current year benefit cost	196,977	169,071
Amortization of actuarial losses	81,652	68,535
Interest on post-employment benefit liability	219,779	219,617
	498,408	457,223

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 428,947 active and retired members and 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,292 million in respect of benefits accrued for service with actuarial assets at that date of \$59,368 million indicating an actuarial deficit of \$9,924 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 2012 was \$2,720,995 (2011 - \$2,448,976).

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

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, 2012 totalling \$236,599 (2011 - \$232,999) 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 10).

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, 2012 is \$519,880 (2011 - \$506,246). Composition of the liability is as follows:

	2012	2011
	\$	\$
Liability, beginning of the year	506,246	488,902
Expenses	(13,829)	(9,290)
Cost adjustment to account for inflation	27,463	26,634
	519,880	506,246

10. Accumulated surplus

	2012	2011
	\$	\$
Surplus - BIAs and Library	259,169	148,995
Invested in tangible capital assets	452,417,482	412,373,246
Invested in construction in progress	29,342,538	12,267,181
Municipal debt (Note 7)	(11,310,792)	(12,174,047)
Internal debt - owing to operating fund (Note 7)	(4,003,041)	(4,648,057)
Internal capital fund	(63,446)	2,074,689
Reserve/reserve fund balances	54,096,867	50,148,765
Equity in government business enterprise (Note 5)	54,616,869	52,855,221
Employee benefits payable (Note 8)	(4,963,226)	(4,588,810)
Landfill post-closure (Note 9)	(519,880)	(506,246)
Land for resale	500,775	6,435,641
	570,373,315	514,386,578

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

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, 2012 the Town had awarded contracts in the amount of \$87,893,400 (2011 - \$92,582,300) but only \$74,655,900 (2011 - \$63,142,200) of those awarded amounts had been spent. The remaining contractual commitments of \$13,237,500 (2011 - \$29,440,100) 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 Town 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 Town does not recognize any share of the DMIP surplus or deficit, but has made provision for a self-insurance reserve amounting to \$739,600 (2011 - \$739,600) and estimated deductible amounts of \$77,355 (2011 - \$97,700) for all outstanding claims.

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

12. Budget figures

The 2012 Budget adopted by Council on February 13, 2012 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 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 13, 2012 with adjustments as follows:

	2012 budget adopted by Council	Non TCA expenditures from capital	Amortization/ post emp ben/ landfill costs	2012 budget presented in statements
	\$	\$	\$	\$
Revenue				
Taxation	50,656,504	-	-	50,656,504
Restructured funds earned	11,784,100	-	-	11,784,100
Other	22,049,200	-	-	22,049,200
	<u>84,489,804</u>	<u>-</u>	<u>-</u>	<u>84,489,804</u>
Expenses				
General government	10,769,000	243,400	1,161,900	12,174,300
Protection	17,811,600	122,700	1,195,500	19,129,800
Transportation	6,133,500	1,405,300	6,758,400	14,297,200
Environmental	583,000	-	1,862,000	2,445,000
Health	125,000	-	-	125,000
Social and family	176,500	-	-	176,500
Recreation and culture	19,530,400	829,300	3,610,500	23,970,200
Planning and development	3,661,500	227,500	46,800	3,935,800
	<u>58,790,500</u>	<u>2,828,200</u>	<u>14,635,100</u>	<u>76,253,800</u>
Annual surplus	25,699,304	<u>(2,828,200)</u>	<u>(14,635,100)</u>	<u>8,236,004</u>
Capital expenditures	(33,027,400)			
Transfers to (from)				
reserve/reserve funds	(4,482,700)			
Transfer GBE dividends	1,508,700			
Debt proceeds	11,782,000			
Debt repayment	(1,508,300)			
Budgeted use of prior year surplus	<u>(28,396)</u>			
Consists of				
Ajax Public Library	-			
Ajax Downtown BIA	(29,086)			
Pickering Village BIA	690			
Town of Ajax	-			
	<u>(28,396)</u>			

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

13. Tangible capital assets

	2012										
	General assets					Infrastructure assets					
	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	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
Additions	25,376,843	2,304,386	231,694	1,194,765	142,075	780,868	13	18,828,815	7,088,120	162,107	56,109,686
Disposals	-	(492,148)	(88,280)	(209,936)	(245,718)	(534,149)	(1)	(1,612,573)	-	(238,762)	(3,421,567)
Cost, end of year	124,014,412	40,025,171	91,284,745	10,278,185	943,917	10,469,351	7,091,931	241,781,903	82,562,075	5,751,672	614,203,362
Accumulated amortization, beginning 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
Amortization	-	1,863,369	2,375,962	742,580	152,837	1,042,901	-	6,646,807	1,968,697	423,651	15,216,804
Disposals	-	(419,998)	(58,596)	(200,322)	(245,718)	(534,149)	-	(880,985)	-	(233,153)	(2,572,921)
Accumulated amortization, end of year	-	16,835,295	20,882,317	5,428,434	622,011	6,044,644	-	85,196,230	23,511,767	3,265,182	161,785,880
Net book value, beginning 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
Net book value, end of year	124,014,412	23,189,876	70,402,428	4,849,751	321,906	4,424,707	7,091,931	156,585,673	59,050,308	2,486,490	452,417,482

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

13. Tangible capital assets (continued)

	2011										
	General assets					Infrastructure assets					
	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, 2012

13. Tangible capital assets (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$29,342,538 (2011 - \$12,267,181).

Assets contributed to the Town in 2012, consisting of Land, Road Network and Storm Water Network, had a fair market value of \$42,884,804 (2011 - \$20,405,916). 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	4,114,480	616,130	7,256,178
Additions	-	599,397	-	599,397
Disposals	-	(246,767)	-	(246,767)
Cost, end of year	2,525,568	4,467,110	616,130	7,608,808
Accumulated amortization, beginning of year	386,514	1,903,574	419,621	2,709,709
Amortization	51,977	184,239	24,645	260,861
Disposals	-	(185,367)	-	(185,367)
Accumulated amortization, end of year	438,491	1,902,446	444,266	2,785,203
Net book value, beginning of year	2,139,054	2,210,906	196,509	4,546,469
Net book value, end of year	2,087,077	2,564,664	171,864	4,823,605

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

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, 2012

14. Segmented information (continued)

	2012								
	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	15,867,821	10,327,508	7,867,769	1,433,752	164,657	13,230,366	2,082,506	-	50,974,379
User charges	460,860	1,194,817	524,592	220,975	28,265	7,197,389	3,132,856	-	12,759,754
Government grants	-	-	36,358	-	-	243,105	5,000	-	284,463
Gaming and casinos	2,145,889	1,396,643	1,064,000	193,894	22,267	1,789,212	281,628	-	6,893,533
Investment income	592,420	385,574	293,740	53,529	6,147	493,951	77,750	-	1,903,111
Restricted funds earned	1,543,129	133,553	3,993,890	-	-	9,879,332	79,186	-	15,629,090
Penalties and interest on taxes	551,714	359,081	272,558	49,851	5,725	460,012	72,408	-	1,771,349
Donations and contributed assets	-	-	12,784,501	7,494,027	-	24,269,827	-	-	44,548,355
Government business enterprise	-	-	-	-	-	-	-	3,270,348	3,270,348
Gain (loss) on disposal	9,533,374	347,145	264,464	48,194	5,535	444,720	70,001	-	10,713,433
Other	188	1,611	(363,518)	-	-	(99,251)	1,038	-	(459,932)
	30,695,395	14,145,932	26,738,354	9,494,222	232,596	57,908,663	5,802,373	3,270,348	148,287,883
Expenses									
Salaries, wages and benefits	7,861,441	15,438,963	3,477,445	264,533	-	13,298,109	3,258,014	-	43,598,505
Materials, supplies and services	2,092,614	946,246	2,382,364	146,187	4,034	4,354,001	525,433	-	10,450,879
Contracted services	1,147,949	586,368	1,258,157	174,956	39,935	1,537,070	280,615	-	5,025,050
Rents and financial expenses	16,742,552	33,870	212,146	-	8,894	146,222	10,549	-	17,154,233
Amortization	1,134,551	1,088,811	7,252,998	1,968,697	-	3,768,956	2,792	-	15,216,805
Other	(246,359)	606,335	(336,502)	41,801	245,290	852,602	(306,493)	-	856,674
	28,732,748	18,700,593	14,246,608	2,596,174	298,153	23,956,960	3,770,910	-	92,302,146
Annual surplus	1,962,647	(4,554,661)	12,491,746	6,898,048	(65,557)	33,951,703	2,031,463	3,270,348	55,985,737

Corporation of the Town of Ajax

Notes to the consolidated financial statements

December 31, 2012

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

Financial statements of

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

December 31, 2012

Corporation of the Town of Ajax Public Library Board

December 31, 2012

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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, 2012, and the statements of operations, change in net assets (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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 25, 2013

Corporation of the Town of Ajax Public Library Board

Statement of financial position
as at December 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	402,789	259,673
Short term investments	50,000	-
Accounts receivable	33,157	-
	485,946	259,673
Liabilities		
Accounts payable and accrued liabilities	76,389	57,646
Employee future benefits payable (Note 2)	206,448	169,220
Deferred revenue	70,822	20,822
Due to own municipality	24,944	25,652
	378,603	273,340
Net financial assets (debt)	107,343	(13,667)
Non-financial assets		
Tangible capital assets (Note 6)	1,581,723	1,498,459
Prepaid expenses	20,235	18,108
	1,601,958	1,516,567
Accumulated surplus	1,709,301	1,502,900

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

Corporation of the Town of Ajax Public Library Board

Statement of operations
year ended December 31, 2012

	Budget	2012	2011
	\$	\$	\$
	(Note 4)		
Revenues			
Contributions from own municipality			
Operating	3,696,100	3,696,100	3,447,800
Capital	80,000	80,000	80,000
Fines and miscellaneous	131,100	116,538	128,327
Province of Ontario Grant			
Per household	83,300	83,286	83,286
Pay equity	71,400	71,368	71,368
Other Grants	3,000	25,881	51,325
Donations	300	27,110	1,248
Interest earned	3,600	8,002	4,788
	4,068,800	4,108,285	3,868,142
Expenses			
Salaries and benefits	3,065,700	2,971,306	2,828,751
Materials and supplies	291,100	272,494	242,245
Utilities, services and rent	246,400	232,057	248,532
Amortization	-	426,027	401,992
	3,603,200	3,901,884	3,721,520
Annual surplus	465,600	206,401	146,622
Accumulated surplus, beginning of year	1,502,900	1,502,900	1,356,278
Accumulated surplus, end of year	1,968,500	1,709,301	1,502,900

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

Corporation of the Town of Ajax Public Library Board

Statement of changes in net financial assets (debt) year ended December 31, 2012

	Budget	2012	2011
	\$	\$	\$
Annual surplus	465,600	206,401	146,622
Acquisition of tangible capital assets	(465,600)	(509,291)	(438,016)
Amortization of tangible capital assets	-	426,027	401,992
	-	123,137	110,598
Acquisition of prepaid expenses	-	(20,235)	(18,108)
Use of prepaid expenses	-	18,108	16,958
	-	(2,127)	(1,150)
Net change in net financial assets	-	121,010	109,448
Net debt, beginning of year	(13,667)	(13,667)	(123,115)
Net financial assets (debt), end of year	(13,667)	107,343	(13,667)

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

Corporation of the Town of Ajax Public Library Board

Statement of cash flows
year ended December 31, 2012

	2012	2011
	\$	\$
Operating activities		
Annual surplus	206,401	146,622
Item not involving cash		
Amortization	426,027	401,992
(Increase) decrease in accounts receivable	(33,157)	28,731
Increase in short term investments	(50,000)	-
Increase in accounts payable and accrued liabilities	18,743	16,612
Increase in prepaid expenses	(2,127)	(1,150)
(Decrease) increase in due to own municipality	(708)	27,479
Increase in deferred revenue	50,000	-
Increase in employee benefits payable	37,228	10,268
	652,407	630,554
Capital transactions		
Acquisition of tangible capital assets	(509,291)	(438,016)
Net change in cash	143,116	192,538
Cash, beginning of year	259,673	67,135
Cash, end of year	402,789	259,673

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

Corporation of the Town of Ajax

Public Library Board

Notes to the financial statements
December 31, 2012

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	5-10 years
Vehicles	7 years

Corporation of the Town of Ajax

Public Library Board

Notes to the financial statements
December 31, 2012

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.

	2012	2011
	\$	\$
Vacation payable	88,065	54,062
Post employment benefits	118,383	115,158
Total estimated liability	206,448	169,220
Less: amount already funded from operations to mitigate the future impact of these obligations	(88,065)	(54,062)
Net amount to be recovered from future revenues	118,383	115,158

a) *Vacation payable*

Vacation pay owing at December 31, 2012 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 \$11,733 (2011 - \$12,993).

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, 2012, and the accrued benefit obligation of \$118,383 shown for 2012 (2011 - \$115,158) 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 \$20,484 (2011 - \$2,126) which will be amortized over the estimated average remaining service life of the employee group.

The post-employment benefit liability at December 31, 2012 includes the following components:

	2012	2011
	\$	\$
Accrued benefit obligation	161,339	140,855
Unamortized actuarial losses	(42,956)	(25,697)
Post employment benefit liability	118,383	115,158

Corporation of the Town of Ajax

Public Library Board

Notes to the financial statements
December 31, 2012

2. Employee future benefits payable (continued)

b) Post employment benefits (continued)

The calculation of the actuarial valuation at December 31, 2012 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	3.75%
Medical cost increases	7.40%
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:

	2012	2011
	\$	\$
Current year benefit cost	6,295	4,215
Amortization of actuarial losses	2,447	2,264
Post-employment benefit expense	8,742	6,479
Interest on Post employment benefit liability	6,216	6,717
Total expense related to post employment benefits	14,958	13,196

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 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,122 million in respect of benefits accrued for service with actuarial assets at that date of \$59,198 million indicating an actuarial deficit of \$9,924 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 2012 was \$200,880 (2011 - \$170,100).

Corporation of the Town of Ajax

Public Library Board

Notes to the financial statements
December 31, 2012

3. Accumulated surplus

	2012	2011
	\$	\$
Operating fund	245,961	119,599
Invested in capital assets (Note 6)	1,581,723	1,498,459
Employee future benefits payable (Note 2)	(118,383)	(115,158)
	1,709,301	1,502,900

4. Budget figures

The budget adopted by the Library Board on February 23, 2012 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards 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, 2012 with adjustments as follows:

	2012	2011
	\$	\$
Budgeted deficit for the year	-	(45,000)
Add: tangible capital asset acquisitions	465,600	447,200
Budgeted surplus per statement of operations	465,600	402,200

5. Lease commitments

a) Building rentals

The three library locations are owned by the Town of Ajax. The library contributed \$221,594 (2011 – \$236,055) 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:

	\$
2013	47,180
2014	35,385
	82,565

Corporation of the Town of Ajax Public Library Board

Notes to the financial statements
December 31, 2012

6. Tangible capital assets

	2012				2011		
	Collections	Furniture and equipment	Vehicles	Total	Collections	Furniture and equipment	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, beginning							
of year	3,175,997	9,851	-	3,185,848	3,062,067	9,851	3,071,918
Additions	480,173	5,452	23,666	509,291	438,016	-	438,016
Writeoffs	(302,412)	-		(302,412)	(324,086)	-	(324,086)
Balance, end of year	3,353,758	15,303	23,666	3,392,727	3,175,997	9,851	3,185,848
Accumulated amortization							
Balance, beginning							
of year	1,685,439	1,950	-	1,687,389	1,608,699	784	1,609,483
Amortization expense	422,224	2,113	1,690	426,027	400,826	1,166	401,992
Writeoffs	(302,412)	-		(302,412)	(324,086)	-	(324,086)
Balance, end of year	1,805,251	4,063	1,690	1,811,004	1,685,439	1,950	1,687,389
Net book value, end							
of year	1,548,507	11,240	21,976	1,581,723	1,490,558	7,901	1,498,459

Financial statements of

Corporation of the Town of Ajax
Ajax Downtown Business Improvement Area

December 31, 2012

Corporation of the Town of Ajax

Ajax Downtown Business Improvement Area

December 31, 2012

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of 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, 2012, 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Charter Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 25, 2013

Corporation of the Town of Ajax

Ajax Downtown Business Improvement Area

Statement of financial position

as at December 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	933	602
HST receivable	132	331
Due from Town of Ajax	9,513	28,483
	10,578	29,416
Liability		
Accounts payable	262	330
Accumulated surplus	10,316	29,086

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

Corporation of the Town of Ajax

Ajax Downtown Business Improvement Area

Statement of operations

year ended December 31, 2012

	Budget	2012	2011
	\$	\$	\$
Revenues			
Municipal tax levy (Note 4)	(3,586)	(3,586)	20,315
Sign advertising	-	330	-
	(3,586)	(3,256)	20,315
Expenses			
Office	500	283	137
Landscape maintenance and improvements	15,000	11,385	2,000
Promotion and advertising	5,000	-	-
Audit	2,500	1,882	1,882
Sign maintenance and hydro	2,500	1,964	1,895
Total expenses	25,500	15,514	5,914
Annual (deficit) surplus	(29,086)	(18,770)	14,401
Accumulated surplus, beginning of year	29,086	29,086	14,685
Accumulated surplus, end of year	-	10,316	29,086

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

Corporation of the Town Ajax

Ajax Downtown Business Improvement Area

Notes to the financial statements

December 31, 2012

1. Summary of significant accounting policies

Nature of business

The Board is accountable to the Council of the Corporation of the Town of Ajax (the "Town"), with the goal of promoting the Downtown Ajax business area.

Management responsibility

The financial statements of the Ajax Downtown Business Improvement Area of the Corporation of the Town of Ajax are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and standards 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 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 business improvement area. 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

Ajax Downtown Business Improvement Area 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.

Tangible capital assets

The historical cost and accumulated amortization of tangible capital assets are recorded in accordance with Section 3150, Tangible Capital Assets, of the Municipal Sector Accounting Board Handbook.

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 Ajax Downtown Business Improvement Area 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.

Corporation of the Town Ajax

Ajax Downtown Business Improvement Area

Notes to the financial statements

December 31, 2012

4. **Municipal Tax Levy**

Each year, the municipal tax levy is determined, net of the previous year's surplus. The 2011 surplus exceeded the 2012 municipal tax levy and the excess balance of \$3,586 was refunded to the BIA members in 2012.

Financial statements of

Corporation of the Town of Ajax
Pickering Village Business Improvement Area

December 31, 2012

Corporation of the Town of Ajax
Pickering Village Business Improvement Area
December 31, 2012

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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, 2012, 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 25, 2013

Corporation of the Town of Ajax

Pickering Village Business Improvement Area

Statement of financial position

as at December 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	6,527	8,599
Prepays	298	-
HST Receivable	570	1,064
	7,395	9,663
Liabilities		
Accounts payable	-	160
Due to Town of Ajax	4,503	9,193
	4,503	9,353
Accumulated surplus	2,892	310

The accompanying notes to the financial statements are an integral part of this financial statement.

Corporation of the Town of Ajax

Pickering Village Business Improvement Area

Statement of operations

year ended December 31, 2012

	Budget	2012	2011
	\$	\$	\$
Revenue			
Municipal tax levy (net of tax adjustment)	49,690	49,690	48,380
Miscellaneous	-	9	220
Total revenue	49,690	49,699	48,600
Expenses			
Administration, Office and Audit	2,500	2,586	3,426
Website and Marketing	10,500	81	4,980
Landscape / Maintenance	-	-	800
Festivals and events (Note 2)	11,000	13,200	9,454
Construction / Streetscape	25,000	31,250	31,250
Total expenses	49,000	47,117	49,910
Annual surplus (deficit)	690	2,582	(1,310)
Accumulated surplus, beginning of year	310	310	1,620
Accumulated surplus, end of year	1,000	2,892	310

The accompanying notes to the financial statements are an integral part of this financial statement.

Corporation of the Town Ajax

Pickering Village Business Improvement Area

Notes to the financial statements

December 31, 2012

1. Summary of significant accounting policies

Nature of business

The Board is accountable to the Council of the Corporation of the Town of Ajax (the "Town"), with the goal of promoting the Pickering Village business area.

Management responsibility

The financial statements of the Pickering Village Business Improvement Area 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 business improvement area. 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

Pickering Village Business Improvement Area 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 Pickering Village Business Improvement Area for fundraising and promotion have been reported at their net cost. Gross amounts are as follows:

	2012	2011
	\$	\$
Festivals and events		
Expenditures	13,849	10,482
Less recoveries	649	1,200
Net	13,200	9,282

Corporation of the Town Ajax

Pickering Village Business Improvement Area

Notes to the financial statements

December 31, 2012

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.

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 Pickering Village Business Improvement Area has no tangible capital assets to disclose.

5. Area Improvements

The Pickering Village Business Improvement Area has committed \$100,000 to the Town 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, 2012 the BIA paid \$31,250 (2011: \$31,250) towards the four year commitment.