



Consolidated Financial Statements

The Corporation of the Town of Richmond Hill

December 31, 2013

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Richmond Hill, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

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 the 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 Town'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 Town's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of Richmond Hill as at December 31, 2013, and the consolidated results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Markham, Canada
June 24, 2014

Chartered Accountants
Licensed Public Accountants

The Corporation of the Town of Richmond Hill

Consolidated Statement of Financial Position

For the Year Ended December 31

(\$000's)

2013

2012

Financial assets

| | | |
|--|----------------|----------------|
| Cash and cash equivalents | \$ 105,657 | \$ 123,462 |
| Investments (Note 2) | 314,250 | 259,755 |
| Taxes and payments-in-lieu receivable (Note 4) | 20,797 | 20,658 |
| Accounts receivable | <u>53,117</u> | <u>49,711</u> |
| | <u>493,821</u> | <u>453,586</u> |

Liabilities

| | | |
|---|----------------|----------------|
| Accounts payable and accrued liabilities | 36,334 | 30,099 |
| Other liabilities | 7,659 | 7,122 |
| Deferred revenue (Note 5) | 158,282 | 127,999 |
| Employee future benefits liability (Note 6) | <u>10,702</u> | <u>10,075</u> |
| | <u>212,977</u> | <u>175,295</u> |

Net financial assets

280,844 278,291

Non-financial assets

| | | |
|-----------------------------------|----------------|----------------|
| Tangible capital assets (Note 16) | 708,453 | 701,024 |
| Inventories | 639 | 283 |
| Prepaid expenses | <u>486</u> | <u>605</u> |
| | <u>709,578</u> | <u>701,912</u> |


Accumulated surplus (Note 7)


\$ 990,422 \$ 980,203

Commitments (Note 13)

Contingency (Note 14)

Approved by Council:





See accompanying notes to the financial statements.

The Corporation of the Town of Richmond Hill

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31

| (\$000's) | 2013 | 2013 | 2012 |
|--|----------------------------|-------------------|-------------------|
| | <u>Budget</u> (Note 15) | <u>Actual</u> | <u>Actual</u> |
| Revenue | | | |
| Taxation (Note 8) | \$ 347,137 | \$ 346,788 | \$ 333,105 |
| Less: amounts received for Region and School Boards | <u>(260,481)</u> | <u>(260,499)</u> | <u>(250,221)</u> |
| | 86,656 | 86,289 | 82,884 |
| User charges | 71,579 | 69,606 | 67,622 |
| Grants (Note 9) | 8,412 | 8,363 | 6,632 |
| Permits, penalties, rents and other | 15,789 | 17,223 | 16,160 |
| Investment income | 13,199 | 15,950 | 11,462 |
| Revenue recognized on contributed tangible capital assets | 12,000 | 7,447 | 8,237 |
| Developer and other contributions earned | <u>14,405</u> | <u>12,229</u> | <u>42,127</u> |
| Total revenue | <u>222,040</u> | <u>217,107</u> | <u>235,124</u> |
| Expenses (Note 11) | | | |
| General government | 31,278 | 31,879 | 30,649 |
| Protection to persons and property | 31,360 | 29,434 | 27,406 |
| Transportation services | 41,235 | 25,331 | 23,436 |
| Environmental services | 69,222 | 60,676 | 58,013 |
| Recreation and cultural services | 70,069 | 52,061 | 50,767 |
| Planning and development | 7,984 | 7,227 | 6,289 |
| Health and social services | <u>294</u> | <u>280</u> | <u>207</u> |
| Total expenses | <u>251,442</u> | <u>206,888</u> | <u>196,767</u> |
| Annual surplus (deficit) | (29,402) | 10,219 | 38,357 |
| Accumulated surplus, beginning of year | <u>980,203</u> | <u>980,203</u> | <u>941,846</u> |
| Accumulated surplus, end of year | <u>\$ 950,801</u> | <u>\$ 990,422</u> | <u>\$ 980,203</u> |

See accompanying notes to the financial statements.

The Corporation of the Town of Richmond Hill **Consolidated Statement of Change in Net Financial Assets**

For the Year Ended December 31

| (\$000's) | 2013 | 2013 | 2012 |
|--|----------------------------|--------------------------|-------------------|
| | <u>Budget</u> (Note 15) | <u>Actual</u> | <u>Actual</u> |
| Annual surplus | \$ (29,402) | \$ 10,219 | \$ 38,357 |
| Acquisition of tangible capital assets | (12,000) | (39,575) | (63,183) |
| Amortization of tangible capital assets | 30,770 | 31,528 | 30,768 |
| Gain/loss on disposal of tangible capital assets | | 518 | (3,479) |
| Proceeds from sale of tangible capital assets | | 100 | 4,172 |
| Change in prepaid expenses | | 119 | (65) |
| Change in inventory | | (356) | (44) |
| Change in net financial assets | (10,632) | 2,553 | 6,526 |
| Net financial assets, beginning of year | <u>278,291</u> | <u>278,291</u> | <u>271,765</u> |
| Net financial assets, end of year | \$ <u>267,659</u> | \$ <u>280,844</u> | \$ <u>278,291</u> |

See accompanying notes to the financial statements.

The Corporation of the Town of Richmond Hill

Consolidated Statement of Cash Flows

For the Year Ended December 31

(\$000's)

2013

2012

Operating activities

| | | | | |
|--|----|---------------|----|---------------|
| Annual surplus | \$ | 10,219 | \$ | 38,357 |
| Items not involving cash: | | | | |
| Amortization of tangible capital assets | | 31,528 | | 30,768 |
| Revenue recognized on contributed capital assets | | (7,447) | | (8,237) |
| Gain/loss on disposal of tangible capital assets | | 518 | | (3,479) |
| Change in non-cash assets and liabilities | | | | |
| Change in taxes and payments-in-lieu receivable | | (139) | | 2,617 |
| Change in inventory | | (356) | | (44) |
| Change in prepaid expenses | | 119 | | (65) |
| Change in accounts receivable | | (3,406) | | 121 |
| Change in accounts payable and accrued liabilities | | 6,235 | | (13,727) |
| Change in other liabilities | | 537 | | 711 |
| Change in deferred revenue | | 30,283 | | (3,320) |
| Change in employee future benefits liability | | 627 | | 429 |
| | | <u>68,718</u> | | <u>44,131</u> |

Capital activities

| | | | | |
|---|--|-----------------|--|-----------------|
| Acquisition of tangible capital assets | | (32,127) | | (54,946) |
| Proceeds from sale of tangible capital assets | | <u>100</u> | | <u>4,172</u> |
| | | <u>(32,027)</u> | | <u>(50,774)</u> |

Investing activities

| | | | | |
|---|----|-----------------|----|-----------------|
| Change in investments | | <u>(54,495)</u> | | <u>(70,307)</u> |
| Net change in cash and cash equivalents during the year | | (17,805) | | (76,950) |
| Cash and cash equivalents, beginning of year | | <u>123,462</u> | | <u>200,412</u> |
| Cash and cash equivalents, end of year | \$ | <u>105,657</u> | \$ | <u>123,462</u> |

See accompanying notes to the financial statements.

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

1. Summary of significant accounting policies

The consolidated financial statements of The Corporation of The Town of Richmond Hill (the "Town") are the representations of management prepared in accordance with Canadian public sector accounting standards.

Significant accounting policies adopted include:

(a) i) *Reporting entity*

These consolidated financial statements reflect the assets, liabilities, revenue and expenditures of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees controlled by the Town, including the following:

Richmond Hill Public Library
Village of Richmond Hill Business Improvement Area

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

ii) *Accounting for region and school board*

The taxation, other revenue, expenditures, assets, and liabilities with respect to the operations of The York Region District School Board, The York Region Roman Catholic Separate School Board, and The Region of York are not reflected in the municipal fund balances of these consolidated financial statements.

iii) *Trust Funds*

Trust funds and their related operations administered by the Town are not included in the financial statements but are reported separately on the Trust Funds Statement of Revenue, Expenditure and Fund Balance.

(b) *Basis of accounting*

i) *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on hand, demand deposits and bankers acceptances, all of which are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

ii) *Investments*

Investments are recorded at the lower of cost or market value.

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

1. Summary of significant accounting policies (continued)

(b) Basis of accounting (continued)

iii) Revenue and expenses

Revenue and expenses are reported on the accrual basis of accounting. User charges and permits, penalties, rents and other are recognized as revenue in the period in which the related services are performed; and taxation revenue is recognized as revenue in the period in which the taxable event occurs. Expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

iv) Non-financial assets

Non-financial assets are not available to discharge existing liabilities unless they are sold and are held for use in the provision of services. They have lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Tangible capital and other non-financial assets are accounted for as assets by the Town because they can be used to provide services in future periods.

v) iv.1) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development, or betterment of the assets. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

| <u>Asset Category</u> | <u>Asset Sub Category</u> | <u>Useful Life (in years)</u> |
|---------------------------|---------------------------------|-----------------------------------|
| <u>General assets</u> | | |
| Land improvements | Parks & Parkettes | 10 - 40 |
| Parking Lots | | 15 |
| Buildings | Structural & Architectural Comp | 40 |
| Mechanical | | 25 |
| Electrical | | 20 |
| Vehicles | Vehicles | 3 - 10 |
| Machinery & Equipment | Fire equipment | 5 - 15 |
| Arena & Fitness Equipment | | 4 - 20 |
| Hardware & Software | | 4 - 15 |
| Other | Library Material | 4 - 12 |

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

1. Summary of significant accounting policies (continued)

(b) Basis of accounting (continued)

v) iv.1) Tangible capital assets (continued)

| <u>Asset Category</u> | <u>Asset Sub Category</u> | <u>Useful Life (in years)</u> |
|------------------------------|---------------------------|-----------------------------------|
| <u>Infrastructure Assets</u> | | |
| Roads network | Travelled roads | 20 |
| Sidewalk & walkways | | 40 – 80 |
| Bridges & culverts | | 30 – 100 |
| Water network | Water main | 50 – 100 |
| Valves | | 35 |
| Water meter | | 20 |
| Waste water network | Sanitary sewers | 75 – 100 |
| Pump & Lift station | | 10 – 50 |
| Storm Water network | Storm sewer | 30 – 100 |

Contribution of tangible capital assets

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

Intangible assets

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

Interest capitalization

The Town's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of tangible capital assets.

Amortization

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

iv.2) Inventories

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

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

1. Summary of significant accounting policies (continued)

(b) Basis of accounting (continued)

vi) Deferred revenue

Deferred revenue represents government transfers with stipulations, user charges, development charges and other fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

vii) Employee future benefits

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

Actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

viii) Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the obligatory reserve fund balance and forms part of the respective deferred revenue balances.

ix) Government transfers

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

x) 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenditures during the period. Actual results could differ from these amounts. Significant estimates include employee future benefits and amortization of tangible capital assets.

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

2. Investments

Investments in the consolidated statement of financial position are reported at cost.

Investments had a market value of \$348,241 (2012 - \$311,547) at the end of the year. They consist of investments pursuant to provisions of the Town's investment policy and comprise government and corporate bonds, debentures and long-term instruments of various financial institutions.

3. Trust Funds

Trust funds administered by the Town amount to \$5 (2012 - \$16). As the Town holds these funds in trust for the benefit of others, they are not presented as part of the Town's financial position or financial activities.

4. Taxes and payments-in-lieu receivable

The balance in taxes and payments-in-lieu receivable, including penalties and interest, is comprised of the following:

| | <u>2013</u> | <u>2012</u> |
|------------------------|------------------|------------------|
| Current year | \$ 13,251 | \$ 12,891 |
| Previous years | 6,117 | 6,343 |
| Penalties and interest | <u>1,429</u> | <u>1,424</u> |
| | \$ <u>20,797</u> | \$ <u>20,658</u> |

5. Deferred revenue

Deferred revenue represents government transfers with stipulations, 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 revenue in the fiscal year the services are performed. The following is the current status of the deferred revenue:

| | <u>2013</u> | <u>2012</u> |
|----------------------------|-------------------|-------------------|
| Obligatory Reserve Funds | | |
| Development charges | \$ 91,876 | \$ 78,401 |
| Parkland | 43,111 | 25,646 |
| Government transfers | 17,448 | 19,454 |
| Other | 3,029 | 1,854 |
| Deferred revenue - general | <u>2,819</u> | <u>2,644</u> |
| Total | \$ <u>158,282</u> | \$ <u>127,999</u> |

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

5. Deferred revenue (continued)

Continuity of deferred revenue is as follows:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ <u>127,999</u> | \$ <u>131,319</u> |
| Developer and other contributions collected | 19,484 | 17,795 |
| Cash in lieu – Parkland collected | 19,595 | 10,547 |
| General deferred revenue collected | 2,819 | 2,644 |
| Federal Gas Tax Grant collected | 4,990 | 4,991 |
| Other | 1,080 | 1,927 |
| Interest earned | <u>1,968</u> | <u>1,737</u> |
| | <u>49,937</u> | <u>39,641</u> |
| Less: | | |
| Developer and other contributions used in capital operations | 9,408 | 18,781 |
| Cash in lieu – Parkland used in capital operations | 15 | 15,711 |
| Federal Gas Tax Grant used in capital operations | 5,549 | 2,979 |
| Stimulus Funds & Recreational Infrastructure Canada grant used in capital operations | 1,723 | 2,606 |
| Developer and other contributions used in current operations | 314 | 218 |
| General deferred revenue used | <u>2,644</u> | <u>2,666</u> |
| | <u>19,654</u> | <u>42,961</u> |
| Balance, end of year | \$ <u>158,282</u> | \$ <u>127,999</u> |

6. Employee future benefits

(a) Employee future benefits

Health and dental benefits

Employee future benefits include health and dental benefits that the Town of Richmond Hill pays on behalf of its current and retired employees. The Town recognizes these post-retirement costs as they are earned during the employees' tenure of service.

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

6. Employee future benefits (continued)

Vested sick leave benefit

Under the sick leave benefit plan available only to the Town's firefighters, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Town's employment, provided they have ten years of service.

The benefit liability at December 31, 2013 of \$8,617 (2012 - \$8,139) was determined by actuarial valuation. The accrued benefit liability and the expense for the year ended December 31, 2013 were based on assumptions used for the December 31, 2013 actuarial update.

An actuarial loss is being amortized on a straight-line basis over the expected average remaining service life, estimated to be 12 years.

The significant actuarial assumptions employed in the actuarial valuations are as follows:

i) General inflation

Future general inflation levels were assumed to be 2.0% in 2013 and thereafter.

ii) Interest (discount) rate

The present value as at December 31, 2013 of the future benefits was determined using a discount rate of 4.25%. This corresponds to the assumed inflation rate plus an assumed rate of return of 2.25%.

iii) Health costs

Utilization weighted average health costs were assumed to increase at 6.67% rate for 2013, gradually reduce to a 4.0% in 2020, and remain at that level thereafter.

iv) Dental costs

Dental costs were assumed to increase at 4.0% per year for 2013 and thereafter.

(b) Workplace Safety and Insurance Board Liability

Effective January 1, 1994, The Corporation of the Town of Richmond Hill became a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self insurance for all its employees.

The Workplace Safety and Insurance Board ("WSIB") liability at December 31, 2013 of \$2,085 (2012 - \$1,936) was determined by an actuarial update for the year ended December 31, 2013.

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

6. Employee future benefits (continued)

(b) Workplace Safety and Insurance Board Liability (continued)

The significant actuarial assumptions employed in the actuarial valuations are as follows:

i) Interest (discount) rate

The present value as at December 31, 2013 of the future benefits was determined using a discount rate of 4.25%.

ii) WSIB administration rate

The WSIB administration rate at December 31, 2013 is set at 30% which reflects 28% for Schedule 2 administration fees and 2% for physician fees.

Information about the Town's employee future benefits liability is as follows:

| | <u>Retirees</u> | <u>WSIB</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------|-----------------|------------------|------------------|
| Employee future benefits liability, beginning of year | \$ 8,139 | \$ 1,936 | \$ 10,075 | \$ 9,646 |
| Current service costs | 526 | 220 | 746 | 707 |
| Interest accrued | 369 | 105 | 474 | 456 |
| Actuarial loss/plan amendments | - | - | - | (118) |
| Amortization of actuarial loss | <u>41</u> | <u>116</u> | <u>157</u> | <u>157</u> |
| Total employee future benefits expense | 936 | 441 | 1,377 | 1,202 |
| Benefits paid during the period | <u>(458)</u> | <u>(292)</u> | <u>(750)</u> | <u>(773)</u> |
| Employee future benefits liability, end of year | <u>8,617</u> | <u>2,085</u> | <u>10,702</u> | <u>10,075</u> |
| Accrued benefit obligations | 9,079 | 2,542 | 11,621 | 11,151 |
| Unamortized actuarial loss | <u>(462)</u> | <u>(457)</u> | <u>(919)</u> | <u>(1,076)</u> |
| Employee future benefits liability, end of year | \$ <u>8,617</u> | \$ <u>2,085</u> | \$ <u>10,702</u> | \$ <u>10,075</u> |

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

7. Accumulated surplus

Accumulated surplus consists of individual fund surplus, invested in tangible capital assets, reserves, and reserve funds as follows:

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Surplus | | |
| Operating funds | \$ 180 | \$ 256 |
| Unspent capital funds | 39,111 | 36,583 |
| Invested in tangible capital assets | 708,453 | 701,024 |
| Unfunded employees future benefits | (10,702) | (10,075) |
| Unfunded vacation pay | <u>(56)</u> | <u>(48)</u> |
| | <u>736,986</u> | <u>727,740</u> |
| Reserves set aside for special purposes by Council | | |
| Elections | 451 | 301 |
| Contingencies | 12,925 | 16,146 |
| Acquisition of tangible capital assets | 2,432 | 3,316 |
| Operations and special purposes | <u>9,424</u> | <u>11,120</u> |
| Total Reserves | <u>25,232</u> | <u>30,883</u> |
| Reserve Funds set aside for special purposes by Council | | |
| Acquisition of tangible capital assets | 142,563 | 142,788 |
| Insurance | 1,842 | 1,539 |
| WSIB | 6,617 | 5,997 |
| Fire fighters' sick leave | 1,273 | 1,420 |
| Operating and special purposes | <u>75,909</u> | <u>69,836</u> |
| Total Reserve funds | <u>228,204</u> | <u>221,580</u> |
| Total accumulated surplus | <u>\$ 990,422</u> | <u>\$ 980,203</u> |

8. Taxation

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Municipal Council establishes the tax rates annually, incorporating amounts to be raised for local services, the requisitions made by the Region of York in respect to Regional services and amounts the Town is required to collect on behalf of the School Board(s) in respect of education taxes. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessments can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are recognized when estimable in the year that they are earned. All property taxes are secured by the land and pose no collection risk.

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

9. Grants and government transfers

| | <u>2013</u> | <u>2012</u> |
|----------------------|-----------------|-----------------|
| Government of Canada | \$ 3,740 | \$ 2,792 |
| Province of Ontario | 3,964 | 3,180 |
| Other grants | <u>659</u> | <u>660</u> |
| | <u>\$ 8,363</u> | <u>\$ 6,632</u> |

10. Segment information

The Town of Richmond Hill is a diversified municipal government institution that provides a wide range of services to its residents, including water, fire, library, and arena. For management reporting purposes the municipal operations and activities are organized and reported by department. Departments were created for the purpose of recording specific activities to accomplish certain objectives in accordance with special regulations, restrictions or limitations. Town services are provided by departments/divisions and their activities are reported in these funds. Departments that have been separately disclosed in the segmented information as follows:

General government

Corporate and Financial Services department is primarily responsible for the provision of internal services that support the work of management and staff across all municipal departments as well as for the provision of external services to the public. These services are provided through governance and corporate management divisions that include Council, CAO's office, Town Clerk, IT, HR, Taxation, and Corporate Finance.

Protection to persons and property

Protection to Persons and Property department is comprised of the Fire Service and Regulatory Services divisions. The Fire Service is responsible to provide fire suppression service; fire prevention, training and other emergency services to The Town of Richmond Hill. The Fire Services responds to a variety of calls including fires, medical assistance, rescue, auto extrication, public assistance, spills, and release of materials hazardous to the environment.

The Regulatory Services division ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards, parking, and by-law for the protection of occupants.

Transportation services

The Transportation Services department provides the majority of the capital transportation services, such as roads design construction, maintenance, and assessment of infrastructure. The Roads Section of Community Services (CS) department is responsible for the maintenance for all municipal roads, sidewalks, storm sewers, road and sidewalk snow clearing and winter control.

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

10. Segment information (continued)

Environmental services

The Environment and Infrastructure Services department (EIS) and Public Works Operations Division of the Community Services department provide environmental services. The EIS department is responsible for the capital design and construction of water, wastewater, and sewer infrastructure. The operation and maintenance of the Town's water, wastewater, and sewage infrastructure is the responsibility of the Public Works Operations Division of the Community Services Department.

Health and social services

The expenses grouped in this segment relate primarily to services and contributions to seniors and voluntary organizations.

Recreation and cultural services

The Community Services department provides public services that contribute to neighborhood development and sustainability through the provision of parks operations, recreation, and leisure services such as fitness, skating, and aquatic programs. The department also contributes towards information and cultural needs of the Town's residents through the provision of theater services and special events. Library services provided by Richmond Hill Library Board are also included.

Planning and development

The Planning and Regulatory Services department manages urban development, local neighborhood planning, community development and heritage matters. It deals with planning from a broad policy perspective, formulating and promoting long-term planning policy. The Heritage Richmond Hill (HRH) Committee provides advice on Heritage matters, as well as recommendations to Council under the Ontario Heritage Act with respect to the heritage designation of properties. The Development Section processes and makes recommendations on development applications. Such applications include Official Plan and zoning by-law amendments, plans of subdivisions and site plans. The Committee of Adjustment processes applications related for minor variances and consents to sever parcels of land.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

11. Classification of expenditures by object

The Consolidated Statement of Operations and Accumulated Surplus presents the expenditures by function, whereas the following classifies those same expenditures by object:

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Salaries, wages and employee benefits | \$ 91,165 | \$ 87,261 |
| Operating materials and supplies | 29,491 | 25,622 |
| Contracted services | 50,280 | 49,042 |
| Rents and financial expenses | 4,144 | 3,867 |
| Community grants | 280 | 207 |
| Amortization of tangible capital assets | <u>31,528</u> | <u>30,768</u> |
| Total expenditures by object | <u>\$ 206,888</u> | <u>\$ 196,767</u> |

12. Pension agreements

The Town is required to participate in and make contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The contribution rate for 2013 was 9.0% (2012 – 8.3%) up to CPP earnings limit and 14.6 % above CPP earnings limit (2012 – 12.8%). The amount contributed to OMERS for 2013 was \$6,556 (2012 - \$5,737) for current service and is included as an expenditure on the Consolidated statement of operations.

CPP earning's limit (Year's Maximum Pensionable Earnings or YMPE) in 2013 was \$51,100 (2012 - \$50,100).

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

13. Commitments

- a) The term of the Town of Richmond Hill Public Library leases of office space expires March 31, 2016. The fixed annual obligations over the next three years are as follows:

| | |
|------|---------------|
| 2014 | \$ 153 |
| 2015 | 160 |
| 2016 | 161 |
| | <u>\$ 474</u> |

- b) The Town of Richmond Hill has entered into various contracts for maintenance and repairs of Town's infrastructure. The obligations over the remaining life of these contracts are as follows:

| | |
|------|-----------------|
| 2014 | \$ 6,161 |
| 2015 | 2,117 |
| 2016 | 129 |
| | <u>\$ 8,407</u> |

- c) For the supply and delivery of insurance the remaining obligations are as follows:

| | |
|------|-----------------|
| 2014 | \$ 1,754 |
| 2015 | 798 |
| 2016 | 81 |
| | <u>\$ 2,633</u> |

- d) The Town of Richmond Hill leases various equipment such as postage metres and photocopiers. The fixed annual obligations over next three years are as follows:

| | |
|------|--------------|
| 2014 | \$ 34 |
| 2015 | 23 |
| 2016 | 7 |
| | <u>\$ 64</u> |

- e) The Town of Richmond Hill continues to be in a contract for the handling of garbage, recycling materials, and snow removal. The obligations over the remaining life of this contract are as follows:

| | |
|------|-----------------|
| 2014 | \$ 2,704 |
| 2015 | 523 |
| 2016 | 468 |
| | <u>\$ 3,695</u> |

- f) The Town of Richmond Hill has entered into contracts for the construction of major tangible capital assets. The unpaid portion of these contracts amounted to \$15,510 as at December 31, 2013 (2012- \$13,086).

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

13. Commitments (continued)

- g) The Town of Richmond Hill continues to be in a common area maintenance agreement for the Town hall building. The obligations over the remaining life of this contract are as follows:

| | |
|------|---------------|
| 2014 | \$ 161 |
| 2015 | 166 |
| 2016 | <u>171</u> |
| | <u>\$ 498</u> |

14. Contingency

The Town is the defendant in several legal actions claiming personal, property, and other damages. Many of these claims are being handled by the Town's insurers. The outcome of these actions is not determinable as at the date of reporting and accordingly, to the extent not covered by insurance or inclusion in the financial statements, management is of the opinion that no liability would be material to the Town's financial position.

15. Budget figures

The budgets originally approved by Town Council for 2013, for the current year was prepared on a modified accrual basis and has been restated on the Consolidated Statement of Operations to conform with the Canadian public sector accounting standards except for the effects of the decrease in reserve and reserve funds, amortization of tangible capital assets and acquisition of contributed capital assets. A reconciliation of the adopted and reported budgets is presented below:

Adopted budget:

Budgeted annual surplus for the year (per By-law #95-12, #26-13 and #30-13) \$ -

Adjustments to adopted budget

| | |
|--|--------------------|
| Decrease in reserves and reserve funds | (10,632) |
| Amortization of tangible capital assets | (30,770) |
| Acquisition of contributed tangible capital assets | <u>12,000</u> |
| Restated budgeted annual deficit | <u>\$ (29,402)</u> |

The Corporation of the Town of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

16. Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, or betterment of the asset.

| | Net Book Value 2013 | Net Book Value 2012 |
|-------------------------|------------------------|------------------------|
| General | | |
| Land | \$ 90,701 | \$ 90,883 |
| Land improvements | 53,821 | 54,181 |
| Buildings | 172,440 | 173,485 |
| Vehicles | 6,496 | 6,635 |
| Machinery & equipment | 9,579 | 9,141 |
| Other | 4,666 | 4,967 |
| Total General | <u>337,703</u> | <u>339,292</u> |
| Infrastructure | | |
| Land | 8,590 | 8,590 |
| Roads network | 118,508 | 119,790 |
| Water network | 52,279 | 51,358 |
| Wastewater network | 44,976 | 44,982 |
| Storm water network | 125,000 | 123,468 |
| Total Infrastructure | <u>349,353</u> | <u>348,188</u> |
| Work in progress | <u>21,397</u> | <u>13,544</u> |
| Total | <u>\$ 708,453</u> | <u>\$ 701,024</u> |

a) Contributed Tangible Capital Assets

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

The value of contributed tangible assets received during the year is \$7,446 (2012 - \$8,237) comprised of roads infrastructure in the amount of \$3,295 (2012 - \$4,670), storm water \$2,846 (2012 - \$1,705), water and wastewater infrastructure in the amount of \$1,305 (2012 - \$1,713), and land in the amount of nil (2012 - \$150).

b) Capital Work in Progress (WIP)

Tangible capital assets under construction are not amortized until the assets are available for productive use. The value of WIP at the end of year is \$ 21,397 (2012 - \$13,544).

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 2).

The Corporation of the Town of Richmond Hill
Notes to the Consolidated Financial Statements

December 31, 2013
(\$000's)

17. Comparative information

Certain of the comparative information has been revised to comply with the presentation adopted in the current year.

The Corporation of the Town of Richmond Hill Consolidated Schedule of Segmented Disclosure – Schedule 1

Year ended December 31, 2013
(\$000's)

| | General Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health and Social Services | Recreation and Cultural Services | Planning and Development | Consolidated |
|--|--------------------|------------------------------------|-------------------------|------------------------|----------------------------|----------------------------------|--------------------------|----------------|
| Expenses | | | | | | | | |
| Salaries, wages and employees benefits | \$ 17,624 | \$ 26,123 | \$ 7,336 | \$ 6,747 | \$ - | \$ 26,771 | \$ 6,564 | \$ 91,165 |
| Operating materials and supplies | 6,626 | 1,344 | 5,061 | 5,312 | - | 10,631 | 517 | 29,491 |
| Contracted services | 1,507 | 677 | 3,171 | 42,793 | - | 2,111 | 21 | 50,280 |
| Rents and financial expenses | 3,081 | 48 | 22 | 478 | - | 390 | 125 | 4,144 |
| Community grants | - | - | - | - | 280 | - | - | 280 |
| Amortization expenses | 3,041 | 1,242 | 9,741 | 5,346 | - | 12,158 | - | 31,528 |
| Total expenses | 31,879 | 29,434 | 25,331 | 60,676 | 280 | 52,061 | 7,227 | 206,888 |
| Revenue | | | | | | | | |
| Tax revenue | \$ 14,190 | \$ 13,873 | \$ 7,671 | \$ 27,226 | \$ 138 | \$ 19,635 | \$ 3,556 | \$ 86,289 |
| User charges | 1,706 | 721 | 890 | 53,470 | - | 11,057 | 1,762 | 69,606 |
| Grants | 1,137 | 35 | 1,488 | 1,868 | - | 3,407 | 428 | 8,363 |
| Permits, penalties, rents and other | 4,851 | 1,432 | 1,388 | - | - | 5,314 | 4,238 | 17,223 |
| Investment income | 10,186 | 4 | 3,571 | 1,997 | - | 154 | 38 | 15,950 |
| Contributed tangible capital assets | - | - | 3,295 | 4,152 | - | - | - | 7,447 |
| Developers and other contributions | 355 | 653 | 6,274 | 1,176 | - | 3,457 | 314 | 12,229 |
| Total revenue | 32,425 | 16,718 | 24,577 | 89,889 | 138 | 43,024 | 10,336 | 217,107 |
| Annual surplus | \$ 546 | \$ (12,716) | \$ (754) | \$ 29,213 | \$ (142) | \$ (9,037) | \$ 3,109 | \$ 10,219 |

The Corporation of the Town of Richmond Hill **Consolidated Schedule of Segmented Disclosure – Schedule 1**

Year ended December 31, 2012
(\$000's)

| | General Government | Protection to Persons and Property | Trans- portation Services | Environ- mental Services | Health and Social Services | Recreation and Cultural Services | Planning and Development | Consolidated |
|--|--------------------|------------------------------------|---------------------------|--------------------------|----------------------------|----------------------------------|--------------------------|------------------|
| Expenses | | | | | | | | |
| Salaries, wages and employees benefits | \$ 17,362 | \$ 24,484 | \$ 6,634 | \$ 6,612 | \$ - | \$ 26,127 | \$ 6,042 | \$ 87,261 |
| Operating materials and supplies | 5,796 | 1,132 | 3,404 | 4,489 | - | 10,594 | 207 | 25,622 |
| Contracted services | 1,455 | 608 | 3,618 | 41,191 | - | 2,130 | 40 | 49,042 |
| Rents and financial expenses | 3,137 | 4 | - | 433 | - | 293 | - | 3,867 |
| Community grants | - | - | - | - | 207 | - | - | 207 |
| Amortization expenses | 2,899 | 1,178 | 9,780 | 5,288 | - | 11,623 | - | 30,768 |
| Total expenses | <u>30,649</u> | <u>27,406</u> | <u>23,436</u> | <u>58,013</u> | <u>207</u> | <u>50,767</u> | <u>6,289</u> | <u>196,767</u> |
| Revenue | | | | | | | | |
| Tax revenue | \$ 15,005 | \$ 13,029 | \$ 7,485 | \$ 24,619 | \$ - | \$ 19,617 | \$ 3,129 | \$ 82,884 |
| User charges | 1,667 | 638 | 425 | 51,078 | - | 11,090 | 2,724 | 67,622 |
| Grants | 510 | 36 | 596 | 1,997 | - | 3,358 | 134 | 6,632 |
| Permits, penalties, rents and other | 4,943 | 1,616 | 1,018 | - | - | 4,802 | 3,781 | 16,160 |
| Investment income | 8,551 | - | 1,466 | 1,292 | - | 96 | 57 | 11,462 |
| Contributed tangible capital assets | 150 | - | 4,670 | 3,417 | - | - | - | 8,237 |
| Developers and other contributions | 27,222 | 4,055 | 4,472 | 292 | - | 5,437 | 649 | 42,127 |
| Total revenue | <u>58,048</u> | <u>19,374</u> | <u>20,132</u> | <u>82,695</u> | <u>-</u> | <u>44,400</u> | <u>10,474</u> | <u>235,124</u> |
| Annual surplus | \$ <u>27,399</u> | \$ <u>(8,032)</u> | \$ <u>(3,304)</u> | \$ <u>24,682</u> | \$ <u>(207)</u> | \$ <u>(6,367)</u> | \$ <u>4,185</u> | \$ <u>38,357</u> |

The Corporation of the Town of Richmond Hill Consolidated Schedule of Tangible Capital Assets – Schedule 2

Year ended December 31, 2013
(\$'000's)

| | General | | | | |
|---|-----------|-------------------|------------|-----------|-----------------------|
| | Land | Land Improvements | Buildings | Vehicles | Machinery & Equipment |
| | Other | | | | |
| Cost | | | | | |
| Balance, beginning of year | \$ 90,883 | \$ 91,544 | \$ 260,558 | \$ 16,766 | \$ 21,444 |
| Add: Additions during the year | (182) | 1,747 | 3,826 | 1,362 | 2,512 |
| WIP completed | - | 1,927 | 2,923 | - | 356 |
| Contributed assets | - | - | - | - | - |
| Less: Disposals during the year | - | (191) | - | (265) | (896) |
| Balance, end of year | 90,701 | 95,027 | 267,307 | 17,863 | 23,416 |
| | | | | | (1,363) |
| | | | | | 15,048 |
| Accumulated amortization | | | | | |
| Balance, beginning of year | \$ - | \$ 37,363 | \$ 87,073 | \$ 10,131 | \$ 12,303 |
| Add: Amortization during the year | - | 4,006 | 7,794 | 1,501 | 2,372 |
| Less: Accumulated amortization on disposals | - | (165) | - | (265) | (838) |
| Balance, end of year | - | 41,205 | 94,867 | 11,367 | 13,837 |
| Net book value of tangible capital assets | \$ 90,701 | \$ 53,821 | \$ 172,440 | \$ 6,496 | \$ 9,579 |
| | | | | | 4,666 |

The Corporation of the Town of Richmond Hill
Consolidated Schedule of Tangible Capital Assets – Schedule 2 (continued)

Year ended December 31, 2013
(\$000's)

| | Infrastructure | | | | | Total |
|---|-----------------|-------------------|------------------|-------------------|------------------|-------------------|
| | Land | Roads | Water | Storm | Wastewater | |
| Cost | | | | | | |
| Balance, beginning of year | \$ 8,590 | \$296,059 | \$ 72,603 | \$ 166,626 | \$ 57,726 | \$1,111,391 |
| Add: Additions during the year | - | 3,380 | 2,292 | 1,199 | 31 | 32,037 |
| WIP completed | - | 1,200 | 116 | 219 | 5 | 91 |
| Contributed assets | - | 3,295 | 554 | 2,846 | 752 | 7,446 |
| Less: Disposals during the year | - | (17) | (1,137) | (29) | (3) | (3,901) |
| Balance, end of year | <u>8,590</u> | <u>303,917</u> | <u>74,428</u> | <u>170,861</u> | <u>58,511</u> | <u>1,147,064</u> |
| Accumulated amortization | | | | | | |
| Balance, beginning of year | - | 176,269 | 21,245 | 43,158 | 12,744 | 410,367 |
| Add: Amortization during the year | - | 9,153 | 1,699 | 2,707 | 791 | 31,528 |
| Less: Accumulated amortization on disposals | - | (13) | (795) | (4) | - | (3,284) |
| Balance, end of year | <u>-</u> | <u>185,409</u> | <u>22,149</u> | <u>45,861</u> | <u>13,535</u> | <u>438,611</u> |
| Net book value of tangible capital assets | \$ <u>8,590</u> | \$ <u>118,508</u> | \$ <u>52,279</u> | \$ <u>125,000</u> | \$ <u>44,976</u> | \$ <u>708,453</u> |

The Corporation of the Town of Richmond Hill **Consolidated Schedule of Tangible Capital Assets – Schedule 2**

Year ended December 31, 2012

(\$000's)

| | General | | | | |
|---|-----------|-------------------|------------|-----------|-----------------------|
| | Land | Land Improvements | Buildings | Vehicles | Machinery & Equipment |
| | | | | | Other |
| Cost | | | | | |
| Balance, beginning of year | \$ 70,813 | \$ 85,503 | \$ 225,396 | \$ 15,861 | \$ 19,200 |
| Add: Additions during the year | 20,238 | 4,460 | 8,373 | 1,514 | 3,842 |
| WIP completed | - | 1,932 | 26,789 | - | - |
| Contributed assets | - | - | - | - | - |
| Less: Disposals during the year | (168) | (351) | - | (609) | (1,238) |
| Balance, end of year | 90,883 | 91,544 | 260,558 | 16,766 | 21,444 |
| | | | | | (1,581) |
| | | | | | 15,048 |
| Accumulated amortization | | | | | |
| Balance, beginning of year | - | 33,696 | 79,879 | 9,105 | 11,336 |
| Add: Amortization during the year | - | 3,981 | 7,194 | 1,498 | 2,172 |
| Less: Accumulated amortization on disposals | - | (314) | - | (472) | (1,205) |
| Balance, end of year | - | 37,363 | 87,073 | 10,131 | 12,303 |
| Net book value of tangible capital assets | \$ 90,883 | \$ 54,181 | \$ 173,485 | \$ 6,635 | \$ 9,141 |
| | | | | | \$ 4,967 |

The Corporation of the Town of Richmond Hill
Consolidated Schedule of Tangible Capital Assets – Schedule 2 (continued)

Year ended December 31, 2012

(\$'000's)

| | Infrastructure | | | | | Total |
|---|----------------|----------------|---------------|----------------|---------------|------------------|
| | Land | Roads | Water | Storm | Wastewater | |
| Cost | | | | | | |
| Balance, beginning of year | \$ 8,440 | \$ 287,627 | \$ 69,716 | \$ 163,517 | \$ 55,738 | \$ 1,052,829 |
| Add: Additions during the year | - | 3,402 | 2,476 | 749 | 74 | 54,946 |
| WIP completed | - | 517 | 131 | 676 | 978 | - |
| Contributed assets | 150 | 4,670 | 776 | 1,705 | 936 | 8,237 |
| Less: Disposals during the year | - | (157) | (496) | (21) | - | (4,621) |
| Balance, end of year | <u>8,590</u> | <u>296,059</u> | <u>72,603</u> | <u>166,626</u> | <u>57,726</u> | <u>1,111,391</u> |
| Accumulated amortization | | | | | | |
| Balance, beginning of year | - | 167,327 | 19,911 | 40,491 | 11,946 | 383,527 |
| Add: Amortization during the year | - | 9,095 | 1,679 | 2,671 | 798 | 30,768 |
| Less: Accumulated amortization on disposals | - | (153) | (345) | (4) | - | (3,928) |
| Balance, end of year | <u>-</u> | <u>176,269</u> | <u>21,245</u> | <u>43,158</u> | <u>12,744</u> | <u>410,367</u> |
| Net book value of tangible capital assets | \$ 8,590 | \$ 119,790 | \$ 51,358 | \$ 123,468 | \$ 44,982 | \$ 701,024 |