

# **Appendix A**

Consolidated Financial Statements of

## **THE CORPORATION OF THE CITY OF MARKHAM**

December 31, 2013

DRAFT

# **INDEPENDENT AUDITORS' REPORT**

To the Members of Council, Inhabitants and Ratepayers  
Of the Corporation of the City of Markham

We have audited the accompanying consolidated financial statements of the Corporation of the City of Markham ("the City"), which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statement of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising 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.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 our 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, we consider internal control relevant to the City'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 City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Markham as at December 31, 2013, and its consolidated results of operations and accumulated surplus, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants  
April 28, 2014  
Toronto, Canada

**THE CORPORATION OF THE CITY OF MARKHAM**  
**Consolidated Statement of Financial Position**  
**December 31, 2013 with comparative figures for 2012**  
**(All dollars amounts are in \$000)**

	<b>2013</b>	2012 (Re-casted - note 21)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 338,633	\$ 370,550
Taxes receivable (Note 7)	30,429	39,150
Unbilled user charges	9,953	9,870
Accounts receivable (Note 18)	56,157	55,633
Investment in Markham Enterprises Corporation (Note 19)	233,349	227,736
Other current assets	2,736	3,067
	<b>671,257</b>	<b>706,006</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 9)	81,413	107,616
Deferred revenues (Note 10)	117,304	151,227
Employee future benefits liabilities (Note 12)	27,978	26,205
Long-term payable to Region (Note 6)	10,747	11,181
	<b>237,442</b>	<b>296,229</b>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 433,815</b>	<b>\$ 409,777</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	3,556,532	3,464,891
Inventories of supplies	869	1,212
Inventories of land - heritage estates	109	109
Prepaid expenses	1,249	1,002
	<b>3,558,759</b>	<b>3,467,214</b>
<b>ACCUMULATED SURPLUS (Note 15)</b>	<b>\$ 3,992,574</b>	<b>\$3,876,991</b>

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

**THE CORPORATION OF THE CITY OF MARKHAM**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**For the year ended December 31, 2013 with comparative figures for 2012**  
**(All dollars amounts are in \$000)**

	<b>2013</b>		<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b> (Re-casted - note 21)
<b>Revenues</b>			
Taxation	\$ 125,975	\$ 125,660	\$ 122,270
User charges (Note 11)	73,694	67,790	70,268
Government transfers (Note 14)	1,547	11,702	10,757
Contributions from developers and others	-	64,239	141,414
Investment income	19,151	20,740	15,697
Tax penalties	3,375	3,763	3,506
Gain on sale of tangible capital assets	-	849	1
Deferred revenue earned	90,544	69,151	55,508
Equity pick up from Markham Enterprises Corporation ( Note 19)	-	7,648	9,977
Interest earned on reserves and reserve funds	-	1,497	1,406
Other	4,374	6,333	11,331
<b>TOTAL REVENUES</b>	<b>318,660</b>	<b>379,372</b>	<b>442,135</b>
<b>Expenses</b>			
General government	41,005	33,285	49,186
Protection to persons and property	41,457	41,539	40,496
Transportation services	26,513	35,478	27,691
Environmental services	22,963	28,747	28,012
Recreation and cultural services	49,150	53,166	47,306
Planning and development services	5,764	8,493	9,701
Other	38	43	47
Amortization of tangible capital assets	61,533	63,038	59,053
<b>TOTAL EXPENSES</b>	<b>248,423</b>	<b>263,789</b>	<b>261,492</b>
<b>ANNUAL SURPLUS</b>	<b>70,237</b>	<b>115,583</b>	<b>180,643</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>3,876,991</b>	<b>3,876,991</b>	<b>3,696,348</b>
<b>ACCUMULATED SURPLUS, END OF YEAR ( Note 15)</b>	<b>\$3,947,228</b>	<b>\$3,992,574</b>	<b>\$ 3,876,991</b>

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

**THE CORPORATION OF THE CITY OF MARKHAM**  
**Consolidated Statement of Change in Net Financial Assets**  
**For the year ended December 31, 2013 with comparative figures for 2012**  
**(All dollars amounts are in \$000)**

	<b>2013</b>		<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
			(Re-casted - note 21)
<b>Annual surplus</b>	<b>70,237</b>	<b>115,583</b>	180,643
Acquisition of tangible capital assets	<b>(153,124)</b>	<b>(113,251)</b>	(290,733)
Amortization of tangible capital assets	<b>61,533</b>	<b>63,038</b>	59,053
Change in capital work in progress	-	<b>(41,942)</b>	60,916
Disposal/write-down of land and land improvements	-	<b>514</b>	6,731
	<b>(21,354)</b>	<b>23,942</b>	16,610
Acquisition of inventories of supplies	-	<b>(869)</b>	(1,212)
Acquisition prepaid expenses	-	<b>(1,249)</b>	(1,002)
Consumption of inventories of supplies	-	<b>1,212</b>	972
Use of prepaid expenses	-	<b>1,002</b>	1,042
<b>Change in net financial assets</b>	<b>(21,354)</b>	<b>24,038</b>	16,410
Net financial assets, beginning of year	<b>409,777</b>	<b>409,777</b>	393,367
Net financial assets, end of year	<b>388,423</b>	<b>433,815</b>	409,777

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

**THE CORPORATION OF THE CITY OF MARKHAM**  
**Consolidated Statement of Cash Flows**  
**For the year ended December 31, 2013 with comparative figures for 2012**  
**(All dollars amounts are in \$000)**

---

	<u>2013</u>	<u>2012</u> (Re-casted - note 21)
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 115,583	\$ 180,643
Amortization of tangible capital assets	63,038	59,053
Developers contribution of tangible capital assets and others	(64,239)	(141,414)
Change in employee future benefits and other liabilities	1,773	2,326
Tax receivable	8,721	(7,232)
Accounts receivable	(524)	(1,942)
Unbilled user charges	(83)	(1,068)
Other current assets	331	1,056
Accounts payable and accrued liabilities	(26,203)	(5,817)
Long term liabilities	(434)	(418)
Deferred revenue	(33,923)	18,203
Inventories of supplies	343	(240)
Prepaid expenses	(247)	40
<b>NET CHANGE IN CASH FROM OPERATING ACTIVITIES</b>	<b>64,136</b>	<b>103,190</b>
<b>CAPITAL ACTIVITIES</b>		
Proceeds of sale of tangible capital assets	849	1
Net Acquisition of tangible capital assets net of developers contribution	(91,289)	(81,671)
<b>NET CHANGE IN CASH FROM CAPITAL ACTIVITIES</b>	<b>(90,440)</b>	<b>(81,670)</b>
<b>INVESTING ACTIVITIES</b>		
Dividend from Markham Enterprises Corporation	5,585	4,786
Change in equity of Markham Enterprises Corporation	(11,198)	(19,604)
<b>NET CHANGE IN CASH FROM INVESTING ACTIVITIES</b>	<b>(5,613)</b>	<b>(14,818)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(31,917)</b>	<b>6,702</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>370,550</b>	<b>363,848</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>\$ 338,633</b>	<b>\$ 370,550</b>
<b>Supplementary information:</b>		
Interest paid	444	469
Interest received	7,095	6,917

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

## **1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of The Corporation of The City of Markham (“the City”) are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada (“CPA Canada”). Significant accounting policies adopted by the City are as follows:

### **REPORTING ENTITY**

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees accountable for the administration of their financial affairs and resources, to the City, and which are owned or controlled by the City, including the following:

- City of Markham Public Library Board
- Old Markham Village Business Improvement Area
- Unionville Business Improvement Area

Inter-entity transactions and balances are eliminated on consolidation.

### **INVESTMENT IN MARKHAM ENTERPRISES CORPORATION**

Markham Enterprises Corporation (“MEC”) and its subsidiaries are accounted for on a modified equity basis, consistent with the Canadian public sector accounting standards as recommended by PSAB for government business enterprises. Under the modified equity basis of accounting, the business enterprise’s accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of MEC in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from MEC are reflected as reductions in the investment asset account.

### **ACCOUNTING FOR REGION AND SCHOOL BOARD TRANSACTIONS**

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Regional Municipality of York (the “Region”) and the York Region District School Boards (“School Boards”) are not reflected in the municipal fund balances of these financial statements.

### **TRUST FUNDS**

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the “Trust Funds Statement of Financial Position” and the “Trust Funds Statement of Operations and Fund Balances”.

### **BASICS OF ACCOUNTING**

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### GOVERNMENT TRANSFERS

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occurred, providing that the transfers are authorized, any eligibility criteria and stipulations have been met, and reasonable estimates of the amounts can be made.

PSAB has issued section 3410, *Government Transfers* that establishes the recognition, measurement and disclosure requirements for government transfers. It provides specific revenue recognition criteria for transferring government and recipient government. The City adopted this standard on January 1, 2013. The adoption of this standard did not have any material effect on the 2013 financial statements.

### DEFERRED REVENUE

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

### TAXATION AND RELATED REVENUES

Property tax billings are prepared by the City based on assessment rolls compiled by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by City Council, incorporating amounts to be raised for local services and amounts that the City is required to collect on behalf of the Region and School Boards for education purposes. Realty taxes are billed based on the assessment rolls provided by MPAC.

A normal part of the assessment process is the issuance of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and issues supplementary tax bills. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the impact shared with the Region and School Boards as appropriate.

The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

PSAB issued PS 3510 Tax Revenues that addresses recognition and reporting of tax revenue. This establishes recognition of revenue when they meet the definition of an asset, and are authorized by a legislature or Council when the taxable event occurs. The City adopted the standard on January 1, 2013. The adoption of this standard does not have any material impact on the 2013 financial statements.

### EMPLOYEE FUTURE BENEFITS

The City accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined benefit plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the City's employment. Other employees future benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of



## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employees groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to Workers Safety and Insurance Board ("WSIB") are amortized over the average expected period during which the benefits will be paid. The cost of plan amendments is accounted for in the period they are adopted.

Management on approval from City Council, has set aside funds specifically for the financing of future costs.

### INVESTMENT INCOME

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

### 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.

#### (i) Tangible Capital Assets

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

Asset	Useful Life - Years
Buildings and building improvements	40
Equipment	5 – 20
Furniture and fixtures	10 – 15
Infrastructure	10 – 100
Library furniture and fixtures	10
Library media collection	7
Park and pathways	10 – 60
Vehicles	7 – 9
Waterworks equipment	9
Waterworks infrastructure	15 – 100
Waterworks vehicles	7

Amortization is prorated to six months 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.

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at time of registration.

(iii) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest Capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(v) Inventories of Supplies

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

**USE OF ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenditures during the period. Actual results could differ from these estimates.

**BUDGET FIGURES**

The approved operating and capital budgets for 2013 are reflected on the Consolidated Statement of Operations and Accumulated Surplus and on the Consolidated Statement of Change in Net Financial Assets. The Capital budget is on a project-oriented basis, the costs of which may be carried but over one or more years and, therefore, may not be comparable with the current year actual amounts.

**SEGMENT DISCLOSURE**

The City adopted PSAB Standard 2700 for Segment Disclosures. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City has provided definitions of the segments used and presented financial information in segmented format in Note 8.

**2. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK**

Further to Note 1, requisitions were made by the Region and School Boards requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized as follows:

## 2. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK (continued)

	2013			2012
	School Boards	Region of York	TOTAL	TOTAL
Taxation	\$ 193,334	\$ 236,951	\$ 430,285	\$ 411,542
Payment in lieu of taxes	250	1,044	1,294	1,314
Supplementary taxes	2,700	4,468	7,168	12,721
Amount requisitioned and transferred	196,284	242,463	438,747	425,577

## 3. TRUST FUNDS

Trust funds administered by the City for the benefit of others amounting to \$2,282 (2012 - \$2,255) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus". The trust funds have been reported separately on the "Trust Funds Statement of Financial Position" and "Trust Funds Statement of Financial Activities and Fund Balances".

## 4. CASH AND CASH EQUIVALENTS

	2013	2012
Cash	\$ 109,520	\$ 100,267
Investments	229,113	270,283
	\$ 338,633	\$ 370,550

Investments consist of authorized investments pursuant to the provisions of the Municipal Act and include short-term instruments of various financial institutions, government bonds, and Treasury Bills. Investments, which are reported at cost for money market and face value for bonds, had a market value of \$290,073 (2012 - \$297,197) at the end of the year. For the year 2013, the average rate of return earned was 4.35% (2012 - 4.14%). Cash balance includes investments in the amount of \$54,935 (2012 - \$12,988) which has a maturity date of less than three months.

## 5. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of its employees. 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 credited service and average earnings. Employees contribute between 9.0% and 15.9% of their salary and the City matches the employee contribution.

Total OMERS contributions amounted to \$19,214 (2012 - \$17,206) of which \$9,607 (2012 - \$8,603) represented the City's portion.

Since OMERS is a multi-employer pension plan, the City does not recognize any share of pension plan deficit \$8,641,000 (2012 - \$9,924,000) based on fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

## 6. LONG TERM LIABILITIES

On July 1, 2010, the City received a loan of \$12,000 from Canada Mortgage Housing Corporation (CMHC) through the Region. As a lower tier municipality the City does not have the ability to borrow long-term funds, and as such the borrowing was done through the Region. The loan received was used to fund the purchase of the Markham District Energy Birchmount plant. The plant was subsequently leased back to Markham District Energy ("MDE"), a 100% subsidiary of MEC.

The loan of \$12,000 is to be amortized over a period of 20 years, at an interest rate of 4.04%. An annual payment to the Region of \$886 consists of principle and interest. The first payment was due July 1, 2011.

## 7. TAXES RECEIVABLE

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

	2013	2012
Current year	\$ 21,524	\$ 24,093
Arrears previous years	9,906	16,058
	31,430	40,151
Less: Allowance for uncollectible taxes	(1,001)	(1,001)
	\$ 30,429	\$ 39,150

MPAC continues to refine the property assessment based on values updated to 2008 in the City and across the Province. These values were used by the City to compute the 2009 to 2012 property tax bills. In 2012, MPAC re-assessed all properties in Ontario and these values will be used as the basis for 2013 to 2016 property tax bills. However, the property tax revenue and tax receivables of the City are subject to measurement uncertainty as a number of submitted appeals have yet to be heard. As a result, there are remaining outstanding tax appeals retroactive to several years, some of which have not yet been finalized. This additional financial uncertainty continues the need for the allowance established for tax appeals in the amount of \$1,001 (2012 - \$1,001). The provision is required due to a number of different types of tax adjustments, including frozen assessment listing ("FAL") appeals, new construction retroactive appeals, and commercial vacancy rebates. Any supplementary billings adjustments made necessary by the determination of such changes will be recognized in the fiscal year they occur and the effect shared with the Region and School Boards as appropriate.

As part of its 2004 budget, the Ontario Government implemented new provisions through Bill 83 that permitted Ontario municipalities to expand capping provisions for the multi-residential, commercial and industrial classes beginning in the 2005 tax year. The Region adopted these new tax provisions and the effect is to limit annual assessment related tax increases to 10% over the previous year tax level or 5% of previous year full Current Value Assessment ("CVA") taxes. The effect of these policies is to move properties to full CVA taxes sooner. The adjustments caused by this legislation may also impact the amounts of rebates which the area municipalities must issue to certain charitable organizations and the interest and penalties the area municipalities can collect on arrears of taxes where it is subsequently determined that such amounts have been overstated. The Region continues to enforce these provisions.

The program is administered by the Region on behalf of the area municipalities, and therefore, there is not impact on the "Consolidated Statement of Operations and Accumulated Surplus".

## **8. SEGMENTED INFORMATION**

The City is a diverse municipal government that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized functionally based on services provided.

The segmented information with a brief description of the service area is as follows:

### **General Government:**

General government service area includes the Office of Mayor and Members of Council, Chief Administrative Officer, Auditor General, Human Resources, Legal, Sustainability Office, Legislative Services, Financial Services, Corporate Communications and Community Engagement, and Information Technology Services. The departments are responsible for general governance and corporate management.

### **Protection to Persons and Property:**

Protection service area includes Fire and Emergency Services and Building Standards. The departments are responsible to perform fire prevention and protection, fire alarm, building services and other auxiliary services.

### **Transportation Services:**

Transportation service area includes Roads, Parking Control and Asset Management. The departments are responsible for road maintenance, hard top and loose top maintenance, winter patrol, salt, sanding, snow removal, street lighting and administration of parking.

### **Environmental Services:**

Environmental service area includes Waterworks and Waste Management. The departments are responsible for the administration of the sanitary and storm sewer system, distribution of water, and the administration of garbage collection and garbage recycling.

### **Recreation and Cultural Services:**

The recreation and cultural service area includes Park, Recreation services, Culture services and Public Libraries. The departments are responsible for providing and facilitating the development and maintenance of high quality parks, recreation services and cultural services, and administration of libraries.

### **Planning and Development Services:**

Planning and development services area includes Planning and Urban Design and Engineering. The departments are responsible for administration of land use plans and policies for sustainable development of the City.

### **Other:**

The department is responsible for administration of cemetery maintenance and morgues.

**THE CORPORATION OF THE CITY OF MARKHAM**  
**Year ended December 31, 2013**  
**(All dollars amounts are in \$000)**

**8. Segmented Information continued**

	Protection to persons			Recreation and Cultural services			Consolidated	
	General Government	Property and services	Transportation services	Environmental Services	Planning and Development	Others	2013	2012
								(Re-casted - note 21)
<b>Revenues</b>								
Taxation, grants in lieu, assessments	564,407	-	-	-	-	-	564,407	547,847
Collection for other authorities	(438,747)	-	-	-	-	-	(438,747)	(425,577)
Taxation for City purposes	125,660	-	-	-	-	-	125,660	122,270
User charges	2,128	10,496	7,338	24,892	19,154	31	67,790	70,268
Government transfers	9,404	-	-	1,004	1,175	119	11,702	3,063
Contribution from developers and others	64,239	-	-	-	-	-	64,239	141,414
Investment income	20,740	-	-	-	-	-	20,740	15,697
Tax penalties	3,763	-	-	-	-	-	3,763	3,506
Gain on sale of tangible assets	849	-	-	-	-	-	849	1
Deferred revenue earned	69,151	-	-	-	-	-	69,151	63,202
Equity pick up from Markham Enterprises Corporation	7,648	-	-	-	-	-	7,648	9,977
Interest earned on reserves and reserve funds	1,497	-	-	-	-	-	1,497	1,406
Others	5,930	5	3	(43)	434	3	6,333	11,331
<b>Total</b>	<b>311,009</b>	<b>10,501</b>	<b>7,341</b>	<b>25,853</b>	<b>20,763</b>	<b>34</b>	<b>379,372</b>	<b>442,135</b>
<b>Expenses</b>								
Salaries, Wages and employee benefits	13,049	39,884	12,331	7,596	34,862	-	114,832	120,111
Operating Materials and Supplies	9,838	1,051	5,499	5,683	10,603	43	35,015	37,309
Contracted Services	10,819	505	17,527	13,354	7,066	-	47,768	43,798
Rents and Financial Expenses	(1,105)	99	121	2,114	635	-	2,453	486
External Transfers to others	239	-	-	-	-	-	239	256
Long Term Debt Charges	444	-	-	-	-	-	444	479
Amortization of tangible capital assets	63,038	-	-	-	-	-	63,038	59,053
<b>Total Expenses</b>	<b>96,322</b>	<b>41,539</b>	<b>35,478</b>	<b>28,747</b>	<b>53,166</b>	<b>43</b>	<b>263,789</b>	<b>261,492</b>
<b>Annual Surplus</b>	<b>214,687</b>	<b>(31,038)</b>	<b>(28,137)</b>	<b>(2,894)</b>	<b>(32,403)</b>	<b>(9)</b>	<b>115,583</b>	<b>180,643</b>

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include financial obligations to outside organizations and individuals as a result of transactions and events on or before the end of the accounting period. They are the result of contracts, agreements and legislation in force at the end of the accounting period that require Markham to pay for goods and services acquired or provided prior to the accounting date. A breakdown of the accounts payable and accrued liabilities is as follows:

	2013	2012
Trade accounts payable	\$ 37,448	\$ 45,917
Payable to other governments	21,181	45,174
Payroll liabilities	5,252	3,279
Accrued liabilities	17,532	13,246
	<b>\$ 81,413</b>	<b>\$ 107,616</b>

## 10. DEFERRED REVENUE

Deferred revenue represents 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. The following is the current status of the deferred revenues:

	2013	2012
<b>OBLIGATORY RESERVE FUNDS</b>		
Development charges	\$ 97,714	\$ 109,204
Parkland	286	5,059
Other	8,926	10,249
	<b>106,926</b>	<b>124,512</b>
 Deferred revenue and deposits	 10,378	 26,715
	<b>\$ 117,304</b>	<b>\$ 151,227</b>

THE CORPORATION OF THE CITY OF MARKHAM  
Notes to the Consolidated Financial Statements  
December 31, 2013  
(All dollars amounts are in \$000)

**11. USER CHARGES**

	<b>2013</b>	<b>2012</b>
Water and sewer billing to ratepayers	\$ 85,543	81,489
Region of York requisitions	(61,845)	(59,552)
City share	23,698	21,937
Building permits	9,258	12,264
Parking violations	2,082	1,858
Facility rentals	6,896	6,344
Recreation programs	9,443	8,157
Parks construction & maintenance	247	235
Cultural services	2,418	2,231
Engineering fees	2,583	4,802
Planning processing fees	3,386	4,514
Compliance letters/certificates	216	206
Other user charges	7,563	7,720
<b>Total</b>	<b>\$ 67,790</b>	<b>70,268</b>

**12. EMPLOYEE FUTURE BENEFITS LIABILITIES**

	<b>2013</b>	<b>2012</b>
Vacation pay - City	\$ 2,767	\$ 2,982
Vacation pay - Library	122	132
Post-retirement benefits	11,161	10,319
Vested sick-leave benefits	6,406	6,045
Long-term disability	5,688	5,138
Workplace Safety & Insurance Board	1,834	1,589
	<b>\$ 27,978</b>	<b>\$ 26,205</b>

**WORKPLACE SAFETY & INSURANCE OBLIGATIONS ("WSIB")**

Effective January 1, 1999, the Corporation of the City of Markham became a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self insurance for all its employees. The City remits payments to the WSIB as required to fund disability payments. The estimated future liability relating to WSIB amounted to \$1,834 (2012 - \$1,589) and was determined by an actuarial valuation updated December 2013. A Workplace Safety and Insurance Reserve Fund, funded by annual contributions from the Operating Fund, have been established to protect against any unknown future liability.

The City also maintains an insurance policy, which protects the Corporation against single claims in excess of \$1,000.



## 12. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

### VESTED SICK-LEAVE BENEFITS

Under the sick leave benefit plan, which is available only to the City's Firefighters, employees can accumulate unused sick leave and may become entitled to a cash payment when they leave the City's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to approximately \$6,406 (2012 - \$6,045). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation.

### POST-RETIREMENT BENEFITS

Post-retirement benefits are health and dental benefits that the City pays on behalf of its current and retired employees. The City recognizes these post-retirement costs as they are earned during the employee's tenure of service. The benefit liability at December 31, 2013 is \$11,161 (2012 - \$10,319). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation.

### LONG-TERM DISABILITY (LTD)

The City provides long term disability benefits to eligible employees. At the year end, the accrued liability of \$5,688 (2012 - \$5,138) represents the actuarial valuation of benefits to be paid on the history of claims with employees. The City has established a long term disability reserve to reduce future impact of these obligations. The year end balance of this reserve was \$14,464 (2012 - \$12,784). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation updated December, 2013.

Information about the City's defined benefit plans is as follows:

	WSIB	Vested Sick-leave	Post-retirement benefits	LTD	2013	2012
Accrued benefit liability, beginning of year	\$ 1,589	\$ 6,045	\$ 10,319	\$ 5,138	\$ 23,091	\$ 20,912
Service cost	175	319	546	949	1,989	1,901
Interest cost	175	339	649	212	1,375	1,389
Benefit payments	(398)	(303)	(443)	(611)	(1,755)	(1,515)
Amortization of actuarial loss (gain)	293	6	90	-	389	404
Accrued benefit liability, end of year	\$ 1,834	\$ 6,406	\$ 11,161	\$ 5,688	\$ 25,089	\$ 23,091

The actuarial valuations of the plans were based upon a number of assumptions about the future events, which reflect management's best estimates. The following represents the more significant assumptions made:

	WSIB	Vested Sick-leave	Post-retirement benefits	LTD
Expected inflation rate	0.00%	N/A	N/A	N/A
Expected level of salary increase	3.00%	3.00%	N/A	N/A
Interest discount rate	4.75%	5.50%	5.50%	4.00%

**THE CORPORATION OF THE CITY OF MARKHAM**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2013**  
**(All dollars amounts are in \$000)**

**13. TANGIBLE CAPITAL ASSETS**

	Cost			Accumulated Depreciation			Net book value	
	Balance at Jan.1, 2013 (Re-casted - note 21)	Additions	Dosposals	Balance at Dec 31, 2013 (Re-casted - note 21)	Balance at Jan.1, 2013	Additions	Balance at Dec 31, 2013	Balance at Dec 31, 2012 (Re-casted - note 21)
	\$	\$	\$	\$	\$	\$	\$	\$
Land and land improvements	1,675,545	41,612	(514)	1,716,643	-	-	1,716,643	1,675,545
Buildings and building improvements	259,494	7,013	-	266,507	76,940	6,478	183,089	182,554
Equipment	23,874	3,359	(2,480)	24,753	9,439	2,677	15,117	14,435
Furniture & fixtures	7,403	68	(53)	7,418	2,688	549	4,234	4,715
Infrastructure	1,145,890	39,620	(3,639)	1,181,871	340,564	30,837	814,109	805,326
Library furniture & fixtures	3,210	227	(136)	3,301	1,680	310	1,447	1,530
Library media collection	13,959	2,245	(1,105)	15,099	6,345	1,908	7,951	7,614
Parks and pathways	63,085	3,585	(807)	65,863	25,756	3,806	37,108	37,329
Vehicles	12,011	1,893	(615)	13,289	6,286	1,399	6,219	5,725
Waterworks equipment	1,147	76	(120)	1,103	398	116	709	749
Waterworks infrastructure	958,018	13,393	(194)	971,217	254,772	14,803	701,836	703,246
Waterworks vehicles	1,183	160	-	1,343	585	155	603	598
<b>Total</b>	<b>4,164,819</b>	<b>113,251</b>	<b>(9,663)</b>	<b>4,268,407</b>	<b>725,453</b>	<b>63,038</b>	<b>3,489,065</b>	<b>3,439,366</b>
Capital work in progress	25,525	41,942	-	67,467			67,467	25,525
	4,190,344	155,193	(9,663)	4,335,874	725,453	63,038	3,556,532	3,464,891

### 13. TANGIBLE CAPITAL ASSETS (continued)

#### a) Capital work in progress

Assets under construction having a value of \$67,467 (2012 - \$25,525) have not been amortized. Amortization of these assets will commence when the asset is put into service.

#### b) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contribution assets received during the year is \$46,960 (2012 - \$140,839) comprised of land in the amount of \$24,101 (2012 - \$61,672), roads infrastructure in the amount of \$16,767 (2012 - \$55,714) and water and wastewater infrastructure in the amount of \$6,092 (2012 - \$23,453).

#### c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

#### d) Works of Art and Historical Treasures

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

### 14. GOVERNMENT TRANSFERS

The City recognizes the transfer of government funding as revenue in the year the events giving rise to the transfer occurred. The details of government transfer for the year are:

	2013	2012
Provincial Grant:		
Environmental services	\$ 994	\$ 977
Recreation and cultural services	421	414
Planning and development services	118	110
	<u>\$ 1,533</u>	<u>\$ 1,501</u>
Federal Grant:		
General government	9,404	7,694
Environmental services	10	9
Recreation and cultural services	754	1,551
Planning and development services	1	2
	<u>\$ 11,702</u>	<u>\$ 10,757</u>

### 15. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

**THE CORPORATION OF THE CITY OF MARKHAM**  
**December 31, 2013**  
**(All dollars amounts are in \$000)**

	2013	2012 (Re-casted - note 21)
City operating fund surplus(deficit) including library and business improvement areas before year-end accounting adjustments	\$ (2,642)	\$ 2,773
Year-end accounting adjustments	(1,895)	(2,454)
Operating surplus(deficit)	\$ (4,537)	\$ 319
Equity in Markham Enterprises Corporation	233,349	227,736
Invested in tangible capital assets and others	3,525,643	3,432,845
	\$ 3,754,455	\$ 3,660,900
<i>RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL</i>		
Anti-whistling	318	-
Berczy landscape feature	203	203
Building fee	14,003	12,018
Capital gain	3,457	3,457
Corporate rate stabilization	17,963	17,100
Development fee	(3,503)	(149)
Election expenses	917	618
Election rebate	210	140
Facility ramp-up	9,431	7,876
Firefighters sick-leave benefits	6,406	6,045
Insurance	3,135	2,696
Long-term disability benefit	14,464	12,784
Partnership	16	16
Waste management	28	28
Waterworks	42,228	34,098
Total reserves	\$ 109,276	\$ 96,930
<i>RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL</i>		
Cemetery expenses	109	107
Emerald Ash Borer	596	-
Environmental land acquisition	8,076	7,848
Environmental sustainability fund	186	243
Heritage	428	449
Land acquisition	4,218	3,915
Library infrastructure	5,778	5,704
Life cycle replacement and capital	80,024	80,383
Museum	61	59
Non-DC growth	14,396	16,803
Post-retirement benefits	11,251	-
Theatre	611	582
Trees for Tomorrow program	236	232
Workplace Safety & Insurance Board	2,873	2,836
Total reserve funds	\$ 128,843	\$ 119,161
Total	\$ 3,992,574	\$ 3,876,991

## 16. LEASE OBLIGATIONS

- a) As at December 31, 2013, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

2014	\$520
2015	476
2016	478
2017	479
2018	480
	<u>\$2.433</u>

## 17. CONTINGENCY

### ***UNSETTLED LEGAL CLAIMS AND POTENTIAL OTHER CLAIMS***

The City has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable at this time and, accordingly, no provision has been made in these financial statements for any liability that may result.

## 18. ACCOUNTS RECEIVABLE – POWERSTREAM INTEREST

Included in Accounts Receivable is \$7,584 (2012 - \$7,584) being interest @ 5.58% per annum due for the period October 2006 to September 2008 on promissory notes issued by PowerStream. City Council has approved the deferral of this payment and future quarterly interest payments due up to September 2008 for a period of 5 years from September 2008. The City received deferral request from PowerStream for another five years at the interest rate of 4.03% per annum which was approved by City Council in May 2013.

The City receives from PowerStream secondary interest on the deferred interest payments from April 2007 up to October 2013 @5.58% and @4.03% thereafter.

## 19. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

The City of Markham incorporated corporations under the laws of the Province of Ontario. Markham Enterprises Corporation (Previously Markham Energy Corporation) is wholly owned by the City of Markham. Markham Enterprises Corporation owns 100% of Markham District Energy Inc. (MDE) and 34.185% of PowerStream Holdings Inc. (2012 – 34.185% of PowerStream Inc.).

The original entity, PowerStream Inc., reorganized its structure by establishing a corporation as its new parent entity – PowerStream Holdings Inc. on July 24, 2013.

The PowerStream Holding Inc.'s authorized share capital is made up of an unlimited number of common shares, and an unlimited number of Class A non-voting common shares, all of which are without nominal or par value.

On November 1, 2013, a Unanimous Shareholders Agreement was signed between PowerStream Holdings Inc. and its Shareholders, superseding the existing revised Subscription Agreement of PowerStream Inc. This ensured a reorganization of PowerStream Inc., becoming a wholly owned subsidiary of the newly established corporation PowerStream Holdings Inc.

In effect, of the total 100,000 common shares issued by PowerStream Holdings Inc., 45,315 common shares are registered under Vaughan Holdings Inc., 34,185 common shares are registered under

**THE CORPORATION OF THE CITY OF MARKHAM**

**December 31, 2013**

**(All dollars amounts are in \$000)**

**19. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION (continued)**

Markham Enterprises Corporation and 20,500 common shares are registered under Barrie Hydro Holdings Inc.

Of the total 69,223 (2012 – 55,195) Class A common shares issued by PowerStream Holdings Inc., including an issue of 9,300 and 4,278 Class A common shares in March 2013 and December 2013 respectively; 29,225 (2012 – 25,011) Class A common shares are registered under Vaughan Holdings Inc., 25,003 (2012 – 18,869) Class A common shares are registered under Markham Enterprises Corporation and 14,995 (2012 – 11,315) Class A common shares are registered under Barrie Hydro Holdings Inc.

In January 2014, 3,918 Class A common shares were issued to Vaughan Holdings Inc. to the value of \$ 2,351, ensuring consistent ownership percentages across the shareholders. Due to the timing of the issue, these shares could not be recognized as at December 31, 2013.

- a) The following consolidated financial statements of Markham Enterprises Corporation include the financial information of its subsidiaries Markham District Energy Inc., and PowerStream Holdings Inc. for the period from January 1, 2013 to December 31, 2013 and the financial information of its subsidiaries MDE and PowerStream Inc. for the period from January 1, 2012 to December 31, 2012.

	<b>2013</b>	2012
		(Re-casted note 19 (b))
<b>Assets</b>		
Current	\$ 88,438	\$ 85,515
Capital	442,749	395,117
Goodwill	14,543	14,543
Other	16,459	20,056
<b>Total Assets</b>	<b>\$ 562,189</b>	<b>\$ 515,231</b>
<b>Liabilities</b>		
Current	112,705	70,810
Other	98,321	90,150
Long Term	117,814	126,535
<b>Total Liabilities</b>	<b>328,840</b>	<b>287,495</b>
<b>Shareholders' Equity</b>		
Common shares	\$ 86,074	\$ 82,524
Promissory notes payable	79,164	79,164
Retained earnings and contributed Surplus	68,111	66,048
<b>Total Shareholders' Equity</b>	<b>233,349</b>	<b>227,736</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 562,189</b>	<b>\$ 515,231</b>
<b>Results of Operations</b>		
Revenues	\$ 379,099	\$ 349,566
Operating expenses	371,451	339,589
<b>Net Income</b>	<b>\$ 7,648</b>	<b>\$ 9,977</b>
Equity pick up in Markham Enterprises Corporation	7,648	9,977
Increase in share capital	3,550	9,627
Dividend	(5,585)	(4,786)
Change in Equity in Markham Enterprises Corporation	5,613	14,818
Adjustment due to correction in PowerStream Holdings Inc. Note 19 (b)	-	(2,213)
<b>Net Change in Equity in Markham Enterprises Corporation</b>	<b>\$ 5,613</b>	<b>\$ 12,605</b>

## 19. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION (continued)

- b) In 2013, management of PowerStream Holdings Inc. identified an error in property, plant, equipment (distribution assets category) for the year ended December 31, 2011. As a result, PowerStream Holdings Inc. has restated its financial statements from January 1, 2012.

The following table summarizes the impact of the restatement on the Markham Enterprises Corporation's financial statements. The restatement described does not impact the comparative figures of the City as the re-statement has no corresponding income impact.

	<b>As reported December 31, 2012</b>	<b>Correction December 31, 2012</b>	<b>As re-casted December 31, 2012</b>
<b>Property, Plant and Equipment</b>	<b>397,332</b>	<b>(2,213)</b>	<b>395,119</b>
<b>Retained Earnings</b>	<b>44,636</b>	<b>(2,213)</b>	<b>42,423</b>

## 20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

## 21. RE-CAST OF PRIOR YEAR COMPARATIVE FIGURES

The 2012 comparative information provided in the 2013 Consolidated Financial Statements has been adjusted for the following:

- a) Identification of land additions related to land ownership transfers from 2012 or earlier but not previously reported in the consolidated financial statements, for \$20,839. A total of \$17,169 of land additions relate to 2012, and \$3,670 of land additions relate to years prior to 2012.
- b) Recast of the City's wholly-owned subsidiary, MEC's 2012 comparative information. In 2013, MEC's significant subsidiary, PowerStream Holdings Inc., re-casted its 2012 comparative information presented in its 2013 consolidated financial statements. As a result, the 2012 comparative information in MEC's 2013 consolidated financial statements has been re-casted to reflect the restatement in PowerStream Holdings Inc., for \$2,213, as described in note 19.

The impacts of these changes in presentation have been recorded retrospectively and prior periods have been re-casted as follows:

<b>Accumulated surplus at January 1, 2012:</b>	<b>\$</b>
Accumulated surplus, as previously reported	3,694,891
Land additions from prior to 2012, through contributions from developers, not previously recorded	3,670
Restatement of MEC 2012 financial information (note 19)	(2,213)
<b>Accumulated surplus, as re-casted</b>	<b>3,696,348</b>

## 21. RE-CAST OF PRIOR YEAR COMPARATIVE FIGURES (continued)

Figures are reported as at December 31, 2012

<b>Investments in MEC, at December 31, 2012:</b>	<b>\$</b>
Investments in MEC, as previously reported	229,949
Restatement of MEC 2012 financial information (note 19)	(2,213)
<b>Investments in MEC, as re-casted</b>	<b>227,736</b>

<b>Tangible capital assets at December 31, 2012:</b>	<b>\$</b>
Tangible capital assets, as previously reported	3,444,052
Net book value of tangible capital assets not previously recorded	20,839
<b>Tangible capital assets, as re-casted</b>	<b>3,464,891</b>

<b>Accumulated surplus at December 31, 2012:</b>	<b>\$</b>
Accumulated surplus, as previously reported	3,858,365
Land additions from prior to 2012, through contributions from developers, not previously recorded	3,670
Land additions from 2012, through contributions from developers on the statement of operations, not previously recorded	17,169
Restatement of MEC 2012 financial information (note 19)	(2,213)
<b>Accumulated surplus, as re-casted</b>	<b>3,876,991</b>



# Appendix B

AUDIT

## The Corporation of the City of Markham

Audit Findings Report

For the year ended December 31, 2013

*KPMG LLP*

April 14, 2014

[kpmg.ca](http://kpmg.ca)

# Contents

<b>Executive summary .....</b>	<b>1</b>
<b>Significant audit, accounting and reporting matters .....</b>	<b>2</b>
<b>Significant qualitative aspects of accounting policies and practices .....</b>	<b>6</b>
<b>Misstatements .....</b>	<b>6</b>
<b>Control deficiencies .....</b>	<b>7</b>
<b>Appendices .....</b>	<b>9</b>

# Executive summary

## Overview

The purpose<sup>1</sup> of this Audit Findings Report is to assist you, as a member of Council, in your review of the results of our audit of the financial statements of the Corporation of the City of Markham for the year ended December 31, 2013.

We appreciate the assistance of management and staff in conducting our audit. We hope this audit findings report is of assistance to you for the purpose above.

## Status

As of April 14, 2014, we have completed the audit of the financial statements, with the exception of certain remaining procedures which include:

- Review of the working papers of PowerStream Holdings Inc.'s auditors
- Receipt of legal confirmations
- Receipt of the signed management representation letter (to be signed upon approval of the financial statements)
- Completing our discussion with the Council
- Obtaining evidence of the approval of the financial statements

We will update you on significant matters, if any, arising from the completion of the audit, including completion of the above procedures. Our auditors' report will be dated upon completion of any remaining procedures.

---

<sup>1</sup> This Audit Findings Report should not be used for any other purpose or by anyone other than the Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

# Significant audit, accounting and reporting matters

Included in this report are significant matters we have highlighted for discussion at the upcoming meeting. We look forward to discussing these matters and our findings with you.

## Changes from the Audit Plan

There have been no changes from the Audit Planning Report previously presented to you.

## Matters related to management's judgment and estimates

We have not noted any significant matters related to management's judgment and estimates that we would like to bring to your attention.

### Correction of land additions and contributions from developers

- During the audit, we identified an amount of \$20.8 million of land additions recorded in 2013, all related to the assumption of subdivisions, where ownership was transferred to the City in 2012 and prior years.

### KPMG comments regarding effect on the audit

- We discussed the cut-off error with management and noted the Region of York approved an increase in rates in the DC By-law for 2013 which resulted in an increase of ownership titles transferred to the City in late 2012. We noted the City's TCA policy states that land additions will be recognized when title is transferred to the City. However, when ownership is transferred, the City has to determine various factors including assessing a value of the land assumed before the land additions are recorded which resulted in the late recognition of the additions.
- We noted that the error identified relates to land assumed through subdivisions, and not through any purchase of land.
- In light of the errors identified, we performed additional audit work using updated information provided by management and did not identify additional items for correction that were not already previously identified.
- Given the size of the errors relating to prior periods, we proposed these land additions be reversed from the 2013 developer contributions and be recorded and corrected to the prior period's financial statements through a recast of financial statements. Management agreed with the adjustments and recorded the corrections in the 2013 financial statements, as well as recasted the 2012 financial statements. The recasted financial statements correctly reflect the \$20.8 million of land additions in 2012, through a corresponding credit of \$17.2 million as revenue (contributions from developers) and \$3.6 million adjustment to opening accumulated surplus, for land additions with ownership transfers prior to 2012.
- We further draw your attention to note 21 of the financial statements which adequately

provides users with information about the recast.

- We noted that there are performance improvement opportunities through this process and have recommended that management review the process in place to mitigate potential future cut off errors. See control deficiency section of this audit findings report.

#### **Tangible Capital Assets**

- During our substantive testing of tangible capital asset additions testing, we noted that the City recognized \$113M in total additions in the current year which is comprised of \$66M of assets capitalized from work in progress, \$25M relating to assets capitalized from developer contributions and \$21M relating to land purchases/acquisitions.

#### **KPMG comments regarding effect on the audit**

- We have reviewed on a sample basis the additions to tangible capital assets and noted that management has correctly capitalized the additions from work in progress to capital assets, developer contributions and land purchases/acquisitions.
- We have also reviewed the estimated useful lives of the various additions from work in progress to tangible capital assets and conclude that they are reasonable.
- In our testing, we also reviewed the developer contribution recognized of \$64M on the Statement of Operations and Accumulated Surplus and note that management has appropriately recognized the related revenue.

#### **Deferred Revenue Earned**

- During our substantive testing, we noted that the City recognized \$69M of deferred revenue earned in FY2013.

#### **KPMG comments regarding effect on the audit**

- We reviewed the deferred revenue continuity schedule and selected samples for testing to determine if the original developer charges received in previous years were used to fund capital expenditures in the current year and in accordance with the appropriate legislation.
- Based on our review, we conclude that the developer charges recorded as revenue in 2013 were used to fund capital projects, including the new Pan American Games project.

#### **Markham Enterprises Corporation ("MEC") Equity Investment**

- The City recognizes its investment in MEC using the 'modified equity method'.

#### **KPMG comments regarding effect on the audit**

- We reviewed the criteria per PS 3070 Investment in Government Business Enterprises and noted the City's investment in MEC continues to meet all criteria of the section and therefore it is appropriate to continue to record the investment in MEC using the modified equity method of accounting.
- We reviewed the MEC modified equity method calculation. We noted that there are three major components to the calculation. They are: MEC's current year net income, the purchase of MEC shares by the City in 2013 and MEC's dividend declared and paid to the City.
- For the dividend paid to the City, we reviewed the declaration and payment of the dividend by MEC to the City.
- Based on the work performed, KPMG concludes that management has appropriately reflected its investment in MEC using modified equity accounting in accordance with PS 3070 for fiscal 2013.

#### **Markham Enterprises Corporation ("MEC") Consolidation**

- The CPA Handbook Part I, IAS27 Consolidated and Separate Financial Statements requires that *"Intragroup balances, transactions, income and expenses shall be eliminated in full."*
- MEC accounts for PowerStream, a joint venture with the City of Barrie and Vaughan, using the proportionate consolidation method.
- In the current year, PowerStream identified a prior period error in property, plant and equipment and restated its financial statements for 2012.
- The error identified by PowerStream was accounted for by MEC by retrospectively restating the affected 2012 accounts for its share of the error. The adjustment resulted in a decrease to PP&E and Retained Earnings of approximately \$2.2 million.

#### **KPMG comments regarding effect on the audit**

- We performed substantive work over the MEC consolidation in order to recalculate the City's investment value in MEC for 2013.
- We reviewed the elimination entries recorded and noted the entries were to eliminate the following intercompany transactions: intercompany receivables/payables between MEC, Markham District Energy and PowerStream Holdings Inc. (PowerStream), intercompany sales between Markham District Energy and PowerStream, MEC's investment in Markham

District Energy and PowerStream, and the dividend paid by PowerStream to MEC.

- We conclude that the elimination entries are reasonable, in accordance with IFRS, and are consistent in nature with prior year.
- We also reviewed MEC's accounting for PowerStream in the consolidation process. We observed that management appropriately proportionally consolidated its investment in PowerStream based on the percentage ownership of 34.185% on a consistent basis.
- We reviewed MEC's accounting for the prior period error recorded by PowerStream in 2012.
- We are also required to review the working papers of PowerStream's auditors.
- Based on the work performed, we conclude that the accounting treatment is reasonable in the MEC consolidation.

#### **Contingent liabilities**

- The CPA Handbook PS 3300 Contingent Liabilities requires that the City recognize a liability when *"...it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated."*
- At any point in time, the City is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, contract settlement accruals etc.

#### **KPMG comments [regarding effect on the audit]**

- We reviewed the City's assessments of contingent liabilities and the process employed to develop and record the related estimated liabilities. Where applicable, we met with the individuals responsible for the process and is satisfied that the methodology used is consistent with the approach taken in prior years and has been appropriately reviewed.
- As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management's best estimates of exposure given the information presently available.

# Significant qualitative aspects of accounting policies and practices

Our professional standards require that we communicate our views regarding the matters below, which represent judgments about significant qualitative aspects of accounting policies and practices. Judgments about quality cannot be measured solely against standards or objective criteria. These judgments are inherently those of the individual making the assessment: the engagement partner. However, although judgments about quality are those of the engagement partner, the views discussed below are not contrary to positions KPMG has taken.

The following are the matters we wish to communicate:

<b>Significant accounting policies</b>	<ul style="list-style-type: none"><li>• Significant accounting policies are disclosed in Note 1 to the City's financial statements. There were no changes to any significant accounting policies</li><li>• The new significant accounting policies are disclosed in Note 1 to the financial statements.</li></ul>
<b>Critical accounting estimates</b>	<ul style="list-style-type: none"><li>• There were no significant accounting estimates other than depreciation of capital assets, certain valuations related to tangible capital assets (primarily land), receivables, and accruals.</li></ul>
<b>Critical disclosures and financial statement presentation</b>	<ul style="list-style-type: none"><li>• The financial statements include disclosures and presentation requirements under the relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.</li></ul>

## Misstatements

### Identification of misstatements

Misstatements identified during the audit have been categorized as follows:

- corrected misstatements, including disclosures
- uncorrected misstatements, including disclosures.

### Corrected misstatements

Refer to Management's representation letter and the Summary of Corrected Audit Misstatements in the Appendices for all 2013 corrected audit misstatements.

Management has processed the recommended disclosure related to the notes to the financial statements.

### Uncorrected misstatements

We did not identify any uncorrected misstatements in fiscal 2013.



# Control deficiencies

## Background and professional standards

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control].

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

## Identification

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

However, based on our audit we did note of performance improvement observations, as follows:

Description of performance improvement observations
As noted above and as identified during the course of performing our procedures over land additions testing, we identified approximately \$20.8 million of land additions capitalized in 2013 that relate to land transfers from 2012 or prior years.
Potential effect and Recommendation
<p>This resulted in an overstatement of 2013 developer contributions revenue by \$20.8 million. Through our review of the \$20.8 million land additions, \$17.2 million relates to land transfers dated in 2012, and \$3.6 million relates to land transfers dated prior to 2012. As a result of the identification of the prior period error, the pre-recasted 2012 revenue was understated by \$17.8 million; opening accumulated surplus was understated by \$3.6 million, and ending accumulated surplus was understated by \$20.8 million.</p> <p>We understand that the current process was implemented by management back in 2009, during the implementation of the Canadian public sector accounting standards for tangible capital assets. At the time of the implementation, management did not anticipate the inherent process limitations to have a material impact on the results of subdivision assumptions. At the time, we also reviewed the process and concurred with management, and considered the process to be sufficient to provide reasonable results for subdivision assumptions. However, in light of the magnitude of the cut-off error identified during the audit, to mitigate the potential future cut-off errors, we recommend management to review the current process in obtaining the key and relevant information required for the capitalization of land assumed, and consider the availability of other sources of data that can be used in order to estimate the value of land contributed from developers in a more timely fashion.</p>

In order to maintain control over potential cut-off differences, we further recommend management to track the quantum of land assumed in a given fiscal year that could not be capitalized in the same year in the event that it is impossible or impractical to gather information on a specific piece of property on a timely basis.

#### **Management comments**

The Audit Findings Report for the year ended December 31, 2013 identified a performance improvement observation related to the process of recording land acquisitions through the assumption of subdivisions. It was identified that approximately \$20.8 million of land additions capitalized in 2013 were related to land transfers from 2012 or prior years. As noted in the Audit Findings Report, the current process was implemented in 2009, and it was not anticipated the inherent process limitations would have a material impact on the results of subdivision assumptions. The process was continued as it was reviewed and considered sufficient by KPMG LLP, to provide reasonable results for subdivision assumptions.

In May 2012, the Region of York updated the Regional Development Charges by-laws, which would become effective June 18, 2012. The new Development Charges rates increased significantly. The by-laws included a pre-payment clause, which effectively allowed developers to pre-pay applicable Development Charges on or before June 18, 2012 at the lower, outgoing by-law rates. A condition of this clause was that subdivision agreements must be executed within six months. This resulted in an unusually high volume of subdivision agreements executed in November and December of 2012. Since the late year land transfers to the City were not captured until after the 2012 cut-off and reconciliation with the Municipal Property Assessment Corporation's (MPAC) records, they were not recorded until 2013. Therefore, the developer contribution revenues were overstated in the 2013 financial statements by \$20.8M.

This anomaly has prompted a review of the process and controls currently in place with regard to recording land acquisitions and sales. The City has refined the process in order to ensure the reporting of land transfers will coincide with the calendar year. The initial step of this improvement is to the requirements of the Surveyor's Certificate, which is included with development agreements. More detail will be requested, including full measurement of land areas for land parcels being transferred to the City. The City will also require a copy of the certificate upon registration of the plan, so that they can capture the changes, not included by MPAC, in the final calendar months of each year. The City will implement the new process in 2014.

# Appendices

**Independence letter**

**Management representation letter**

# Independence letter



**KPMG LLP**  
**Chartered Accountants**  
Yonge Corporate Centre  
4100 Yonge Street Suite 200  
Toronto ON M2P 2H3  
Canada

Telephone (416) 228-7000  
Fax (416) 228-7123  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **PRIVATE & CONFIDENTIAL**

Members of the Council  
The Corporation of the City of Markham  
101 City Centre Boulevard  
Markham, Ontario L3R 9W3

April 14, 2014

Dear Members of the Council:

Professional standards specify that we communicate to you in writing all relationships between the Entity and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we are required to consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
  - holding a financial interest, either directly or indirectly, in a client
  - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
  - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
  - economic dependence on a client

## **PROVISION OF SERVICES**

The following summarizes the professional services rendered by us to the Entity, from January 1, 2013 up to the date of our letter:

- Audit of the 2013 consolidated financial statements of Corporation of the City of Markham.
- Audit of 2013 financial statements of the City of Markham Public Library, Markham District Energy, Markham Enterprises Corporation, the City Trust Funds, the Unionville Business Improvement Area, the Markham Business Improvement Area, the Varley-McKay Art Foundation of Markham, Friends of the Markham Museum and the Federal Gas Tax Funds Program.

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards regarding the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

## **OTHER RELATIONSHIPS**

We are not aware of any other relationships between our firm and the Entity that may reasonably be thought to bear on our independence from January 1, 2013 up to the date of our auditors' report.

## **CONFIRMATION OF INDEPENDENCE**

We confirm that we are independent with respect to the Entity within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation from January 1, 2013 up to the date of our auditors' report.

## **OTHER MATTERS**

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the end.

Licensed Public Accountants

# Management representation letter

KPMG LLP  
Yonge Corporate Centre  
4100 Yonge Street, Suite 200  
Toronto, Ontario M2P 2H3  
Canada

April 28, 2014

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of The Corporation of the City of Markham ("the Entity") as at and for the period ended December 31, 2013.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated February 22, 2013, for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all relevant information and access, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information.
  - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
  - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 3) We have disclosed to you:
  - a) the results of our assessment of the risks that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**SUBSEQUENT EVENTS:**

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**RELATED PARTIES:**

- 5) We have disclosed to you the identity of the Entity's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**ESTIMATES:**

- 6) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 7) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission (“SEC”) Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**MISSTATEMENTS:**

- 8) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 9) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

Yours very truly,

THE CORPORATION OF THE CITY OF MARKHAM

---

By: Ms. Trinela Cane, Commissioner of Corporate Services

---

By: Mr. Joel Lustig, Treasurer



## Attachment I – Definitions

### MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

### RELATED PARTIES

In accordance with Canadian public sector accounting standards (PSAB) a *related party* is defined as:

- One party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not for profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members

In accordance with Canadian public sector accounting standards (PSAB) a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

## Attachment II

**2013**

### a) Summary of 2013 corrected audit misstatements

#	Account #	Account Name	Description / Identified During	Error Type	Amount	Income Effect DR (CR)	Impact on financial statement captions - DR(CR)				
							Equity at period end	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities
1		Taxes receivable Trade AP	To reclassify additional AR credit balances.	Factual	\$ 770,707 \$ (770,707)	\$ - \$ -	\$ - \$ -	\$ 770,707 \$ -	\$ - \$ -	\$ - \$ (770,707)	\$ - \$ -
2		Tangible capital assets Contributions from developers	To record land addition in the correct quadrant.	Factual	\$ 453,410 \$ (453,410)	\$ - \$ (453,410)	\$ - \$ (453,410)	\$ - \$ -	\$ 453,410 \$ -	\$ - \$ -	\$ - \$ -
3		Contributions from developers Opening accumulated surplus	To adjust prior period error correction to prior period.	Factual	\$ 20,839,159 (\$20,839,159)	\$ 20,839,159 \$ -	\$ 20,839,159 (\$20,839,159)	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
Total effect of corrected audit misstatements						\$ 20,358,749	\$ (453,410)	\$ 770,707	\$ 453,410	\$ (770,707)	\$ -

### b) No 2013 uncorrected audit misstatement.

## 2012

### a) Summary of 2012 corrected audit misstatements

#	Account #	Account Name	Description / Identified During	Error Type	Amount	Income Effect DR (CR)	Impact on financial statement captions - DR(CR)				
							Equity at period end	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities
1		TCA Contributions from developers	To adjust the error correction to the 2012 statement of operations and opening accumulated surplus. (note 1)	Factual	\$ 20,839,159 (\$17,168,814) (\$3,670,345)	\$ - \$(17,168,814) \$ -	\$ - \$(17,168,814) (\$3,670,345)	\$ - \$ - \$ -	\$20,839,159 \$ - \$ -	\$ - \$ - \$ -	\$ - \$ - \$ -
Total effect of corrected audit misstatements						<b>\$ (17,168,814)</b>	<b>\$ (20,839,159)</b>	<b>\$ -</b>	<b>\$20,839,159</b>	<b>\$ -</b>	<b>\$ -</b>

Note 1: The error is identified in the 2013 audit process.

### b) Summary of 2012 uncorrected audit misstatements

#	Account #	Account Name	Description / Identified During	Error Type	Amount	Income Effect DR (CR)	Impact on financial statement captions - DR(CR)				
							Equity at period end	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities
1		Opening accumulated surplus General government	To adjust prior period error correction (note 2)	Factual	\$ 5,913,873 (\$5,913,873)	\$ - (\$5,913,873)	\$ 5,913,873 (\$5,913,873)	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
Total effect of uncorrected audit misstatements						<b>\$ (5,913,873)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Note 2: This error was communicated in the 2012 audit process. The adjustment relates to an out-of-period correction recorded by management in 2012. This is not a new item identified in 2013 audit process.

[www.kpmg.ca](http://www.kpmg.ca)

KPMG LLP, an Audit, Tax and Advisory firm ([kpmg.ca](http://kpmg.ca)) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative ("KPMG International"). KPMG member firms around the world have 145,000 professionals, in 152 countries.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss entity. Each KPMG firm is a legally distinct and separate entity, and describes itself as such.

© 2013 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.