

Consolidated financial statements of

**The Corporation of
the Town of Whitby**

December 31, 2010

The Corporation of the Town of Whitby

December 31, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Corporation of the Town of Whitby, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, changes 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 financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Whitby as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants
Licensed Public Accountants
July 28, 2011

The Corporation of The Town of Whitby

Consolidated statement of financial position
as at December 31, 2010

	2010	2009 (Restated - Note 2)
	\$	\$
Financial assets		
Cash	94,489,889	94,885,260
Investments	13,558,252	13,185,101
Taxes receivable (Note 5)	15,999,718	13,962,657
Accounts receivable	5,755,619	3,942,630
Other accounts receivable (Note 6)	6,521,300	6,521,300
Investment in Whitby Hydro (Note 16)	38,607,625	38,843,921
Long-term note receivable (Note 16)	21,816,642	21,816,642
	196,749,045	193,157,511
Liabilities		
Accounts payable and accrued liabilities	11,823,073	9,807,862
Other current liabilities	763,033	676,529
Deferred revenue (Note 7)	74,891,405	78,540,397
Employee future benefits liabilities (Note 8)	6,555,722	6,081,483
	94,033,233	95,106,271
Net financial assets	102,715,812	98,051,240
Non-financial assets		
Tangible capital assets (Note 9)	634,052,659	618,372,106
Inventory of supplies	432,933	512,770
	634,485,592	618,884,876
Accumulated surplus (Note 10)	737,201,404	716,936,116

The Corporation of The Town of Whitby

Consolidated statement of operations
year ended December 31, 2010

	Budget (Unaudited) (Note 14) \$	2010 Actual \$	2009 Actual (Restated - Note 2) \$
Revenues			
Taxation - all classes (Note 1 a) iii)		217,266,292	204,204,688
Less amounts received for Region and School Boards (Note 3)		154,955,395	144,721,016
	61,471,452	62,310,897	59,483,672
User fees and charges	12,992,964	13,715,524	13,494,362
Grants	748,985	8,733,132	1,678,617
Developer & other contributions earned	10,586,793	12,797,812	6,650,241
Gas tax revenue	4,800,602	4,295,551	1,329,925
Investment income	950,300	944,520	1,191,327
Fines, penalties and interest	2,065,000	3,036,648	2,628,742
Licenses and permits	1,464,819	2,119,916	1,497,493
Rents and other	3,461,247	5,874,126	6,187,273
Revenue recognized on contributed tangible capital assets	-	-	27,954,490
Net earnings, Whitby Hydro (Note 16)	3,500,000	3,371,204	2,928,326
	102,042,162	117,199,330	125,024,468
Expenses (Note 13)			
General government	12,319,453	11,764,178	11,591,207
Protection to persons and property	18,216,165	18,755,500	18,119,624
Transportation services	31,394,766	30,489,836	31,328,048
Environmental services	5,123,171	4,968,896	4,627,358
Recreation and cultural services	24,317,745	25,126,565	23,711,887
Planning and development	3,952,001	4,483,506	3,433,202
Social and family services	1,308,224	1,345,561	1,291,855
	96,631,525	96,934,042	94,103,181
Annual surplus	5,410,637	20,265,288	30,921,287
Accumulated surplus, beginning of year	724,937,686	716,936,116	686,014,829
Accumulated surplus, end of year	730,348,323	737,201,404	716,936,116

The Corporation of The Town of Whitby
 Consolidated statement of changes in net financial assets
 year ended December 31, 2010

	2010	2009 (Restated - Note 2)
	Budget (Unaudited) (Note 14)	Actual
	\$	\$
Annual surplus	5,410,637	30,921,287
Acquisition of tangible capital assets	(37,000,000)	(47,360,013)
Amortization of tangible capital assets	20,800,000	20,235,096
Write down of tangible capital assets	-	1,331,000
	(10,789,363)	5,127,370
Acquisition of inventories of supplies	-	(432,933)
Consumption of inventories of supplies	-	512,770
Change in net financial assets	(10,789,363)	519,976
Net financial assets, beginning of year	4,664,572	5,134,576
Net financial assets, end of year	(10,789,363)	98,051,240
	102,715,812	98,051,240

The Corporation of The Town of Whitby

Consolidated statement of cash flows year ended December 31, 2010

	2010	2009 (Restated - Note 2)
	\$	\$
Operating activities		
Annual surplus	20,265,288	30,921,287
Items not involving cash		
Amortization	20,805,910	20,235,096
Write down of tangible capital assets	-	1,331,000
Net earnings of Whitby Hydro Energy Corporation	(3,371,204)	(2,928,326)
Value of contributed tangible assets recognized as revenue	-	(27,954,490)
Change in non-cash assets and liabilities		
Increase in taxes receivable	(2,037,061)	(1,909,314)
Increase in accounts receivable	(1,812,989)	(858,642)
Decrease in inventory of supplies	79,837	7,206
Increase in accounts payable and accrued liabilities	2,015,211	724,821
Increase (decrease) in other current liabilities	86,504	(523,557)
Decrease in deferred revenue	(3,648,992)	(2,355,677)
Increase in employee future benefits liability	474,239	438,895
	32,856,743	17,128,299
Capital activity		
Acquisition of tangible capital assets	(36,486,463)	(19,405,523)
Investing activities		
Net changes in investments	(373,151)	(648,150)
Dividend from Whitby Hydro Energy Corporation	3,607,500	3,300,200
	3,234,349	2,652,050
Change in cash during the year	(395,371)	374,826
Cash, beginning of year	94,885,260	94,510,434
Cash, end of year	94,489,889	94,885,260

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

1. Significant accounting policies

The consolidated financial statements of The Corporation of the Town of Whitby (the "Town") are the representations of management prepared in accordance with accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

a) i) *Reporting entity*

These consolidated financial statements reflect the assets, liabilities, accumulated surplus, revenues, expenses and annual surplus of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees which are controlled by the Town, including the following:

- Town of Whitby Public Library Board
- Groveside Cemetery Board

All material inter-entity transactions and balances are eliminated on consolidation with the exception of transactions/balances with Whitby Hydro Energy Corporation (Note 1(a) (ii)).

ii) *Investment in Whitby Hydro Energy Corporation*

Whitby Hydro Energy Corporation and its subsidiaries are accounted for on a modified equity basis, consistent with generally accepted accounting principles 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 Town, and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of Whitby Hydro Energy Corporation in its statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town receives from Whitby Hydro Energy Corporation are reflected as reductions in the investment asset account.

iii) *Accounting for region and school board transactions*

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

iv) *Trust funds*

Trust funds and their related operations administered by the Town are not consolidated, but are reported separately on the "Trust Funds Statement of Financial Activity and Change in Fund Balance" and the "Trust Funds Statement of Financial Position".

b) *Basis of accounting*

i) *Revenues and expenses*

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

ii) *Investments*

Investments are recorded at lower of cost or market value.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

1. Significant accounting policies (continued)

b) Basis of accounting (continued)

iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable 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:

	Useful life-years
Land improvements	10-20
Building and building improvements	10-50
Vehicles, machinery and equipment	5-20
Stormwater management	15-75
Roads infrastructure	25-50

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

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.

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.

iv) Deferred revenue - obligatory reserve funds

Deferred revenue - obligatory reserve funds represents development charge contributions, payments in lieu of parkland, building code net revenues, Invest in Ontario grants, and gas tax, levied or received under the authority of federal and provincial legislation and Town by-laws. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the related services are performed.

v) Deferred revenue - general

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

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

1. Significant accounting policies (continued)

b) Basis of accounting (continued)

vi) Employee future benefits liabilities

The present value of the cost of providing employees with future benefits programs is recognized as employees earn these entitlements through service.

vii) Government transfers

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

viii) Reserves and reserve funds

Certain amounts, as approved by Town Council are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

ix) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Significant estimates relate to taxes receivable, accounts receivable, employee future benefits, accrued liabilities and expenses. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Change in Accounting Policy – Whitby Hydro Energy Corporation

Effective January 1, 2010, Whitby HydroEnergy Coporation ("Whitby Hydro") changed its accounting policy with respect to the recognition and measurement of assets and liabilities arising from rate regulation. Whitby Hydro has applied the change retroactively with restatement. The resulting changes in Whitby Hydro has the following impact on the consolidated financial statements of the Town of Whitby for 2009.

	\$
Accumulated surplus, beginning of year	
as previously reported	691,133,688
Impact of Whitby Hydro change in accounting policy	(5,118,859)
Accumulated surplus, beginning of year restated	<u>686,014,829</u>
Annual surplus	
as previously stated	33,803,998
Reduction in net earnings of Whitby Hydro	(2,882,711)
Annual surplus restated	<u>30,921,287</u>
Investment in Whitby Hydro	
As previously reported	46,845,491
Impact of change in accounting policy as opening balance	(5,118,859)
Deduction in net earnings of Whitby Hydro	(2,882,711)
Investment in Whitby Hydro, restated	<u>38,843,921</u>

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

3. Operations of school boards and the Region of Durham

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

			2010	2009
	School boards	Region of Durham	Total	Total
	\$	\$	\$	\$
Taxation	50,105,721	103,357,174	153,462,895	143,232,758
Payment in lieu of taxes	163,116	1,329,384	1,492,500	1,488,258
Amounts collected and remitted	50,268,837	104,686,558	154,955,395	144,721,016

4. Trust funds

Trust funds administered by the Town amounting to \$875,953 (2009 - \$825,998) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations". The trust funds have been reported separately on the "Trust Funds Statement of Financial Activity and Change in Fund Balance" and "Trust Funds Statement of Financial Position".

5. Taxes receivable

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

	2010	2009
	\$	\$
Current year	8,996,867	7,898,449
Arrears previous years	7,002,851	6,064,208
	15,999,718	13,962,657

6. Other accounts receivable

	2010	2009
	\$	\$
7-1/4% promissory note issued to the Town of Whitby by Whitby Hydro Energy Corporation. The Town has the option of calling the principal amount in whole or in part, with notice of sixty days. The Town has agreed not to call this loan before January 1, 2012.	1,460,300	1,460,300
7-1/4% promissory note issued to the Town of Whitby by Whitby Hydro Energy Corporation. The Town has the option of calling the principal amount in whole or in part, with notice of sixty days. The Town has agreed not to call this note before January 1, 2012.	5,061,000	5,061,000
	6,521,300	6,521,300

Interest revenue earned on these notes totaled \$472,794 (2009 - \$472,794).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

7. 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 related services are performed. The following is the current status of the deferred revenues:

	2010	2009
	\$	\$
Obligatory reserve funds		
Development charges	65,493,178	66,218,642
Parkland	2,061,209	1,954,990
Federal gas tax	1,636,531	2,474,257
Building Code Act	747,760	867,945
Investing in Ontario Act	2,492,148	4,355,363
Deferred revenue - general	2,460,579	2,669,200
	74,891,405	78,540,397

Continuity of deferred revenue is as follows:

	2010	2009
	\$	\$
Balance, beginning of year	78,540,397	80,896,074
Developer contributions collected	9,014,073	3,835,240
Federal gas tax	3,419,680	2,840,322
Other collections	2,460,579	3,266,253
Interest earned	1,219,239	1,504,276
	16,113,571	11,446,091
Less		
Developer contribution revenue recognized in current operations	1,500,411	2,745,212
Developer contribution revenue recognized in capital operations	8,586,090	6,596,833
Gas tax revenue recognized in capital operations	4,295,551	1,329,925
Building Code Act - applied	126,590	705,604
Parkland revenue recognized	861,469	48,942
Investing in Ontario Act revenue recognized	1,723,252	-
General deferred revenue recognized	2,669,200	2,375,252
	19,762,563	13,801,768
Balance, end of year	74,891,405	78,540,397

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

8. Employee future benefits liabilities

The Town makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for such benefits as extended health and drugs, dental care and life insurance. Coverage ceases at the age of 65. The accrued benefit liability and the expense for the year ended December 31, 2010 are based on the results and assumptions of an actuarial valuation as at December 31, 2010 and updated to December 31, 2010. The significant actuarial assumptions used in estimating the Town's related accrued benefit obligation are as follows:

Discount rate	6%
Inflation rate	3% per year
Dental benefit cost escalation	5% per year
Medical benefit cash escalation	10% per year reducing to 5% per year over 15 years

Information about the Town's post retirement benefit plan is as follows:

Accrued benefit liability

	2010	2009
	\$	\$
Accrued benefit obligation	6,780,272	6,328,433
Unamortized actuarial loss	(224,500)	(246,950)
Employee future benefit liability	6,555,772	6,081,483

Expense

	2010	2009
	\$	\$
Current year benefit expense	278,915	257,741
Amortization of actuarial losses	22,450	22,450
Interest on accrued benefit obligation	380,091	354,878
	681,456	635,069

9. Tangible capital assets

i) Contributed tangible capital assets

The Town records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are land, roadways, and storm sewer lines installed by a developer as part of a subdivision agreement. Transfer of tangible capital assets in 2010 amounted to \$ Nil (2009 - \$27,954,490).

ii) Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one Canadian dollar, because of the difficulty of determining a tenable valuation and/or the assets were older than their estimated expected useful lives, and therefore were fully amortized.

iii) Works of art and historical treasures

The Town applies efforts to protect and preserve a number of owned historical buildings, collections of equipment, artifacts, documents and exhibits and works of art. These assets are not held for financial gain or to provide service but rather for public exhibition, education or research in furtherance of public service. These historical treasures and works of art are not recognized as tangible capital assets in the financial statements. The acquisition or betterment of such assets is recognized in the financial statements as an operating expense.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

9. Tangible capital assets (continued)

iv) Other

No interest was capitalized during the year (2009 - \$Nil).

									2010
	Land	Land improvements	Building and building improvements	Vehicles, machinery and equipment	Stormwater management	Road infrastructure	Work in progress	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance, beginning of year	76,860,695	64,399,847	118,373,504	30,792,105	58,206,698	512,586,173	3,052,569	864,271,591	
Additions	533,224	7,121,438	15,722,156	1,798,250	737,895	10,573,500	-	36,486,463	
Work in process completed	-	-	3,052,569	-	-	-	(3,052,569)	-	
Disposals	-	-	-	-	-	-	-	-	
Write offs	-	-	-	-	-	-	-	-	
Balance, end of year	77,393,919	71,521,285	137,148,229	32,590,355	58,944,593	523,159,673	-	900,758,054	
Accumulated amortization									
Balance, beginning of year	-	19,786,019	36,525,186	20,236,038	10,533,541	158,818,701	-	245,899,485	
Disposals	-	-	-	-	-	-	-	-	
Amortization expense	-	1,766,525	3,446,053	2,489,060	672,803	12,431,469	-	20,805,910	
Balance, end of year	-	21,552,544	39,971,239	22,725,098	11,206,344	171,250,170	-	266,705,395	
Net book value, end of year	77,393,919	49,968,741	97,176,990	9,865,257	47,738,249	351,909,503	-	634,052,659	
									2009
	Land	Land improvements	Building and building improvements	Vehicles, machinery and equipment	Stormwater management	Road infrastructure	Work in progress	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance, beginning of year	76,860,695	60,539,629	112,056,495	27,204,197	53,315,694	486,084,513	2,181,355	818,242,578	
Additions	-	3,860,218	4,135,654	3,587,908	4,891,004	27,832,660	3,052,569	47,360,013	
Work in process completed	-	-	2,181,355	-	-	-	(2,181,355)	-	
Disposals	-	-	-	-	-	(1,331,000)	-	(1,331,000)	
Write offs	-	-	-	-	-	-	-	-	
Balance, end of year	76,860,695	64,399,847	118,373,504	30,792,105	58,206,698	512,586,173	3,052,569	864,271,591	
Accumulated amortization									
Balance, beginning of year	-	18,159,535	32,866,681	17,865,970	9,866,583	146,905,620	-	225,664,389	
Disposals	-	-	-	-	-	-	-	-	
Amortization expense	-	1,626,484	3,658,505	2,370,068	666,958	11,913,081	-	20,235,096	
Balance, end of year	-	19,786,019	36,525,186	20,236,038	10,533,541	158,818,701	-	245,899,485	
Net book value, end of year	76,860,695	44,613,828	81,848,318	10,556,067	47,673,157	353,767,472	3,052,569	618,372,106	

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

10. Accumulated surplus

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

	2010	2009
	\$	\$
General	5,330,538	4,475,410
Unfunded employee future benefits	(6,555,722)	(6,081,483)
Internal borrowings from deferred revenue	(10,327,084)	(20,936,932)
Unfunded capital	(3,719,736)	(459,847)
Equity in Whitby Hydro	60,424,267	60,660,563
Reserve and Reserve Funds	57,996,482	60,906,299
Invested in tangible capital assets	634,052,659	618,372,106
	737,201,404	716,936,116

The increase in general fund surplus is a result of a surplus in the operating fund of \$855,128 (2009 - \$876,869).

11. Internal loans

As a means of funding various capital acquisitions, funds are borrowed by the Operating Fund from Development Charges. These funds are secured by promissory notes and are repaid over a determined period of time. The financing arrangements and ultimate repayment are approved by Council through the current budget process. The following is a summary of the individual loans.

	2010	2009
	\$	\$
Whitby Public Library	6,970,322	7,383,236
Cullen Central Park	-	7,751,363
Recreation and Cultural	733,711	3,038,267
Soccer Club	2,623,051	2,764,066
	10,327,084	20,936,932

12. Pension agreements

The Town makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of all permanent, full-time members of its 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. Contributions to OMERS for the year were \$5,046,442 (2009 - \$4,803,433).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

13. Classification of expenses by object

The Consolidated statement of operations presents the expenses by function. The following classifies those same expenses by object:

	2010	2009
	\$	\$
Salaries, wages and employee benefits	50,275,737	48,021,905
Operating materials and supplies	14,793,243	8,338,562
Contracted services	7,761,928	8,163,730
Other	3,297,224	9,343,888
Amortization expense	20,805,910	20,235,096
Total expenses by object	96,934,042	94,103,181

14. Budget figures

The budgets originally approved by Town Council for 2010, adjusted as noted below, are reflected on the Consolidated statement of operations and accumulated surplus and Consolidated statement of changes in net financial assets.

- An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original council approved budget.
- Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original council approved budget.
- Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in Consolidated Statement of Operations and Accumulated Surplus under the appropriate functional expense category, while those recognized as tangible capital assets are include in the Consolidated Statement of Change in Net Financial Assets.

Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements and are audited.

15. Contingent liabilities

Unsettled legal claims and potential other claims

The Town 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.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

16. Investment in Whitby Hydro Energy Corporation

In accordance with the requirements in Bill 35 (The Energy Competition Act, 1998) the Town of Whitby (the "Town"), passed a transfer by-law, effective November 1, 2000, that transferred substantially all of the assets and liabilities of the Whitby Hydro-Electric Commission to Whitby Hydro Energy Corporation. Whitby Hydro Energy Corporation carries on the former business of the Commission with all its rights, duties, obligations and responsibilities.

a) Equity in Whitby Hydro Energy Corporation

	2010	2009 (Restated - Note 2)
	\$	\$
Balance, beginning of year	60,660,563	61,032,437
Changes during the year		
Net income for the year	3,371,204	2,928,326
	64,031,767	63,960,763
Dividend received from Whitby Hydro Energy Corporation	(3,607,500)	(3,300,200)
Balance, end of year	60,424,267	60,660,563
	2010	2009
	\$	\$
Investment in Whitby Hydro Energy Corporation	38,607,625	38,843,921
Long-term note receivable	21,816,642	21,816,642
	60,424,267	60,660,563

Reported on the Consolidated statement of financial position as follows:

The long-term note receivable by the Town is a demand note with a fixed interest rate of 7.0%. The Town has the option of calling the principal, in whole or in part, with twelve months notice. The Town does not anticipate calling this note before January 1, 2012.

Interest revenue earned on this note totaled \$1,527,206 (2009 - \$1,527,206).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

16. Investment in Whitby Hydro Energy Corporation (continued)

a) Equity in Whitby Hydro Energy Corporation (continued)

The following table provides condensed financial information of Whitby Hydro Energy Corporation at and for the year ended December 31, 2010.

	2010	2009 (Restated - Note 2)
	\$	\$
Financial position		
Current assets	28,803,475	29,044,296
Capital assets	58,630,063	58,891,033
Deferred charges and other assets	12,934,997	8,219,560
Total assets	100,368,535	96,154,889
Current liabilities		
Current liabilities	15,004,303	11,966,099
Other liabilities	46,756,607	45,344,887
Total liabilities	61,760,910	57,310,986
Net assets	38,607,625	38,843,903
Results of operations		
Revenues	20,165,815	19,533,234
Expenses (including income taxes \$ 1,954,560; 2009 - \$1,874,326)	16,794,611	16,604,908
Net earnings	3,371,204	2,928,326

Included in revenues above is \$3,519,938 (2009 - \$2,985,992) earned from the Town for services provided. Expenses above include \$2,480,420 (2009 - \$2,454,692) paid to the Town.

b) Commitments of Whitby Hydro Energy Corporation as disclosed in their financial statements are as follows:

	\$
2011	346,978
2012	292,222
2013	292,222
2014	292,222
2015	292,222
	1,515,866

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2010

17. Segmented information

The Town provides a wide range of services to its residents.

Segmented information has been provided in Schedule 1 for the following Town Services:

- Protection to persons and property
- Public works services (Transportation and environmental)
- Recreation and Culture
- Planning and Development
- General Government

Revenues and expenses directly attributable to each segment are reported by segment. Typically general government expenses are incurred in support of all services. Similarly general government revenues including taxes are used to finance all activities of the Town. For purposes of segmented reporting general government revenues and expenses have not been allocated to the other services but rather are shown separately.

The Corporation of The Town of Whitby

Consolidated schedule of segmented disclosure - Schedule 1
 year ended December 31, 2010

	Protection to persons and property	Public works services	Recreation and culture	Planning and development	General Government	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue						
Tax revenues	-	-	-	-	-	-
Grants	36,742	97,034	8,414,929	-	62,310,897	62,310,897
Developer revenue	127,750	3,946,152	3,770,274	137,793	46,634	8,733,132
Revenue recognized on contributed assets	-	-	-	-	33,941	7,878,117
Other revenues	301,588	11,047,614	10,117,142	-	-	-
	466,080	15,090,800	22,302,345	522,739	16,524,397	38,277,184
				660,532	78,915,869	117,199,330
Expenditures						
Salaries and wages	15,790,290	10,730,835	13,791,292	2,558,095	7,405,225	50,275,737
Materials and supplies	844,948	6,218,972	4,353,058	1,603,008	1,773,257	14,793,243
Contracted services	1,136,620	2,822,774	2,495,210	315,295	992,029	7,761,928
Other	11,074	175,542	463,780	1,422	2,645,406	3,297,224
Amortization	972,568	15,510,609	3,901,526	5,686	415,521	20,805,910
	18,755,500	35,458,732	25,004,866	4,483,506	13,231,438	96,934,042
Annual surplus	(18,289,420)	(20,367,932)	(2,702,521)	(3,822,974)	65,684,431	20,265,288

The Corporation of The Town of Whitby

Consolidated schedule of segmented disclosure - Schedule 1 (continued)
 year ended December 31, 2009

	Protection to persons and property	Public works services	Recreation and culture	Planning and development	General Government (Restated - Note 2)	Consolidated (Restated - Note 2)
	\$	\$	\$	\$	\$	\$
Revenue						
Tax revenues	-	-	-	-	59,483,672	59,483,672
Grants	111,048	108,142	1,385,618	2,880	70,929	1,678,617
Developer revenue	61,562	4,159,814	2,262,723		166,142	6,650,241
Revenue recognized on contributed assets	60,363	25,268,986	2,273,571		351,570	27,954,490
Other revenues	63,786	4,590,452	8,568,504	382,613	15,652,093	29,257,448
	296,759	34,127,394	14,490,416	385,493	75,724,406	125,024,468
Expenditures						
Salaries and wages	15,082,495	10,354,487	12,980,664	2,404,700	7,199,559	48,021,905
Materials and supplies	835,463	3,780,180	2,103,655	248,135	1,371,129	8,338,562
Contracted services	1,204,437	3,113,199	2,491,225	65,109	1,289,760	8,163,730
Other	139,619	3,753,649	2,092,249	715,258	2,643,113	9,343,888
Amortization	857,610	14,953,891	4,044,094	-	379,501	20,235,096
	18,119,624	35,955,406	23,711,887	3,433,202	12,883,062	94,103,181
Annual surplus	(17,822,865)	(1,828,012)	(9,221,471)	(3,047,709)	62,841,344	30,921,287