

Consolidated financial statements of

**The Corporation of the
City of Pickering**

December 31, 2011

The Corporation of the City of Pickering

December 31, 2011

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Independent Auditor's Report

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of
the City of Pickering

We have audited the accompanying consolidated financial statements of the Corporation of the City of Pickering, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Pickering as at December 31, 2011 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 11, 2012

The Corporation of the City of Pickering

Consolidated statement of financial position as at December 31, 2011

| | 2011 | 2010 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 47,408,456 | 41,273,202 |
| Investments (Note 3) | 33,659,974 | 33,947,169 |
| Taxes receivable | 17,228,049 | 16,005,670 |
| Accounts receivable | 3,561,381 | 3,871,991 |
| Investment in Veridian Corporation (Note 4(b)) | 42,473,124 | 41,119,548 |
| Promissory notes receivable (Note 5) | 25,069,000 | 25,069,000 |
| | 169,399,984 | 161,286,580 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 12,104,482 | 13,173,379 |
| Other current liabilities | 85,259 | 94,481 |
| Deferred revenue (Note 6) | 44,327,687 | 40,429,995 |
| Long-term liabilities (Note 9) | 19,131,687 | 16,582,742 |
| Post-employment benefit liability (Note 8(a)) | 3,218,600 | 2,882,900 |
| WSIB benefit liabilities (Note 8(b)) | 826,859 | 1,672,898 |
| | 79,694,574 | 74,836,395 |
| Net financial assets | 89,705,410 | 86,450,185 |
| Non-financial assets | | |
| Tangible capital assets (Note 10) | 187,940,852 | 187,669,237 |
| Prepaid expenses | 618,043 | 386,274 |
| Inventory | 229,258 | 391,536 |
| | 188,788,153 | 188,447,047 |
| Accumulated surplus (Note 11) | 278,493,563 | 274,897,232 |

Approved by Council

The Corporation of the City of Pickering

Consolidated statement of operations year ended December 31, 2011

| | Budget (Unaudited) (Note 17) | 2011 Actual | 2010 Actual |
|---|------------------------------------|--------------------|--------------------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Residential and farm taxation | 34,007,734 | 34,169,217 | 33,340,378 |
| Commercial and industrial taxation | 9,281,452 | 9,466,405 | 8,779,976 |
| Taxation from other governments | 7,832,507 | 8,236,418 | 7,427,687 |
| User charges | 10,672,473 | 10,658,960 | 7,661,881 |
| Government grants and fees | 1,808,593 | 2,487,283 | 4,024,406 |
| Other contributions and donations | 4,934,909 | 834,092 | 980,367 |
| Development charges and developer contributions earned | 2,153,870 | 864,631 | 966,251 |
| Contributed tangible capital assets | - | 681,938 | 3,031,356 |
| Investment income | 175,000 | 452,893 | 298,499 |
| Penalties and interests on taxes | 2,370,000 | 2,678,684 | 2,499,536 |
| Fines | 855,500 | 919,576 | 886,995 |
| Interest on promissory notes | 1,426,850 | 1,426,852 | 1,588,823 |
| Equity share of Veridian Corporation earnings (Note 4 (c)) | - | 3,838,176 | 3,477,285 |
| Other | 163,500 | 509,215 | 261,549 |
| Gain on disposal of tangible capital assets | - | 373,707 | 94,823 |
| | 75,682,388 | 77,598,047 | 75,319,812 |
| Expenses (Note 19) | | | |
| Current | | | |
| General government | 15,367,212 | 13,580,197 | 13,644,762 |
| Protection to persons and property | 20,090,546 | 19,208,938 | 19,016,456 |
| Transportation services | 12,276,475 | 11,293,153 | 9,558,606 |
| Environmental services | 2,355,699 | 3,486,332 | 3,363,579 |
| Social and family services | 603,115 | 574,734 | 475,524 |
| Recreational and cultural services | 22,721,027 | 23,272,214 | 22,763,222 |
| Planning and development | 3,777,674 | 2,586,148 | 2,791,188 |
| | 77,191,748 | 74,001,716 | 71,613,337 |
| Annual (deficit) surplus | (1,509,360) | 3,596,331 | 3,706,475 |
| Accumulated surplus, beginning of year | 274,897,232 | 274,897,232 | 271,190,757 |
| Accumulated surplus, end of year | 273,387,872 | 278,493,563 | 274,897,232 |

The Corporation of the City of Pickering

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

| | Budget (Unaudited) (Note 17) | 2011 Actual | 2010 Actual |
|---|------------------------------------|--------------------|----------------|
| | \$ | \$ | \$ |
| Annual (deficit) surplus | (1,509,360) | 3,596,331 | 3,706,475 |
| Acquisition of tangible capital assets | (24,397,825) | (9,999,491) | (11,061,430) |
| Amortization of tangible capital assets | 9,684,209 | 9,570,560 | 9,601,811 |
| Gain on disposal of tangible capital assets | - | (373,707) | (94,823) |
| Proceeds on disposal of tangible capital assets | - | 531,023 | 127,839 |
| | (16,222,976) | 3,324,716 | 2,279,872 |
| Acquisition of inventory of supplies | - | (1,211,343) | (1,046,647) |
| Use of inventory of supplies | - | 1,373,621 | 921,617 |
| Acquisition of prepaid expenses | - | (614,183) | (386,273) |
| Use of prepaid expenses | - | 382,414 | 398,023 |
| | - | (69,491) | (113,280) |
| Change in net financial assets | (16,222,976) | 3,255,225 | 2,166,592 |
| Net financial assets, beginning of year | 76,604,829 | 86,450,185 | 84,283,593 |
| Net financial assets, end of year | 60,381,853 | 89,705,410 | 86,450,185 |

The Corporation of the City of Pickering

Consolidated statement of cash flows year ended December 31, 2011

| | 2011 | 2010 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | 3,596,331 | 3,706,475 |
| Non cash items | | |
| Amortization of tangible capital assets | 9,570,560 | 9,601,811 |
| Gain on disposal of tangible capital assets | (373,707) | (94,823) |
| Equity share of Veridian Corporation | (3,838,176) | (3,477,285) |
| Contributed tangible capital assets recorded in revenue | (681,938) | (3,031,356) |
| Change in non-cash operating items: | | |
| (Increase) decrease in taxes receivable | (1,222,379) | 60,315 |
| Decrease in accounts receivable | 310,610 | 33,330 |
| (Decrease) increase in accounts payable and accrued liabilities | (1,068,897) | 1,378,626 |
| Decrease in other current liabilities | (9,222) | (27,685) |
| Increase in deferred revenue | 3,897,692 | 2,515,416 |
| Increase in post-employment benefit liability | 335,700 | 167,800 |
| (Decrease) increase in WSIB benefit liabilities | (846,039) | 304,700 |
| Decrease (increase) in inventory | 162,278 | (125,030) |
| (Increase) decrease in prepaid expenses | (231,769) | 11,750 |
| | 9,601,044 | 11,024,044 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (9,317,553) | (8,030,074) |
| Proceeds on disposal of tangible capital assets | 531,023 | 127,839 |
| | (8,786,530) | (7,902,235) |
| Investing transactions | | |
| Decrease (increase) in investments | 287,195 | (2,074,671) |
| Dividends received from Veridian Corporation | 2,484,600 | 2,140,382 |
| | 2,771,795 | 65,711 |
| Financing transactions | | |
| Proceeds from debentures issued | 4,707,000 | 4,046,000 |
| Principal repayment of debentures | (2,158,055) | (1,683,228) |
| | 2,548,945 | 2,362,772 |
| Increase in cash and cash equivalents | 6,135,254 | 5,550,292 |
| Cash and cash equivalents, beginning of year | 41,273,202 | 35,722,910 |
| Cash and cash equivalents, end of year | 47,408,456 | 41,273,202 |
| Cash and cash equivalents consists of | | |
| Cash | 23,906,305 | 7,337,107 |
| Cash equivalents | 23,502,151 | 33,936,095 |
| | 47,408,456 | 41,273,202 |

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies

The consolidated financial statements ("the financial statements") of The Corporation of the City of Pickering (the "City") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the City are as follows:

(a) Reporting entity

(i) Consolidated statements

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the activities of all committees of Council and the City of Pickering Public Library Board which is controlled by the City.

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

(ii) Investment in Veridian Corporation

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

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

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

(iv) Trust funds

Trust funds and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds Statement of Financial Activities and Statement of Financial Position.

(b) Basis of accounting

(i) Accrual basis of accounting

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

(ii) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash equivalents have a short-term maturity of three months or less from the date of acquisition.

(iii) Investments

Long-term investments are recorded at cost and any loss in value which is considered other than temporary is recorded as appropriate. Any premium or discount at purchase of an investment is amortized over the life of the investment.

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iv) Tangible capital assets ("TCA")

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

| | |
|---------------------------------|-----------------|
| Buildings | 15 to 45 years |
| Machinery and equipment | 2 to 25 years |
| Vehicles | 5 to 15 years |
| Infrastructure - Roads | 10 to 50 years |
| Infrastructure - Storm sewers | 25 to 100 years |
| Infrastructure - Sidewalks | 20 to 40 years |
| Information technology hardware | 4 to 8 years |
| Infrastructure - Parks | 10 to 40 years |
| Library collection materials | 4 to 7 years |
| Furniture and fixtures | 10 to 50 years |

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

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

(v) Accounting for Property Tax Capping Provisions resulting from the Ontario Fair Assessment System

The net impact in property taxes as a result of the application of the capping provisions does not affect the Consolidated Statement of Operations as the full amounts of the property taxes were levied. However, the capping adjustments are reported on the consolidated Statement of Financial Position as a receivable/payable from/to the Region.

(vi) Deferred revenue

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

(vii) Post employment benefits

The present value of the cost of providing employees with future benefit programs is recognized as employees earn these entitlements through service. Actuarial gains and losses are amortized over the average remaining service period ("ARSP"). The actuary determined ARSP to be 14 years.

(viii) Inventory

Inventory is valued at the lower of cost and replacement cost. Cost is determined on a weighted-average basis.

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(ix) 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.

(x) Intangible assets

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

(xi) Use of estimates

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

2. Operations of school boards and the Region of Durham

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

| | Region | School board |
|---------------------------|-------------------|-------------------|
| | \$ | \$ |
| Taxation | 87,215,555 | 41,840,203 |
| Payments in lieu of taxes | 6,072,491 | 422,060 |
| | 93,288,046 | 42,262,263 |

3. Investments

| | 2011 | | 2010 | |
|-----------------------|------------|--------------|------------|--------------|
| | Cost | Market value | Cost | Market value |
| | \$ | \$ | \$ | \$ |
| Long-term investments | 33,659,974 | 34,334,282 | 33,947,169 | 33,944,590 |

Long-term investments are comprised of deposit notes and bonds.

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

4. Investment in Veridian Corporation

- (a) Veridian Corporation is owned by the City of Pickering, Town of Ajax, Municipality of Clarington and the City of Belleville. The City has a 41 per cent interest in Veridian Corporation. Veridian Corporation, as a government business enterprise, is accounted for on the modified equity basis in these financial statements. Veridian Corporation serves as the electrical distribution utility for a number of communities including the four noted above and conducts non-regulated utility service ventures through its subsidiaries.

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

| | 2011 (000's) | 2010 (000's) |
|---------------------------------------|-----------------|-----------------|
| | \$ | \$ |
| Financial position | | |
| Assets | | |
| Current | 79,455 | 74,269 |
| Capital and intangibles | 183,895 | 173,727 |
| Other | 19,296 | 20,633 |
| Total assets | 282,646 | 268,629 |
| Liabilities | | |
| Current | 69,996 | 58,298 |
| Long-term debt | 86,649 | 76,928 |
| Other | 22,433 | 33,136 |
| Total liabilities | 179,078 | 168,362 |
| Shareholders' equity | | |
| Share capital | 67,260 | 67,260 |
| Contributed capital | 25 | 25 |
| Retained earnings | 36,283 | 32,982 |
| Total equity | 103,568 | 100,267 |
| Total liabilities and equity | 282,646 | 268,629 |
| Financial activities: | | |
| Revenue | 286,271 | 256,203 |
| Other income | 4,313 | 4,713 |
| Expenses | 285,142 | 252,843 |
| Earnings from discontinued operations | 3,919 | 408 |
| Net earnings for the year | 9,361 | 8,481 |

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

4. Investment in Veridian Corporation (continued)

(b) *City of Pickering's investment represented by:*

| | 2011 | 2010 |
|---|---------------------|--------------|
| | \$ | \$ |
| Promissory notes receivable (Note 5) | 25,069,000 | 25,069,000 |
| Investments in Veridian Corporation | | |
| Initial investment in shares of the Corporation | 30,496,196 | 30,496,196 |
| Accumulated earnings | 27,310,109 | 23,471,933 |
| Accumulated dividends received | (16,442,002) | (13,957,402) |
| Increase in value of investments | 1,108,821 | 1,108,821 |
| Total investment | 42,473,124 | 41,119,548 |

(c) *Equity in Veridian Corporation*

| | 2011 | 2010 |
|---|--------------------|-------------|
| | \$ | \$ |
| Balance, beginning of year | 69,231,568 | 67,894,665 |
| Equity share of net earnings for the year | 3,838,176 | 3,477,285 |
| Dividend received from Veridian Corporation | (2,484,600) | (2,140,382) |
| Balance, end of year (Note 11) | 70,585,144 | 69,231,568 |

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

(i) Insurance claims

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

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

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

4. Investment in Veridian Corporation (continued)

(d) (continued)

(ii) Other claims

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

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

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

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

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

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

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

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

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

4. Investment in Veridian Corporation (continued)

(d) (continued)

(iv) Environmental liability

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

(e) Lease commitments

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

| | \$ (000's) |
|------------|------------------|
| 2012 | 157 |
| 2013 | 2 |
| 2014 | 2 |
| 2015 | 2 |
| 2016 | 2 |
| Thereafter | 70 |
| | <hr/> 235 |

5. Promissory notes receivable

Promissory note receivable from Veridian Corporation maturing November 12, 2012 and bearing interest at 7.62% until April 30, 2010, then the greater of 6% or the Ontario Energy Board deemed long term debt rate on an annual basis to maturity (6% effective May 1, 2010)

7,095,000 7,095,000

Promissory note receivable from Veridian Connections Inc. maturing November 1, 2039 and bearing interest at 7.62% until April 30, 2010, then 5.57% from May 1, 2010 to December 31, 2014 and then the Ontario Energy Board deemed long-term debt rate for each successive five year period thereafter

17,974,000 17,974,000

25,069,000 25,069,000

Interest revenue earned from these notes receivable totaled \$1,426,852 (2010 - \$1,588,823). The promissory notes from Veridian Corporation are convertible into common shares at the rate of one common share for every \$1,000 of principal amount, at the option of the City.

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

6. Deferred revenue

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Obligatory Reserve Funds | | |
| Development charges | 34,107,294 | 29,593,895 |
| Parkland | 1,818,118 | 1,757,582 |
| Federal gas tax | 4,977,097 | 3,526,410 |
| Third party/Developer's Contributions Reserve Fund | 2,233,978 | 2,185,222 |
| | 43,136,487 | 37,063,109 |
| Other unearned revenues | 1,191,200 | 3,366,886 |
| | 44,327,687 | 40,429,995 |

Continuity of deferred revenue is as follows:

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Balance, beginning of year | 40,429,995 | 37,914,579 |
| Restricted funds received | 7,556,772 | 4,667,912 |
| General funds received | 74,724 | 325,058 |
| Interest earned | 795,497 | 908,828 |
| | 8,426,993 | 5,901,798 |
| Earned revenue transferred to operations | 4,529,301 | 3,386,382 |
| Balance, end of year | 44,327,687 | 40,429,995 |

7. Interfund loans

As a means of funding various capital acquisitions, funds are borrowed by the Capital Fund from Development Charges deferred revenue (obligatory reserve funds). These funds are secured by promissory notes with interest rates ranging from 3.5% to 4.7% and various payment terms ranging from 1 year to 10 years. The financing arrangements and ultimate repayment are approved by Council through the current budget process. Although these notes have payment terms as noted above, they are repayable on demand. The following is a summary of the related loans:

| | 2011 | 2010 |
|---|----------------|------------------|
| | \$ | \$ |
| Roads and streetlights | 92,868 | 193,716 |
| Community facilities, libraries and parks | 235,770 | 360,844 |
| Protection services | 445,579 | 520,145 |
| Environmental services | 11,962 | 23,475 |
| Municipal building | 20,669 | 25,292 |
| | 806,848 | 1,123,472 |

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

8. Post-employment benefit liability

(a) Post-employment benefit liability

The City makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for benefits such as post-retirement extended healthcare benefits. Coverage ceases at the age of 65. The City also provides full time and permanent part-time employees a sick time entitlement and any unused entitlement is accumulated year to year. This accumulated entitlement is not vested and is forfeited at the time of retirement or termination. The most recent actuarial valuation of the post-employment benefits was performed at January 1, 2011.

Information about the City's benefits liability is as follows:

| | 2011 | 2010 |
|---|------------------|------------------|
| | \$ | \$ |
| Accrued benefits liability, beginning of year | 2,882,900 | 2,715,100 |
| Current service costs | 257,100 | 226,000 |
| Interest on accrued benefits | 274,700 | 193,100 |
| Amortization of actuarial losses | 145,900 | 49,000 |
| Benefits paid during the year | (342,000) | (300,300) |
| Accrued benefits liability, end of year | <u>3,218,600</u> | <u>2,882,900</u> |
| | | |
| Accrued benefit obligation | 6,136,000 | 3,554,100 |
| Unamortized actuarial losses | (2,917,400) | (671,200) |
| Accrued benefits liability, end of year | <u>3,218,600</u> | <u>2,882,900</u> |

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

(i) Discount rate

The present value as at December 31, 2011 of the future benefits was determined using a discount rate of 3.75% (2010 - 5.5%).

(ii) Dental costs

The dental cost trend rate was 4.0% increase per annum.

(iii) Health costs

Health costs were assumed to increase at 8.0% in 2011 and decrease by 0.2% increments per year to an ultimate rate of 5% per year in 2026 and thereafter.

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

8. Post-employment benefit liability (continued)

(b) Workplace Safety and Insurance Board (WSIB) benefit liabilities

Effective January 1, 2001, the City became a Schedule II employer under the Workplace Safety & Insurance Act and follows a policy of self insurance for the risk associated with paying benefits for workplace injuries for all its employees. The WSIB administers the claims related to workplace injuries and is reimbursed by the City. The most recent actuarial valuation of the WSIB benefits was performed at December 31, 2011.

Information about the City's WSIB liability is as follows:

| | 2011 | 2010 |
|--|----------------|-----------|
| | \$ | \$ |
| Accrued WSIB liability, beginning of year | 1,672,898 | 1,368,198 |
| Current service cost | 118,460 | 301,800 |
| Interest on accrued benefits | 105,300 | 97,400 |
| Amortization of estimation adjustment gain | (996,074) | - |
| Benefits paid during the year | (73,725) | (94,500) |
| Accrued WSIB liability, end of year | 826,859 | 1,672,898 |

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

(i) Discount rate

The present value as at December 31, 2011 of the future benefits was determined using a discount rate of 3.75% (2010 - 6.0%).

(ii) Inflation rate

The rate of inflation was assumed to be 2.5% per annum.

(iii) WSIB Administration Rate

Liabilities for WSIB benefits have been increased 25% to reflect the administration rate charged by WSIB.

A WSIB Reserve Fund was established in 2001. The Reserve Fund balance at December 31, 2011 was \$2,374,028 (2010 - \$2,021,105). In addition, the City purchased two insurance policies that protect the City against significant claims to the City. The occupational accident insurance pays loss claims up to \$500,000 per work related accident. The excess workers compensation indemnity insurance has a \$500,000 deductible and will pay for claims up to and including \$15,000,000 per work related accident.

9. Long-term liabilities

(a) The balance of long-term liabilities is made up of the following:

| | 2011 | 2010 |
|--|-------------------|------------|
| | \$ | \$ |
| The municipality is responsible for the payment of principal and interest charges on long-term liabilities issued by the Regional Municipality of Durham on the City's behalf. At the end of the year, the outstanding principal amount of this liability is | 19,131,687 | 16,582,742 |

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

9. Long-term liabilities (continued)

- (b) The above long-term liabilities have maturity dates of July 12, 2011, 2016 and 2021, November 1, 2012, November 21, 2012 and 2018, July 15, 2014, December 23, 2014, October 15, 2015 and 2020 and September 29, 2016 and 2021 with various interest rates ranging from 1.10% to 5.6%. Principal repayments are summarized as follows:

| | \$ |
|------------|------------------|
| 2012 | 3,688,665 |
| 2013 | 2,302,256 |
| 2014 | 2,188,598 |
| 2015 | 1,776,073 |
| 2016 | 1,731,168 |
| Thereafter | 7,444,927 |
| | <hr/> 19,131,687 |

- (c) Long-term liabilities include principal sums of \$1,641,000 which may be refinanced by the issuance of debentures over a further period not to exceed 10 years, and \$1,972,000 which may be refinanced by the issuance of debentures over a further period not to exceed 5 years.
- (d) The above long-term liabilities have been approved by Council by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (e) Interest expense recorded in the year relating to these long-term liabilities is \$734,143 (2010 - \$692,082).

10. Tangible capital assets

Information relating to tangible capital assets is as follows:

(i) *Contributed tangible capital assets*

The City records tangible capital assets contributed by an external party at fair value on the date contributed. Typical examples are roads, storm sewers and sidewalks installed by a developer as part of a subdivision or development agreement. Contributions of tangible capital assets in 2011 amounted to \$681,938 (2010 - \$3,031,356).

(ii) *Tangible capital assets recognized at nominal value*

Land under roads are assigned a nominal value of one Canadian dollar because this land only supports or is intended to support road infrastructure and the majority of land acquired supporting road allowances was acquired at no cost.

(iii) *Works of art and historical treasures*

The City has a museum which holds various historical treasures and historical buildings pertaining to the heritage and history of the City of Pickering. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. Any acquisition or betterment of these assets is recognized as an expense in the financial statements.

(iv) *Other*

The net book value of tangible capital assets not being amortized because they are under construction is \$2,327,618 (2010 - \$3,962,111).

During the year, there were no write-downs of assets (2010 - \$Nil) and no interest was capitalized during the year (2010 - \$Nil).

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

10. Tangible capital assets (continued)

| | Land | Buildings | Machinery & equipment | Vehicles | Infrastructure - Roads | Infrastructure - Storm sewers | Infrastructure - Sidewalks | Information technology hardware | Infrastructure - Parks | Library collection materials | Furniture & fixtures | Assets under construction | 2011 |
|--|-------------------|-------------------|-----------------------|-------------------|------------------------|-------------------------------|----------------------------|---------------------------------|------------------------|------------------------------|----------------------|---------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | | | | | | |
| Balance, beginning of year | 48,280,095 | 62,878,612 | 7,316,716 | 10,164,788 | 112,299,868 | 81,251,493 | 13,546,503 | 1,263,979 | 18,509,348 | 5,810,056 | 493,323 | 3,962,111 | 365,776,892 |
| Add: | | | | | | | | | | | | | |
| Additions during the year | 1,426,413 | 4,267,152 | 770,386 | 1,872,903 | 1,052,445 | 219,824 | 239,457 | 254,573 | 1,080,678 | 450,152 | - | 1,464,753 | 13,098,736 |
| Less: | | | | | | | | | | | | | |
| Disposals/Transfers during the year | 16,619 | 487,033 | 83,160 | 901,952 | 114,777 | - | 7,077 | - | 47,549 | 4,488,259 | 13,024 | 3,099,246 | 9,258,696 |
| Balance, end of year | 49,689,889 | 66,658,731 | 8,003,942 | 11,135,739 | 113,237,536 | 81,471,317 | 13,778,883 | 1,518,552 | 19,542,477 | 1,771,949 | 480,299 | 2,327,618 | 369,616,932 |
| Accumulated amortization | | | | | | | | | | | | | |
| Balance, beginning of year | - | 33,573,022 | 4,676,042 | 6,431,247 | 66,560,958 | 43,825,222 | 7,126,617 | 758,968 | 10,495,021 | 4,537,879 | 122,679 | - | 178,107,655 |
| Add: | | | | | | | | | | | | | |
| Amortization | - | 1,588,260 | 580,547 | 770,762 | 2,792,400 | 1,992,508 | 339,034 | 222,987 | 653,183 | 608,709 | 22,170 | - | 9,570,560 |
| Less: | | | | | | | | | | | | | |
| Accumulated amortization on disposals | - | 471,797 | 33,264 | 877,512 | 73,589 | - | 5,662 | - | 46,582 | 4,488,259 | 5,470 | - | 6,002,135 |
| Balance, end of year | - | 34,689,485 | 5,223,325 | 6,324,497 | 69,279,769 | 45,817,730 | 7,459,989 | 981,955 | 11,101,622 | 658,329 | 139,379 | - | 181,676,080 |
| Net book value of tangible capital assets | 49,689,889 | 31,969,246 | 2,780,617 | 4,811,242 | 43,957,767 | 35,653,587 | 6,318,894 | 536,597 | 8,440,855 | 1,113,620 | 340,920 | 2,327,618 | 187,940,852 |

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

10. Tangible capital assets (continued)

| | Land | Buildings | Machinery & equipment | Vehicles | Infrastructure - Roads | Infrastructure - Storm sewers | Infrastructure - Sidewalks | Information technology hardware | Infrastructure - Parks | Library collection materials | Furniture & fixtures | Assets under construction | 2010 |
|--|-------------------|-------------------|-----------------------|-------------------|------------------------|-------------------------------|----------------------------|---------------------------------|------------------------|------------------------------|----------------------|---------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | | | | | | | |
| Balance, beginning of year | 48,287,404 | 62,573,457 | 7,024,952 | 8,929,212 | 110,044,812 | 79,034,227 | 12,715,897 | 1,354,287 | 18,112,808 | 5,376,617 | 493,323 | 1,841,341 | 355,788,337 |
| Add: | | | | | | | | | | | | | |
| Additions during the year | 8 | 339,419 | 297,845 | 1,484,920 | 2,618,269 | 2,217,266 | 866,047 | 160,126 | 523,321 | 433,439 | - | 2,976,186 | 11,916,846 |
| Less: | | | | | | | | | | | | | |
| Disposals/Transfers during the year | 7,317 | 34,264 | 6,081 | 249,344 | 363,213 | - | 35,441 | 250,434 | 126,781 | - | - | 855,416 | 1,928,291 |
| Balance, end of year | 48,280,095 | 62,878,612 | 7,316,716 | 10,164,788 | 112,299,868 | 81,251,493 | 13,546,503 | 1,263,979 | 18,509,348 | 5,810,056 | 493,323 | 3,962,111 | 365,776,892 |
| Accumulated amortization | | | | | | | | | | | | | |
| Balance, beginning of year | - | 32,090,713 | 4,104,436 | 5,960,565 | 64,139,889 | 41,859,770 | 6,825,224 | 779,667 | 9,993,054 | 3,692,006 | 100,379 | - | 169,545,703 |
| Add: | | | | | | | | | | | | | |
| Amortization | - | 1,516,573 | 577,687 | 720,026 | 2,780,037 | 1,965,452 | 324,429 | 229,735 | 619,699 | 845,873 | 22,300 | - | 9,601,811 |
| Less: | | | | | | | | | | | | | |
| Accumulated amortization on disposals | - | 34,264 | 6,081 | 249,344 | 358,968 | - | 23,036 | 250,434 | 117,732 | - | - | - | 1,039,859 |
| Balance, end of year | - | 33,573,022 | 4,676,042 | 6,431,247 | 66,560,958 | 43,825,222 | 7,126,617 | 758,968 | 10,495,021 | 4,537,879 | 122,679 | - | 178,107,655 |
| Net book value of tangible capital assets | 48,280,095 | 29,305,590 | 2,640,674 | 3,733,541 | 45,738,910 | 37,426,271 | 6,419,886 | 505,011 | 8,014,328 | 1,272,177 | 370,644 | 3,962,111 | 187,669,237 |

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

11. Accumulated surplus

The City's accumulated surplus is comprised of the following:

| | 2011 | 2010 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Capital fund | 10,062,439 | 10,355,677 |
| Operating fund | 125,092 | 125,092 |
| Equity in Veridian Corporation | 70,585,144 | 69,231,568 |
| Tangible capital assets | 187,940,852 | 187,669,237 |
| Post employment benefits liability | (3,039,600) | (2,703,900) |
| Internal loans | (806,848) | (1,123,472) |
| Net long-term liabilities | (19,131,687) | (16,582,742) |
| WSIB benefit liabilities | (826,859) | (1,672,898) |
| Reserves set aside for special purposes by Council | | |
| Working capital | 400,000 | 400,000 |
| Self insurance | 962,707 | 962,707 |
| Replacement of capital equipment | 852,792 | 1,090,998 |
| Contingencies | 1,447,278 | 1,277,278 |
| Rate stabilization | 16,310,644 | 16,579,632 |
| City's share for development charge | 4,370,874 | 3,695,929 |
| Continuing studies | 582,055 | 406,984 |
| Vehicle replacement | 93,722 | 149,158 |
| Easement settlement | 17,595 | - |
| Eastern branch | 155,000 | 130,000 |
| Move Ontario | 97,483 | 14,533 |
| Capital asset management | 240,000 | 165,000 |
| Economic stabilization | 830,000 | 830,000 |
| Land Purchase | 194,403 | - |
| Seaton Development Review | 2,133,752 | - |
| Financial Systems | 175,000 | - |
| Reserve funds set aside for special purpose by Council | | |
| Recreation programs and facilities | 148,547 | 145,483 |
| Acquisition of tangible capital assets | 1,451,430 | 1,419,538 |
| Squash courts | - | 116 |
| WSIB | 2,374,028 | 2,021,105 |
| Animal shelter | 196,370 | 173,850 |
| Men's slow pitch | 138,985 | 136,359 |
| Operations Centre | 412,365 | - |
| | 278,493,563 | 274,897,232 |

12. Pension agreements

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

Contributions on account of current service for 2011 were \$2,561,177 (2010 - \$2,219,285).

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

13. Trust Funds

Trust funds administered by the City amounting to \$318,169 (2010 - \$308,443) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

14. Related party transactions

Veridian Corporation

The City of Pickering receives electricity and services from Veridian Corporation (Note 4), a corporation in which the City is a principal shareholder.

| | 2011 | 2010 |
|--|------------|------------|
| | \$ | \$ |
| Transactions | | |
| Revenues | | |
| Interest on promissory notes | 1,426,852 | 1,588,823 |
| Property taxes levied | 46,785 | 49,652 |
| Expenses | | |
| Electrical energy and services | 1,788,931 | 1,668,472 |
| Balances | | |
| Accounts payable and accrued liabilities | 371,799 | 378,767 |
| Promissory notes receivable | 25,069,000 | 25,069,000 |

15. Guarantees

In the normal course of business, the City enters into agreements which contain guarantees. The City's primary guarantees are as follows:

- (i) The City has provided indemnities under lease agreements for the use of various facilities or land. Under the terms of these agreements the City agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (ii) The City indemnifies all employees and elected officials including Library employees and board members for various items including, but not limited to, all costs to settle suits or actions due to association with the City, subject to certain restrictions. The City has purchased liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as an employee or elected official of the City. The maximum amount of any potential future payment cannot be reasonably estimated.
- (iii) The City has entered into agreements that may include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the City to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the City from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the City has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

16. Contingent liabilities

Litigation

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

17. Budget figures

The 2011 Budget adopted by Council on February 21, 2011 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis of accounting. The budget figures treated all tangible capital asset acquisitions as expenditures and did not include amortization expense on tangible capital assets. As a result, the budget figures presented in the Statements of Operations and Change in Net Financial Assets represent the budget adopted by Council on February 21, 2011 with adjustments as follows:

| | 2011 | | | 2011 |
|--|-------------------------|-----------------------------------|------------------|--------------------------------|
| | Council approved budget | Non TCA expenditures from capital | Amortization | Budget presented in statements |
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Taxation | 51,121,693 | - | - | 51,121,693 |
| Capital | 7,841,870 | - | - | 7,841,870 |
| Other | 16,718,825 | - | - | 16,718,825 |
| | <u>75,682,388</u> | - | - | <u>75,682,388</u> |
| Expenditures | | | | |
| General government | 14,725,272 | 100,000 | 541,940 | 15,367,212 |
| Protection to persons and property | 19,424,284 | 25,000 | 641,262 | 20,090,546 |
| Transportation services | 8,601,226 | 15,000 | 3,660,249 | 12,276,475 |
| Environmental services | 255,440 | - | 2,100,259 | 2,355,699 |
| Social and family services | 603,115 | - | - | 603,115 |
| Recreational and cultural services | 19,980,528 | - | 2,740,499 | 22,721,027 |
| Planning and development | 3,777,674 | - | - | 3,777,674 |
| | <u>67,367,539</u> | <u>140,000</u> | <u>9,684,209</u> | <u>77,191,748</u> |
| Annual surplus (deficit) | 8,314,849 | (140,000) | (9,684,209) | (1,509,360) |
| Capital expenditures | (24,537,825) | 140,000 | - | (24,397,825) |
| Transfers from reserve and reserve funds | 2,372,246 | | | |
| Dividend from Veridian Corporation | 2,483,180 | | | |
| Principal repayment of debt | (2,779,450) | | | |
| Debt proceeds | 14,022,000 | | | |
| Prior year operating fund surplus | (125,000) | | | |

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

18. Comparative figures

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.

19. Segmented information

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

General Government

This item relates to revenues and expenses of the City itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

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

Public Works Services

Public works includes construction and maintenance of the City's roadways, including snow removal, sidewalk repairs, street lighting, maintenance of the storm water system and environmental services.

Social and Family Services

Social services for assistance or services for seniors.

Recreation and Culture Services

Recreation and cultural services include recreation programs, maintenance and rental of facilities and parks, operation of the City's museum and library services.

Planning and Development

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

Segmented information has been provided in the following pages.

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

19. Segmented information (continued)

| | | | | | | | 2011 |
|-------------------------------------|--|--------------------------|---------------------------|-----------------------------|----------------------------------|-----------------------|-------------------|
| | Protection to persons and property | Public works services | Recreation and culture | Planning and development | Social and family services | General government | Consolidated |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | |
| Grants | 60,756 | 507,331 | 1,587,882 | - | 254,847 | 76,467 | 2,487,283 |
| User charges | 2,166,644 | 190,876 | 5,175,985 | 2,590,000 | 19,065 | 516,390 | 10,658,960 |
| Tax related revenues | - | - | - | - | - | 54,550,724 | 54,550,724 |
| Developer revenue | - | 373,189 | 456,693 | 34,749 | - | - | 864,631 |
| Contributed tangible capital assets | - | 681,938 | - | - | - | - | 681,938 |
| Equity Share of Veridian Corp | - | - | - | - | - | 3,838,176 | 3,838,176 |
| Gain (loss) on disposal | (24,439) | (15,121) | (50,968) | - | - | 464,235 | 373,707 |
| Other revenues | 1,387,821 | 173,730 | 263,062 | 211,269 | - | 2,106,746 | 4,142,628 |
| Total revenue | 3,590,782 | 1,911,943 | 7,432,654 | 2,836,018 | 273,912 | 61,552,738 | 77,598,047 |
| Expenses | | | | | | | |
| Salaries and wages | 15,629,041 | 4,411,322 | 13,283,811 | 2,163,510 | 208,014 | 6,495,014 | 42,190,712 |
| Materials and supplies | 2,168,610 | 3,825,167 | 6,144,493 | 105,103 | 31,652 | 5,290,740 | 17,565,765 |
| Contracted services | 532,514 | 816,343 | 486,357 | 311,572 | 82,004 | 994,025 | 3,222,815 |
| Amortization | 666,934 | 5,595,257 | 2,766,902 | - | - | 541,467 | 9,570,560 |
| Other | 211,839 | 131,396 | 590,651 | 5,963 | 253,064 | 258,951 | 1,451,864 |
| Total expenses | 19,208,938 | 14,779,485 | 23,272,214 | 2,586,148 | 574,734 | 13,580,197 | 74,001,716 |
| Annual (deficit) surplus | (15,618,156) | (12,867,542) | (15,839,560) | 249,870 | (300,822) | 47,972,541 | 3,596,331 |

The Corporation of the City of Pickering

Notes to the consolidated financial statements

December 31, 2011

19. Segmented information (continued)

| | | | | | | | 2010 |
|-------------------------------------|--|--------------------------|---------------------------|-----------------------------|----------------------------------|-----------------------|-------------------|
| | Protection to persons and property | Public works services | Recreation and culture | Planning and development | Social and family services | General government | Consolidated |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | |
| Grants | 92,842 | 1,261,887 | 2,404,067 | - | 191,438 | 74,172 | 4,024,406 |
| User charges | 1,611,382 | 140,475 | 5,268,723 | 185,746 | 17,678 | 437,877 | 7,661,881 |
| Tax related revenues | - | - | - | - | - | 52,047,577 | 52,047,577 |
| Developer revenue | - | 368,876 | 474,731 | 114,795 | - | 7,849 | 966,251 |
| Contributed tangible capital assets | - | 3,031,356 | - | - | - | - | 3,031,356 |
| Equity Share of Veridian Corp | - | - | - | - | - | 3,477,285 | 3,477,285 |
| Gain (loss) on disposal | 475 | 7,809 | (9,049) | - | - | 95,588 | 94,823 |
| Other revenues | 872,799 | 106,523 | 383,372 | 400,822 | - | 2,252,717 | 4,016,233 |
| Total revenue | 2,577,498 | 4,916,926 | 8,521,844 | 701,363 | 209,116 | 58,393,065 | 75,319,812 |
| Expenses | | | | | | | |
| Salaries and wages | 16,006,308 | 3,385,004 | 12,970,219 | 2,051,727 | 228,792 | 7,317,097 | 41,959,147 |
| Materials and supplies | 1,638,985 | 3,233,121 | 5,911,355 | 96,981 | 112,777 | 4,454,906 | 15,448,125 |
| Contracted services | 534,731 | 646,364 | 394,658 | 636,531 | 214 | 993,135 | 3,205,633 |
| Amortization | 621,284 | 5,510,237 | 2,910,774 | - | - | 559,516 | 9,601,811 |
| Other | 215,148 | 147,459 | 576,216 | 5,949 | 133,741 | 320,108 | 1,398,621 |
| Total expenses | 19,016,456 | 12,922,185 | 22,763,222 | 2,791,188 | 475,524 | 13,644,762 | 71,613,337 |
| Annual (deficit) surplus | (16,438,958) | (8,005,259) | (14,241,378) | (2,089,825) | (266,408) | 44,748,303 | 3,706,475 |