

Consolidated financial statements of

**The Corporation of
the Town of Whitby**

December 31, 2011

The Corporation of the Town of Whitby

December 31, 2011

Table of contents

Independent Auditor's Report	1-2
Consolidated statement of financial position	3
Consolidated statement of operations.....	4
Consolidated statement of changes in net financial assets.....	5
Consolidated statement of cash flows.....	6
Notes to the consolidated financial statements	7-20
Consolidated schedule of segmented disclosure - Schedule 1	21-22

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, 2011, 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, 2011 and the results of its operations 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
July 6, 2012

The Corporation of the Town of Whitby

Consolidated statement of financial position as at December 31, 2011

	2011	2010
		(Restated - Note 2)
	\$	\$
Financial assets		
Cash	115,898,180	94,489,889
Investments	13,773,740	13,558,252
Taxes receivable (Note 5)	12,205,487	15,999,718
Accounts receivable	6,025,198	5,755,619
Other accounts receivable (Note 6)	6,521,300	6,521,300
Investment in Whitby Hydro (Note 16)	40,160,297	38,607,625
Long-term note receivable (Note 16)	21,816,642	21,816,642
	216,400,844	196,749,045
Liabilities		
Accounts payable and accrued liabilities	11,545,828	11,823,073
Other current liabilities	1,620,341	763,033
Deferred revenue (Note 7)	82,863,980	74,891,405
Employee future benefits liabilities (Note 8)	6,910,611	6,555,722
	102,940,760	94,033,233
Net financial assets	113,460,084	102,715,812
Non-financial assets		
Tangible capital assets (Note 9)	614,473,905	601,775,930
Inventory of supplies	423,380	432,933
	614,897,285	602,208,863
Accumulated surplus (Note 10)	728,357,369	704,924,675

The Corporation of the Town of Whitby

Consolidated statement of operations year ended December 31, 2011

	Budget (Unaudited) (Note 14)	2011 Actual	2010 Actual (Restated - Note 2)
	\$	\$	\$
Revenue			
Taxation - all classes (Note 1 a) iii)		222,454,648	217,266,292
Less amounts received for Region and School Boards (Note 3)		158,138,500	154,955,395
	64,204,686	64,316,148	62,310,897
User fees and charges	16,117,172	14,740,045	15,482,636
Grants	3,713,687	4,416,019	8,733,132
Developer and other contributions earned	2,712,618	4,389,919	12,797,812
Gas tax revenue	3,400,000	2,940,236	4,295,551
Investment income	1,008,836	1,249,128	944,520
Fines, penalties and interest	2,285,250	2,841,571	3,036,648
Licenses and permits	264,500	311,581	352,804
Rents and other	1,441,678	4,610,729	5,874,126
Revenue recognized on contributed tangible capital assets	20,402,711	20,402,711	10,347,015
Net earnings, Whitby Hydro (Note 16)	5,600,000	5,157,672	3,371,204
	121,151,138	125,375,759	127,546,345
Expenses (Note 13)			
General government	13,608,470	11,852,788	11,764,178
Protection to persons and property	18,925,866	18,990,263	18,755,500
Transportation services	32,477,159	33,332,682	30,489,836
Environmental services	5,948,881	5,838,742	4,968,896
Recreation and cultural services	26,705,605	27,156,620	24,906,483
Planning and development	3,900,770	3,385,688	4,483,506
Social and family services	1,309,768	1,386,282	1,345,561
	102,876,519	101,943,065	96,713,960
Annual surplus	18,274,619	23,432,694	30,832,385
Accumulated surplus, beginning of year	704,924,675	704,924,675	674,092,290
Accumulated surplus, end of year	723,199,294	728,357,369	704,924,675

The Corporation of the Town of Whitby

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

	Budget (Unaudited) (Note 14)	2011 Actual	2010 Actual (Restated - Note 2)
	\$	\$	\$
Annual surplus	18,274,619	23,432,694	30,832,385
Acquisition of tangible capital assets	-	(36,654,480)	(47,650,263)
Amortization of tangible capital assets	-	22,202,736	21,402,613
Write down of tangible capital assets	-	1,753,769	-
	18,274,619	10,734,719	4,584,735
Acquisition of inventories of supplies	-	(423,380)	(432,933)
Consumption of inventories of supplies	-	432,933	512,770
Change in net financial assets	18,274,619	10,744,272	4,664,572
Net financial assets, beginning of year	102,715,812	102,715,812	98,051,240
Net financial assets, end of year	120,990,431	113,460,084	102,715,812

The Corporation of the Town of Whitby

Consolidated statement of cash flows year ended December 31, 2011

	2011	2,010
		(Restated - Note 2)
	\$	\$
Operating activities		
Annual surplus	23,432,694	30,832,385
Items not involving cash		
Amortization	22,202,736	21,402,613
Write down of tangible capital assets	1,753,769	-
Net earnings of Whitby Hydro Energy Corporation	(5,157,672)	(3,371,204)
Value of contributed tangible assets recognized as revenue	(20,402,711)	(10,347,015)
Changes in non-cash assets and liabilities		
Increase (decrease) in taxes receivable	3,794,231	(2,037,061)
(Decrease) increase in accounts receivable	(269,579)	(1,812,989)
Decrease in inventory of supplies	9,553	79,837
Increase in accounts payable and accrued liabilities	(277,245)	2,015,211
Increase (decrease) in other current liabilities	857,308	86,504
Decrease in deferred revenue	7,972,575	(3,648,992)
Increase in employee future benefits liability	354,889	474,239
	34,270,548	33,673,528
Capital activity		
Acquisition of tangible capital assets	(16,251,769)	(37,303,248)
Investing activities		
Net changes in investments	(215,488)	(373,151)
Dividend from Whitby Hydro Energy Corporation	3,605,000	3,607,500
	3,389,512	3,234,349
Change in cash during the year	21,408,291	(395,371)
Cash, beginning of year	94,489,889	94,885,260
Cash, end of year	115,898,180	94,489,889

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

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, 2011

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:

	<u>Useful life-years</u>
Land improvements	10-20
Building and building improvements	10-50
Vehicles, machinery and equipment	5-20
Stormwater management	15-75
Road 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 - general 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, 2011

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 liabilities and accounts payable and accrued liabilities. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Restatement of prior year comparative figures

In 2009, the Town implemented Section 3150 "Tangible Capital Assets" of the Public Sector Accounting Handbook. Section 3150 requires the Town to record and amortize its tangible capital assets in the financial statements. The financial information recorded included the actual or estimated historic cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets.

The Town determined that the comparative figures for the tangible capital assets reported at January 1, 2010 were overstated by \$42,843,826. The overstatement was due to the incorrect inclusion of certain contributed assets.

Consequently, the balance of the accumulated surplus as at January 1, 2011 decreased by \$32,276,729 and the 2010 financial statements have been restated to reflect the decrease in tangible capital assets and an equal decrease in accumulated surplus.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

2. Restatement of prior year comparative figures (continued)

This adjustment has changed amounts previously reported in 2010 as follows:

	\$
Annual surplus	
Annual surplus, as previously reported	20,265,288
Change in amortization expense	220,082
Revenue recognized as contributed tangible capital assets	10,347,015
Annual surplus, as restated	30,832,385
Tangible assets	
Tangible capital assets, as previous reported	634,052,659
Adjust for assumed assets	(32,276,729)
Tangible capital assets, as restated	601,775,930
Accumulated surplus	
Accumulated surplus, beginning of year	716,936,116
Adjust for assumed assets	(42,843,826)
Accumulated surplus, beginning of year, as restated	674,092,290

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:

			2011	2010
	School boards	Region of Durham	Total	Total
	\$	\$	\$	\$
Taxation	49,500,498	107,126,766	156,627,264	153,462,895
Payment in lieu of taxes	164,523	1,346,713	1,511,236	1,492,500
Amounts collected and remitted	49,665,021	108,473,479	158,138,500	154,955,395

4. Trust funds

Trust funds administered by the Town amounting to \$913,656 (2010 - \$879,953) 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".

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

5. Taxes receivable

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

	2011	2010
	\$	\$
Current year	6,369,394	8,996,867
Arrears previous years	5,836,093	7,002,851
	12,205,487	15,999,718

6. Other accounts receivable

	2011	2010
	\$	\$
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, 2013.	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, 2013.	5,061,000	5,061,000
	6,521,300	6,521,300

Interest revenue earned on these notes totaled \$ 472,794 (2010 - \$472,794).

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:

	2011	2010
	\$	\$
Obligatory reserve funds		
Development charges	73,022,843	65,493,178
Parkland	2,237,301	2,061,209
Federal gas tax	2,143,000	1,636,531
Building Code Act	222,822	747,760
Investing in Ontario Act	1,630,659	2,492,148
Deferred revenue - general	3,607,355	2,460,579
	82,863,980	74,891,405

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

7. Deferred revenue (continued)

Continuity of deferred revenue is as follows:

	2011	2010
	\$	\$
Balance, beginning of year	74,891,405	78,540,397
Developer contributions collected	9,493,482	9,014,073
Federal gas tax	3,410,569	3,419,680
Other collections	3,607,355	2,460,579
Interest earned	1,251,905	1,219,239
	17,763,311	16,113,571
Less		
Developer contribution revenue recognized in current operations	1,090,597	1,500,411
Developer contribution revenue recognized in capital operations	1,987,329	8,586,090
Gas tax revenue recognized in capital operations	2,940,236	4,295,551
Building Code Act - applied	16,875	126,590
Parkland revenue recognized	400,739	861,469
Investing in Ontario Act revenue recognized	894,381	1,723,252
General deferred revenue recognized	2,460,579	2,669,200
	9,790,736	19,762,563
Balance, end of year	82,863,980	74,891,405

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, 2011 are based on the results and assumptions of an actuarial valuation as at December 31, 2011 and updated to December 31, 2011. The significant actuarial assumptions used in estimating the Town's related accrued benefit obligation are as follows:

Discount rate	4.75%
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

	2011	2010
	\$	\$
Accrued benefit obligation	7,376,386	6,780,272
Unamortized actuarial loss	(465,775)	(224,500)
Employee future benefit liability	6,910,611	6,555,772

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

8. Employee future benefits liabilities (continued)

Expense

	2011	2010
	\$	\$
Current year benefit expense	336,575	278,915
Amortization of actuarial losses	44,427	22,450
Interest on accrued benefit obligation	333,348	380,091
	714,350	681,456

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 2011 amounted to \$20,402,711 (2010 - \$ 10,347,015)

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, 2011

9. Tangible capital assets (continued)

iv) Other

No interest was capitalized during the year (2010 - \$Nil).

								2011
	Land	Land improvements	Building and building improvements	Vehicles, machinery and equipment	Stormwater management	Road infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	77,393,919	65,296,636	141,867,151	32,590,355	61,837,391	484,993,259	-	863,978,711
Additions	1,440,564	3,126,070	1,427,823	2,393,017	2,064,989	20,664,935	5,537,082	36,654,480
Work in process completed	-	-	-	-	-	-	-	-
Write downs	-	-	-	-	(85,634)	(1,877,359)	-	(1,962,993)
Balance, end of year	78,834,483	68,422,706	143,294,974	34,983,372	63,816,746	503,780,835	5,537,082	898,670,198
Accumulated amortization								
Balance, beginning of year	-	21,552,544	42,648,643	22,725,098	11,206,344	164,070,152	-	262,202,781
Write downs	-	-	-	-	(9,126)	(200,098)	-	(209,224)
Amortization expense	-	1,769,473	4,733,922	2,368,904	873,613	12,456,824	-	22,202,736
Balance, end of year	-	23,322,017	47,382,565	25,094,002	12,070,831	176,326,878	-	284,196,293
Net book value, end of year	78,834,483	45,100,689	95,912,409	9,889,370	51,745,915	327,453,957	5,537,082	614,473,905

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

9. Tangible capital assets (continued)

iv) Other (continued)

								2010 (Restated - Note 2)
	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	58,175,198	122,275,641	30,792,105	58,206,698	466,965,542	3,052,569	816,328,448
Additions	533,224	7,121,438	16,538,941	1,798,250	3,630,693	18,027,717	-	47,650,263
Work in process completed	-	-	3,052,569	-	-	-	(3,052,569)	-
Balance, end of year	77,393,919	65,296,636	141,867,151	32,590,355	61,837,391	484,993,259	-	863,978,711
Accumulated amortization								
Balance, beginning of year	-	19,786,019	38,605,887	20,236,038	10,533,541	151,638,683	-	240,800,168
Amortization expense	-	1,766,525	4,042,756	2,489,060	672,803	12,431,469	-	21,402,613
Balance, end of year	-	21,552,544	42,648,643	22,725,098	11,206,344	164,070,152	-	262,202,781
Net book value, end of year	77,393,919	43,744,092	99,218,508	9,865,257	50,631,047	320,923,107	-	601,775,930

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

10. Accumulated surplus

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

	2011	2010
	\$	\$
General	5,271,078	5,330,538
Unfunded employee future benefits	(6,910,611)	(6,555,722)
Internal borrowings from deferred revenue	(9,544,976)	(10,327,084)
Unfunded capital	(1,603,782)	(3,719,736)
Equity in Whitby Hydro	61,976,939	60,424,267
Reserve and Reserve Funds	64,694,816	57,996,482
Invested in tangible capital assets	614,473,905	601,775,930
	728,357,369	704,924,675

The decrease in general fund surplus is a result of a deficit in the operating fund of \$ (59,460) (2010 increase - \$855,128).

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.

	2011	2010
	\$	\$
Whitby Public Library	6,556,013	6,970,322
Recreation and Cultural	616,746	733,711
Soccer Club	2,372,217	2,623,051
	9,544,976	10,327,084

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 \$5,846,260 (2010 - \$5,046,442).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

13. Classification of expenses by object

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

	2011	2010
	\$	\$
Salaries, wages and employee benefits	52,984,636	50,275,737
Operating materials and supplies	15,680,870	13,976,458
Contracted services	8,485,204	7,761,928
Other	2,589,619	3,297,224
Amortization expense	22,202,736	21,402,613
Total expenses by object	101,943,065	96,713,960

14. Budget figures

The budgets originally approved by Town Council for 2011, 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, 2011

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*

	2011	2010
	\$	\$
Balance, beginning of year	60,424,267	60,660,563
Changes during the year		
Net income for the year	5,157,672	3,371,204
	65,581,939	64,031,767
Dividend received from Whitby Hydro Energy Corporation	(3,605,000)	(3,607,500)
Balance, end of year	61,976,939	60,424,267

	2011	2010
	\$	\$
Investment in Whitby Hydro Energy Corporation	40,160,297	38,607,625
Long-term note receivable	21,816,642	21,816,642
	61,976,939	60,424,267

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 (2010 - \$1,527,206).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

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, 2011.

	2011	2010
	\$	\$
Financial position		
Current assets	33,590,985	28,803,475
Capital assets	58,661,218	58,630,063
Deferred charges and other assets	14,648,775	12,934,997
	106,900,978	100,368,535
Current liabilities		
Other liabilities	14,575,433	15,004,303
	52,165,248	46,756,607
	66,740,681	61,760,910
Net assets	40,160,297	38,607,625
Results of operations		
Revenues	21,918,156	20,165,815
Expenses (including income taxes \$1,335,905; 2010 - \$1,954,560)	16,760,484	16,794,611
Net earnings	5,157,672	3,371,204

Included in revenues above is \$3,287,284 (2010 - \$3,519,938) earned from the Town for services provided. Expenses above include \$2,473,815 (2010 - \$2,480,420) paid to the Town.

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

	\$
2012	199,452
2013	203,172
2014	162,596
	565,220

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2011

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, 2011

	Protection to persons and property	Public works services	Recreation and culture	Planning and development	General government	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue						
Tax revenues	-	-	-	-	64,316,148	64,316,148
Grants	33,826	377,166	3,804,592	148,293	52,142	4,416,019
Developer revenue	140,830	1,255,080	456,670	74,212	58,086	1,984,878
Revenue recognized on contributed assets	-	19,132,616	-	-	1,270,095	20,402,711
Other revenues	1,679,940	8,277,209	8,840,444	369,998	15,088,412	34,256,003
	1,854,596	29,042,071	13,101,706	592,503	80,784,883	125,375,759
Expenditures						
Salaries and wages	16,136,664	11,507,116	15,072,911	2,612,260	7,655,685	52,984,636
Materials and supplies	889,557	8,618,933	3,667,996	685,100	1,819,284	15,680,870
Contracted services	1,003,341	3,317,236	2,600,061	76,956	1,487,610	8,485,204
Other	6,393	182,410	569,787	-	1,831,029	2,589,619
Amortization	954,308	15,545,729	5,245,865	11,372	445,462	22,202,736
	18,990,263	39,171,424	27,156,620	3,385,688	13,239,070	101,943,065
Annual surplus	(17,135,667)	(10,129,353)	(14,054,914)	(2,793,185)	67,545,813	23,432,694

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	-	-	-	-	62,310,897	62,310,897
Grants	36,742	97,034	8,414,929	137,793	46,634	8,733,132
Developer revenue	127,750	3,946,152	3,770,274	-	33,941	7,878,117
Revenue recognized on contributed assets	-	10,347,015	-	-	-	10,347,015
Other revenues	301,588	11,047,614	10,117,142	522,739	16,524,397	38,277,184
	466,080	25,437,815	22,302,345	660,532	78,915,869	127,546,345
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	3,657,972	1,603,008	1,651,558	13,976,458
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	4,498,229	5,686	415,521	21,402,613
	18,755,500	35,458,732	24,906,483	4,483,506	13,109,739	96,713,960
Annual surplus	(18,289,420)	(10,020,917)	(2,604,138)	(3,822,974)	65,806,130	30,832,385