

Consolidated financial statements of

**The Corporation of
the Town of Whitby**

December 31, 2012

The Corporation of the Town of Whitby

December 31, 2012

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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, 2012, 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 17, 2013

The Corporation of the Town of Whitby

Consolidated statement of financial position as at December 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	126,846,528	115,898,180
Investments	14,334,610	13,773,740
Taxes receivable (Note 4)	12,121,069	12,205,487
Accounts receivable	6,018,325	6,025,198
Other accounts receivable (Note 5)	6,521,300	6,521,300
Investment in Whitby Hydro (Note 15)	40,701,395	40,160,297
Long-term note receivable (Note 15)	21,816,642	21,816,642
	228,359,869	216,400,844
Liabilities		
Accounts payable and accrued liabilities	11,110,304	11,545,828
Other current liabilities	4,721,687	1,620,341
Deferred revenue (Note 6)	82,198,900	82,863,980
Employee future benefits liabilities (Note 7)	9,415,171	6,910,611
	107,446,062	102,940,760
Net financial assets	120,913,807	113,460,084
Non-financial assets		
Tangible capital assets (Note 8)	622,613,234	614,473,905
Inventory of supplies	443,041	423,380
	623,056,275	614,897,285
Accumulated surplus (Note 9)	743,970,082	728,357,369

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

The Corporation of the Town of Whitby

Consolidated statement of operations year ended December 31, 2012

		2012	2011
	Budget (Note 13)	Actual	Actual
	\$	\$	\$
Revenue			
Taxation - all classes (Note 1 a) iii)		229,980,250	222,454,648
Less amounts received for Region and School Boards (Note 2)		162,983,139	158,138,500
	67,336,402	66,997,111	64,316,148
User fees and charges	17,153,927	18,515,029	14,740,045
Grants	3,595,482	1,244,934	4,416,019
Developer and other contributions earned	3,036,227	5,368,396	4,389,919
Gas tax revenue	3,400,000	2,742,192	2,940,236
Investment income	1,686,400	1,564,222	1,249,128
Fines, penalties and interest	2,375,250	2,686,410	2,841,571
Licenses and permits	267,500	297,154	311,581
Rents and other	2,602,172	3,381,656	4,610,729
Revenue recognized on contributed tangible capital assets	17,460,300	17,460,301	20,402,711
Net earnings, Whitby Hydro (Note 15)	3,600,000	4,242,098	5,157,672
	122,513,660	124,499,503	125,375,759
Expenses (Note 12)			
General government	13,682,399	13,222,686	11,852,788
Protection to persons and property	20,215,922	20,084,683	18,990,263
Transportation services	32,629,491	35,188,967	33,332,682
Environmental services	5,595,896	6,196,355	5,838,742
Recreation and cultural services	28,447,129	29,327,935	27,156,620
Planning and development	4,124,772	3,552,312	3,385,688
Social and family services	1,249,792	1,313,852	1,386,282
	105,945,401	108,886,790	101,943,065
Annual surplus	16,568,259	15,612,713	23,432,694
Accumulated surplus, beginning of year	728,357,369	728,357,369	704,924,675
Accumulated surplus, end of year	744,925,628	743,970,082	728,357,369

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

The Corporation of the Town of Whitby

Consolidated statement of changes in net financial assets year ended December 31, 2012

		2012	2011
	Budget (Note 13)	Actual	Actual
	\$	\$	\$
Annual surplus	16,568,259	15,612,713	23,432,694
Acquisition of tangible capital assets	(30,669,635)	(30,309,624)	(36,654,480)
Amortization of tangible capital assets	22,300,000	22,170,295	22,202,736
Write down of tangible capital assets	-	-	1,753,769
	8,198,624	7,473,384	10,734,719
Acquisition of inventories of supplies	-	(443,041)	(423,380)
Consumption of inventories of supplies	-	423,380	432,933
Change in net financial assets	8,198,624	7,453,723	10,744,272
Net financial assets, beginning of year	113,460,084	113,460,084	102,715,812
Net financial assets, end of year	121,658,708	120,913,807	113,460,084

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

The Corporation of the Town of Whitby

Consolidated statement of cash flows year ended December 31, 2012

	2012	2011
	\$	\$
Operating activities		
Annual surplus	15,612,713	23,432,694
Items not involving cash		
Amortization	22,170,295	22,202,736
Write down of tangible capital assets	-	1,753,769
Net earnings of Whitby Hydro Energy Corporation	(4,242,098)	(5,157,672)
Value of contributed tangible assets recognized as revenue	(17,460,301)	(20,402,711)
Changes in non-cash assets and liabilities		
Decrease in taxes receivable	84,418	3,794,231
(Decrease) increase in accounts receivable	6,873	(269,579)
Increase (decrease) in inventory of supplies	(19,661)	9,553
Increase in accounts payable and accrued liabilities	(435,524)	(277,245)
Increase in other current liabilities	3,101,346	857,308
(Increase) decrease in deferred revenue	(665,080)	7,972,575
Increase in employee future benefits liability	2,504,560	354,889
	20,657,541	34,270,548
Capital activity		
Acquisition of tangible capital assets	(12,849,323)	(16,251,769)
Investing activities		
Net changes in investments	(560,870)	(215,488)
Dividend from Whitby Hydro Energy Corporation	3,701,000	3,605,000
	3,140,130	3,389,512
Change in cash during the year	10,948,348	21,408,291
Cash, beginning of year	115,898,180	94,489,889
Cash, end of year	126,846,528	115,898,180

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2012

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, 2012

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
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, 2012

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. 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:

			2012	2011
	School Boards	Region of Durham	Total	Total
	\$	\$	\$	\$
Taxation	49,921,550	110,835,991	160,757,541	156,627,264
Payment in lieu of taxes	637,318	1,588,280	2,225,598	1,511,236
Amounts collected and remitted	50,558,868	112,424,271	162,983,139	158,138,500

3. Trust funds

Trust funds administered by the Town amounting to \$949,754 (2011 - \$913,658) 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, 2012

4. Taxes receivable

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

	2012	2011
	\$	\$
Current year	6,606,951	6,369,394
Arrears previous years	5,514,118	5,836,093
	12,121,069	12,205,487

5. Other accounts receivable

	2012	2011
	\$	\$
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 (2011 - \$472,794).

6. 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:

	2012	2011
	\$	\$
Obligatory reserve funds		
Development charges	74,516,664	73,022,843
Parkland	2,348,655	2,237,301
Federal gas tax	2,865,237	2,143,000
Building Code Act	-	222,822
Investing in Ontario Act	-	1,630,659
Deferred revenue - general	2,468,344	3,607,355
	82,198,900	82,863,980

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2012

6. Deferred revenue (continued)

Continuity of deferred revenue is as follows:

	2012	2011
	\$	\$
Balance, beginning of year	82,863,980	74,891,405
Developer contributions collected	3,614,358	9,493,482
Federal gas tax	3,410,569	3,410,569
Other collections	2,468,344	3,607,355
Interest earned	1,559,592	1,251,905
	11,052,863	17,763,311
Less		
Developer contribution revenue recognized in current operations	527,042	1,090,597
Developer contribution revenue recognized in capital operations	3,140,583	1,987,329
Gas tax revenue recognized in capital operations	2,742,192	2,940,236
Building Code Act - applied	-	16,875
Parkland revenue recognized	51,932	400,739
Investing in Ontario Act revenue recognized	1,648,839	894,381
General deferred revenue recognized	3,607,355	2,460,579
	11,717,943	9,790,736
Balance, end of year	82,198,900	82,863,980

7. 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, 2012 are based on the results and assumptions of an actuarial valuation as at December 31, 2012 and updated to December 31, 2012. 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

	2012	2011
	\$	\$
Accrued benefit obligation	9,836,519	7,376,386
Unamortized actuarial loss	(421,348)	(465,775)
Employee future benefit liability	9,415,171	6,910,611

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2012

7. Employee future benefits liabilities (continued)

Expense

	2012	2011
	\$	\$
Current year benefit expense	2,470,423	336,575
Amortization of actuarial losses	44,427	44,427
Interest on accrued benefit obligation	348,233	333,348
	2,863,083	714,350

8. 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 2012 amounted to \$17,460,301 (2011 - \$20,402,711)

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, 2012

8. Tangible capital assets (continued)

iv) Other

No interest was capitalized during the year (2011 - \$Nil).

	2012							
	Land	Land improvements	Building and building improvements	Vehicles, machinery and equipment	Stormwater management	Road infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning 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
Additions	1,148,500	1,951,113	825,295	2,616,547	593,565	19,181,395	3,993,209	30,309,624
Work in process completed	-	184,557	2,808,443	-	-	2,544,082	(5,537,082)	-
Disposals	-	-	(820,796)	(1,847,181)	-	(2,331,602)	-	(4,999,579)
Balance, end of year	79,982,983	70,558,376	146,107,916	35,752,738	64,410,311	523,174,710	3,993,209	923,980,243
Accumulated amortization								
Balance, beginning of year	-	23,322,017	47,382,565	25,094,002	12,070,831	176,326,878	-	284,196,293
Disposals	-	-	(820,796)	(1,847,181)	-	(2,331,602)	-	(4,999,579)
Amortization expense	-	1,814,183	4,445,491	2,322,773	805,585	12,782,263	-	22,170,295
Balance, end of year	-	25,136,200	51,007,260	25,569,594	12,876,416	186,777,539	-	301,367,009
Net book value, end of year	79,982,983	45,422,176	95,100,656	10,183,144	51,533,895	336,397,171	3,993,209	622,613,234

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2012

8. Tangible capital assets (continued)

iv) Other (continued)

								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	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(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
Disposals	-	-	-	-	(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, 2012

9. Accumulated surplus

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

	2012	2011
	\$	\$
General	5,204,555	5,271,078
Unfunded employee future benefits	(9,384,826)	(6,910,611)
Internal borrowings from deferred revenue	(8,833,800)	(9,544,976)
Unfunded capital	(834,006)	(1,603,782)
Equity in Whitby Hydro	62,518,037	61,976,939
Reserve and Reserve Funds	72,686,888	64,694,816
Invested in tangible capital assets	622,613,234	614,473,905
	743,970,082	728,357,369

10. 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.

	2012	2011
	\$	\$
Whitby Public Library	6,120,297	6,556,013
Recreation and Cultural	497,702	616,746
Soccer Club	2,215,801	2,372,217
	8,833,800	9,544,976

11. 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 \$6,950,548 (2011 - \$5,846,260).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2012

12. Classification of expenses by object

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

	2012	2011
	\$	\$
Salaries, wages and employee benefits	57,688,424	52,984,636
Operating materials and supplies	17,038,380	15,680,870
Contracted services	9,572,891	8,485,204
Other	2,416,800	2,589,619
Amortization expense	22,170,295	22,202,736
Total expenses by object	108,886,790	101,943,065

13. Budget figures

The budgets originally approved by Town Council for 2012, 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.

14. 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, 2012

15. 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

	2012	2011
	\$	\$
Balance, beginning of year	61,976,939	60,424,267
Changes during the year		
Net income for the year	4,242,098	5,157,672
	66,219,037	65,581,939
Dividend received from Whitby Hydro Energy Corporation	(3,701,000)	(3,605,000)
Balance, end of year	62,518,037	61,976,939

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, 2013.

Interest revenue earned on this note totaled \$1,527,206 (2011 - \$1,527,206).

The following table provides condensed financial information of Whitby Hydro Energy Corporation at and for the year ended December 31, 2012.

	2012	2011
	\$	\$
Financial position		
Current assets	35,255,010	33,590,985
Capital assets	58,522,184	58,661,218
Deferred charges and other assets	12,533,563	14,648,775
	106,310,757	106,900,978
Current liabilities	15,837,760	14,575,433
Other liabilities	49,771,602	52,165,248
	65,609,362	66,740,681
Net assets	40,701,395	40,160,297
Results of operations		
Revenues	21,027,535	21,918,156
Expenses (including income taxes \$832,920; 2011 - \$1,335,905)	16,785,437	16,760,484
Net earnings	4,242,098	5,157,672

Included in revenues above is \$3,836,193 (2011 - \$3,287,284) earned from the Town for services provided. Expenses above include \$2,520,725 (2011 - \$2,473,815) paid to the Town.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2012

15. Investment in Whitby Hydro Energy Corporation (continued)

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

	\$
2013	280,992
2014	237,776
	<hr/> 518,768

16. 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, 2012

	Protection to persons and property	Public works services	Recreation and culture	Planning and development	General government	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue						
Tax revenues	-	-	-	-	66,997,111	66,997,111
Grants	10,196	2,100	1,131,280	47,007	54,351	1,244,934
Developer revenue	74,857	2,641,821	318,602	53,546	51,755	3,140,581
Revenue recognized on contributed assets	-	15,903,391	244,085	-	1,312,825	17,460,301
Other revenues	5,809,464	4,935,345	9,122,475	881,334	14,907,958	35,656,576
	5,894,517	23,482,657	10,816,442	981,887	83,324,000	124,499,503
Expenditures						
Salaries and wages	17,082,285	12,754,864	16,607,300	2,969,726	8,274,249	57,688,424
Materials and supplies	786,656	8,836,935	4,225,154	464,544	2,725,091	17,038,380
Contracted services	1,239,243	3,873,078	2,908,431	102,633	1,449,506	9,572,891
Other	6,909	209,500	536,958	4,037	1,659,396	2,416,800
Amortization	969,590	15,710,945	5,050,092	11,372	428,296	22,170,295
	20,084,683	41,385,322	29,327,935	3,552,312	14,536,538	108,886,790
Annual surplus	(14,190,166)	(17,902,665)	(18,511,493)	(2,570,425)	68,787,462	15,612,713

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

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
	<u>1,854,596</u>	<u>29,042,071</u>	<u>13,101,706</u>	<u>592,503</u>	<u>80,784,883</u>	<u>125,375,759</u>
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
	<u>18,990,263</u>	<u>39,171,424</u>	<u>27,156,620</u>	<u>3,385,688</u>	<u>13,239,070</u>	<u>101,943,065</u>
Annual surplus	<u>(17,135,667)</u>	<u>(10,129,353)</u>	<u>(14,054,914)</u>	<u>(2,793,185)</u>	<u>67,545,813</u>	<u>23,432,694</u>

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.