

Consolidated financial statements of

**The Corporation of
the Town of Whitby**

December 31, 2009

The Corporation of the Town of Whitby

December 31, 2009

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Auditors' Report

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

We have audited the consolidated statement of financial position of The Corporation of the Town of Whitby as at December 31, 2009 and the consolidated statements of operations, changes in net financial assets and of cash flows for the year then ended. These financial statements are the responsibility of the Town's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Whitby as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
July 16, 2010

The Corporation of The Town of Whitby

Consolidated statement of financial position as at December 31, 2009

	2009	2008
		Restated Note 2
	\$	\$
Financial assets		
Cash	94,885,260	94,510,434
Investments	13,185,101	12,536,951
Taxes receivable (Note 5)	13,962,657	12,053,343
Accounts receivable	3,942,630	3,083,988
Other accounts receivable (Note 6)	6,521,300	6,521,300
Investment in Whitby Hydro (Note 16)	46,845,491	44,334,654
Long-term note receivable (Note 16)	21,816,642	21,816,642
Total financial assets	201,159,081	194,857,312
Liabilities		
Accounts payable and accrued liabilities	9,807,862	9,083,041
Other current liabilities	676,529	1,200,086
Deferred revenue (Note 7)	78,540,397	80,896,074
Employee future benefits liabilities (Note 8)	6,081,483	5,642,588
Total financial liabilities	95,106,271	96,821,789
Net financial assets	106,052,810	98,035,523
Non-financial assets		
Tangible capital assets (Note 9)	618,372,106	592,578,189
Inventory of supplies	512,770	519,976
Total non-financial assets	618,884,876	593,098,165
Accumulated Surplus (Note 10)	724,937,686	691,133,688

The Corporation of The Town of Whitby

Consolidated statement of operations year ended December 31, 2009

	2009	2008
		Restated Note 2
	Budget (unaudited) (Note 14)	Actual
	\$	\$
Revenues		
Taxation - all classes (Note 1(a)(iii))	204,204,688	200,667,673
Less amounts received for Region and School Boards (Note 3)	144,721,016	144,387,966
	58,587,146	56,279,707
User fees and charges	14,607,374	13,494,362
Grants	717,358	1,678,617
Developer & other contributions earned	7,311,775	6,650,241
Gas Tax revenue	1,457,220	1,329,925
Investment income	500,000	1,191,327
Fines, penalties and interest	1,869,700	2,628,742
Licenses and permits	1,664,819	1,497,493
Rents and other	7,963,716	6,187,273
Revenue recognized on contributed tangible capital assets	27,232,196	27,954,490
Net earnings, Whitby Hydro (Note 16)	-	5,811,037
Total revenues	121,911,304	104,276,845
Expenses (Note 13)		
General government	12,325,210	11,591,207
Protection to persons and property	18,027,339	18,119,624
Transportation services	29,746,923	31,328,048
Environmental services	4,680,924	4,627,358
Recreation and cultural services	24,339,437	23,711,887
Planning and development	3,540,742	3,433,202
Social and family services	1,008,103	1,291,855
Total expenditures	93,668,678	87,780,368
Annual surplus	28,242,626	33,803,998
Accumulated surplus at beginning of year	691,133,688	691,133,688
Accumulated surplus at end of year	719,376,314	691,133,688

The Corporation of The Town of Whitby

Consolidated statement change in net financial assets year ended December 31, 2009

	Budget unaudited (Note 14)	2009 Actual	2008 Restated Note 2 Actual
	\$	\$	\$
Annual Surplus	28,242,626	33,803,998	16,496,477
Acquisition of tangible capital assets	(52,389,916)	(47,360,013)	(24,342,741)
Amortization of tangible capital assets	20,235,096	20,235,096	19,003,714
Write down of tangible capital assets	-	1,331,000	-
	(3,912,194)	8,010,081	11,157,450
Acquisition of inventories of supplies	-	(512,770)	(519,976)
Consumption of inventories of supplies	-	519,976	423,157
Change in net financial assets	(3,912,194)	8,017,287	11,060,631
Net financial assets at beginning of year	106,052,810	98,035,523	86,974,892
Net financial assets at end of year	102,140,616	106,052,810	98,035,523

The Corporation of The Town of Whitby

Consolidated statement of cash flows year ended December 31, 2009

	2009	2008
		Restated Note 2
	\$	\$
Cash provided by / (used in)		
Operating activities		
Annual surplus	33,803,998	16,496,477
Items not involving cash		
Amortization	20,235,096	19,003,714
Write down of tangible capital assets	1,331,000	-
Net earnings of Whitby Hydro Energy Corporation	(5,811,037)	(5,798,070)
Value of contributed tangible assets recognized as revenue	(27,954,490)	(9,679,022)
Change in non-cash assets and liabilities		
Increase in taxes receivable	(1,909,314)	(1,185)
(Increase) decrease in accounts receivable	(858,642)	1,297,297
Increase in inventory of supplies	7,206	(96,819)
Increase in accounts payable and accrued liabilities	724,821	627,643
Decrease in other current liabilities	(523,557)	(85,474)
(Decrease) increase in deferred revenue	(2,355,677)	11,658,466
Increase in employee future benefits liability	438,895	421,664
Net change in cash from operating activities	17,128,299	33,844,691
Capital Activities		
Acquisition of tangible capital assets	(19,405,523)	(14,663,719)
Investing		
Net changes in investments	(648,150)	(9,536,951)
Dividend from Whitby Hydro Energy Corporation	3,300,200	3,021,000
Net change in cash from investing activities	2,652,050	(6,515,951)
Change in cash during the year	374,826	12,665,021
Cash , beginning of year	94,510,434	81,845,413
Cash , end of year	94,885,260	94,510,434

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

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 municipality 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, 2009

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iii) Non-financial assets

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

Tangible capital assets

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

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

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

Contribution of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value as the date of receipt and also are recorded as revenue.

Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements

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.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iv) *Deferred revenue - obligatory reserve funds*

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

(v) *Deferred revenue - general*

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

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

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

2. Change in accounting policies

The Town has implemented Sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets of the Public Sector Accounting Handbook ("PSAB"). Section 1200 establishes general reporting principles and standards for the disclosure of information in Library financial statements. Section 3150 requires the Town to record and amortize their tangible capital assets in their financial statements. Tangible capital assets were formerly expensed as acquired.

Method used for determining the opening cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical 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 applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a difference method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost a deflator study was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in prior period as follows:

	\$
Accumulated surplus	
Current	3,598,541
Capital	(2,761,527)
Reserves and Reserve Funds	57,137,156
Equity in Whitby Hydro Energy Corporation	66,151,296
Amounts to be recovered	(25,569,967)
<hr/>	
Accumulated surplus, as previously reported	98,555,499
Net book value of tangible capital assets	592,578,189
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Accumulated surplus, as restated	691,133,688
Annual surplus	
Net revenue, as previously reported	11,060,631
Revenue recognized on contributed tangible capital assets	9,679,023
Assets capitalized but previously expensed	14,663,719
Amortization expense not previously recorded	(19,003,714)
Change in non-financial assets previously reported as an expense	96,818
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Annual surplus, as restated	16,496,477

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

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:

			2009	2008
	School boards	Region of Durham	Total	Total
	\$	\$	\$	\$
Taxation	50,063,886	93,168,872	143,232,758	143,003,620
Payment in lieu of taxes	163,074	1,325,184	1,488,258	1,384,346
Amounts collected and remitted	50,226,960	94,494,056	144,721,016	144,387,966

4. Trust funds

Trust funds administered by the municipality amounting to \$825,998 (2008 - \$784,474) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of operations". The trust funds have been reported separately on the "Trust Funds Statement of Financial Activity and Change in Fund Balance" and "Trust Funds Statement of Financial Position".

5. Taxes receivable

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

	2009	2008
	\$	\$
Current year	7,898,449	7,484,894
Arrears previous years	6,064,208	4,568,449
	13,962,657	12,053,343

6. Other accounts receivable

	2009	2008
	\$	\$
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 twelve months. The Town has agreed not to call this loan before January 1, 2011.	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, 2011.	5,061,000	5,061,000
	6,521,300	6,521,300

Interest revenue earned on these notes totalled \$472,794 (2008 - \$472,794).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

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:

	2009	2008
	\$	\$
Obligatory Reserve Funds		
Development charges	66,218,642	69,194,984
Parkland	1,954,990	1,790,286
Federal gas tax	2,474,257	919,330
Building Code Act	867,945	1,555,255
Deferred revenue - general	7,024,563	7,436,219
	78,540,397	80,896,074

Continuity of deferred revenue is as follows:

	\$	\$
Balance, beginning of year	80,896,074	69,237,608
Developer contributions collected	3,835,240	8,120,570
Federal gas tax	2,840,322	1,420,161
Net building code revenues	-	612,523
Other collections	3,266,253	7,436,219
Interest earned	1,504,276	2,543,643
	11,446,091	20,133,116
Less		
Developer contribution revenue recognized in current operations	1,339,679	273,449
Developer contribution revenue recognized in capital operations	6,650,241	4,176,244
Gas tax revenue recognized in capital operations	1,329,925	1,242,098
Building Code Act - applied	701,067	-
General deferred revenue recognized	3,780,856	2,782,859
	13,801,768	8,474,650
Balance, end of year	78,540,397	80,896,074

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

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, 2009 are based on the results and assumptions of an actuarial valuation as at December 31, 2006 and updated to December 31, 2009. The significant actuarial assumptions used in estimating the Town's related accrued benefit obligation are as follows:

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

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

Accrued benefit liability

	2009	2008
	\$	\$
Accrued benefit obligation	6,328,433	5,911,988
Unamortized actuarial loss	(246,950)	(269,400)
Employee future benefit liability	6,081,483	5,642,588

Expense

	2009	2008
	\$	\$
Current year benefit expense	257,741	247,069
Amortization of actuarial losses	22,450	22,450
Interest on accrued benefit obligation	354,878	331,145
	635,069	600,664

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, storm sewer lines installed by a developer as part of a subdivision agreement. Transfer of tangible capital assets in 2009 amounted to \$27,954,490 (2008 - \$9,679,022).

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.

iv) Other

No interest was capitalized during the year (2008 - \$nil).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

9. Tangible capital assets (continued)

								2009
	Land	Land improvements	Building and building improvements	Vehicles, machinery and equipment	Stormwater management	Road infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	76,860,695	60,539,629	112,056,495	27,204,197	53,315,694	486,084,513	2,181,355	818,242,578
Additions	-	3,860,218	4,135,654	3,587,908	4,891,004	27,832,660	3,052,569	47,360,013
Work in process completed	-	-	2,181,355	-	-	-	(2,181,355)	-
Disposals	-	-	-	-	-	(1,331,000)	-	(1,331,000)
Write offs	-	-	-	-	-	-	-	-
Balance, end of year	76,860,695	64,399,847	118,373,504	30,792,105	58,206,698	512,586,173	3,052,569	864,271,591
Accumulated amortization								
Balance, of year beginning	-	18,159,535	32,866,681	17,865,970	9,866,583	146,905,620	-	225,664,389
Disposals	-	-	-	-	-	-	-	-
Amortization expense	-	1,626,484	3,658,505	2,370,068	666,958	11,913,081	-	20,235,096
Balance, end of year	-	19,786,019	36,525,186	20,236,038	10,533,541	158,818,701	-	245,899,485
Net book value, end of year	76,860,695	44,613,828	81,848,318	10,556,067	47,673,157	353,767,472	3,052,569	618,372,106
								2008
	Land	Land improvements	Building and building improvements	Vehicles, machinery and equipment	Stormwater management	Road infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	74,687,695	60,472,289	110,135,272	25,240,576	53,119,696	469,261,463	982,345	793,899,336
Additions	2,173,000	67,340	1,921,223	1,963,621	195,998	16,823,050	1,199,010	24,343,242
Disposals	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
Balance, end of year	76,860,695	60,539,629	112,056,495	27,204,197	53,315,694	486,084,513	2,181,355	818,242,578
Accumulated amortization								
Balance, beginning of year	-	16,550,088	29,923,005	15,501,219	9,201,362	135,485,001	-	206,660,675
Disposals	-	-	-	-	-	-	-	-
Amortization expense	-	1,609,447	2,943,676	2,364,751	665,221	11,420,619	-	19,003,714
Balance, end of year	-	18,159,535	32,866,681	17,865,970	9,866,583	146,905,620	-	225,664,389
Net book value, end of year	76,860,695	42,380,094	79,189,814	9,338,227	43,449,111	339,178,893	2,181,355	592,578,189

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

10. Accumulated surplus

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

	2009	2008
	\$	\$
General	4,475,410	3,598,541
Unfunded employee future benefits	(6,081,483)	(5,642,588)
Internal borrowings from deferred revenue	(20,936,932)	(19,927,379)
Unfunded capital	(459,847)	(2,761,527)
Equity in Whitby Hydro	68,662,133	66,151,296
Reserve and Reserve Funds	60,906,299	57,137,156
Invested in tangible capital assets	618,372,106	592,578,189
	<u>724,937,686</u>	<u>691,133,688</u>

The increase in general fund surplus is a result of a surplus in the operating fund of \$876,869.

11. Internal loans

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

	2009	2008
	\$	\$
Whitby Public Library	7,383,236	7,739,428
Cullen Central Park	7,751,363	8,057,210
Recreation and Cultural	3,038,267	4,130,741
Soccer Club	2,764,066	-
	<u>20,936,932</u>	<u>19,927,379</u>

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 \$4,803,433 (2008 - \$4,563,854).

13. Classification of expenses by object

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

	2009	2008
	\$	\$
Salaries, wages and employee benefits	48,021,905	45,475,314
Operating materials and supplies	8,338,562	12,363,322
Contracted services	8,163,730	7,991,094
Other	9,343,888	2,946,924
Amortization expense	20,235,096	19,003,714
Total expenditures by object	<u>94,103,181</u>	<u>87,780,368</u>

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

14. Budget figures

The budgets originally approved by Town Council for 2009, adjusted as noted below, are reflect on the Consolidated Statement of Operations and Accumulated Surplus and Consolidated Statement of Change 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 statement 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.

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

	2009	2008
	\$	\$
Balance, beginning of year	66,151,296	63,374,226
Changes during the year:		
Net income for the year	3,131,784	5,798,070
Impact on chane in accounting policy for future income tax assets in a rate regulated entity	2,679,253	-
	71,962,333	69,172,296
Dividend received from Whitby Hydro Energy Corporation	(3,300,200)	(3,021,000)
Balance, end of year	68,662,133	66,151,296

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

16. Investment in Whitby Hydro Energy Corporation (continued)

	2009	2008
	\$	\$
Investment in Whitby Hydro Energy Corporation	46,845,491	44,334,654
Long-term note receivable	21,816,642	21,816,642
	68,662,133	66,151,296

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, 2011.

Interest revenue earned on this note totaled \$1,527,206 (2008 - \$1,527,206).

The following table provides condensed financial information of Whitby Hydro Energy Corporation at and for the year ended December 31, 2008.

	2009	2008
	\$	\$
Financial position		
Current assets	29,044,296	30,096,247
Capital assets	59,366,809	58,552,157
Deferred charges and other assets	2,932,928	738,842
Total assets	91,344,033	89,387,246
Current liabilities	11,966,099	12,562,250
Other liabilities	32,532,443	32,490,342
Total liabilities	44,498,542	45,052,592
Net assets	46,845,491	44,334,654
Results of operations		
Revenues	20,522,278	23,698,480
Expenses (including income taxes \$2,253,051; 2008 - \$3,495,022)	17,390,494	17,900,410
	3,131,784	5,798,070
Impact of change in accounting policy for future income tax assets in a rate regulated entity	2,679,253	-
Net earnings	5,811,037	5,798,070

Included in revenues above is \$2,985,992 (2008 - \$2,774,367) earned from the Town for services provided. Expenses above include \$2,454,692 (2008 - \$2,447,151) paid to the Town.

On January 1, 2009, the Whitby Hydro Energy Corporation began to account for the differences between its financial statement carrying value and tax basis of assets and liabilities in accordance with CICA Handbook Section 3465. The impact of the amendments to CICA Handbook Section 3465 requires the recognition of future income tax assets and liabilities for the amount of future income taxes expected to be refunded to, or recovered from, customers in future electricity rates, applied on a retroactive basis without prior period restatement.

As at January 1, 2009, the Whitby Hydro Energy Corporation has recorded a future income tax asset of \$2,679,253, relating to the Corporation's rate-regulated business and a corresponding adjustment to retained earnings of \$2,679,253 as the Corporation does not recognize regulatory assets or regulatory liabilities in its financial statements.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2009

16. Investment in Whitby Hydro Energy Corporation (continued)

(b) Contingencies and commitments of Whitby Hydro Energy Corporation as disclosed in their financial statements are as follows:

(i) Contingency

Class Action of Late Payment Charges-Griffith et al. v. Toronto Hydro-Electric Commission et al.

This action has been brought under the *Class Proceedings Act, 1992*. The plaintiff class seeks \$500 million 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*. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of similar proceedings brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defenses which had been raised by Enbridge, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2006, a mediation process resulted in the settlement of the damages payable by Enbridge and that settlement was approved by the Ontario Superior Court.

In 2007, Enbridge filed an application to the Ontario Energy Board ("OEB"), to recover the Court-approved amount and related amounts from ratepayers. On February 4, 2008, the OEB approved recovery of the said amounts from ratepayers over a five year period.

(ii) Commitments

The Corporation has entered into an agreement with outside service providers and is committed to making the following payments:

	\$
2010	809,594
2011	732,485
2012	677,729
	<hr/> <u>2,219,808</u>

17. Segmented information

The Town of Whitby 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
- Health and Social Services
- 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
year ended December 31, 2009

Schedule 1

	2009					
	Protection to persons and property	Public works services	Recreation and culture	Planning and development	General Government	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue						
Tax revenues	-	-	-	-	59,483,672	59,483,672
Grants	111,048	108,142	1,385,618	2,880	70,929	1,678,617
Developer revenue	61,562	4,159,814	2,262,723		166,142	6,650,241
Revenue recognized on contributed assets	60,363	25,268,986	2,273,571		351,570	27,954,490
Other revenues	63,786	4,590,452	8,568,504	382,613	18,534,804	32,140,159
Total operating revenue	296,759	34,127,394	14,490,416	385,493	78,607,117	127,907,179
Expenditures						
Salaries and wages	15,082,495	10,354,487	12,980,664	2,404,700	7,199,559	48,021,905
Materials and supplies	835,463	3,780,180	2,103,655	248,135	1,371,129	8,338,562
Contracted services	1,204,437	3,113,199	2,491,225	65,109	1,289,760	8,163,730
Other	139,619	3,753,649	2,092,249	715,258	2,643,113	9,343,888
Amortization	857,610	14,953,891	4,044,094	-	379,501	20,235,096
Total operating expenditures	18,119,624	35,955,406	23,711,887	3,433,202	12,883,062	94,103,181
Annual surplus	(17,822,865)	(1,828,012)	(9,221,471)	(3,047,709)	65,724,055	33,803,998

The Corporation of The Town of Whitby

Consolidated schedule of segmented disclosure
year ended December 31, 2008

Schedule 1

2008

	Protection to persons and property	Public works services	Recreation and culture	Planning and development	General Government	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue						
Tax revenues	-	-	-	-	56,279,707	56,279,707
Grants	69,770	98,068	228,058	3,140	50,741	449,777
Developer revenue	738,596	3,405,296	681,770		866,129	5,691,791
Revenue recognized on contributed assets	-	9,679,022	-	-	-	9,679,022
Other revenues	340,324	3,859,148	9,332,052	729,570	17,915,454	32,176,548
Total operating revenue	1,148,690	17,041,534	10,241,880	732,710	75,112,031	104,276,845
Expenditures						
Salaries and wages	14,448,602	9,446,010	13,136,474	2,094,708	6,349,520	45,475,314
Materials and supplies	733,051	5,041,109	3,729,246	855,866	2,004,050	12,363,322
Contracted services	1,138,243	3,046,369	2,678,742	45,999	1,081,741	7,991,094
Other	7,935	156,249	1,163,534	1,622	1,617,584	2,946,924
Amortization	827,849	14,334,106	3,512,596	-	329,163	19,003,714
Total operating expenditures	17,155,680	32,023,843	24,220,592	2,998,195	11,382,058	87,780,368
Annual surplus	(16,006,990)	(14,982,309)	(13,978,712)	(2,265,485)	63,729,973	16,496,477