

Consolidated financial statements of

**The Corporation of the  
Municipality of Clarington**

December 31, 2011

# The Corporation of the Municipality of Clarington

December 31, 2011

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# Independent auditor's report

Grant Thornton LLP  
Suite 200  
15 Allstate Parkway  
Markham, ON  
L3R 5B4  
T (416) 366-0100  
F (905) 475-8906  
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of the **Corporation of the Municipality of Clarington**

We have audited the accompanying financial statements of The Corporation of the Municipality of Clarington ("the Municipality"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

## **Management's responsibility for the 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 is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Other matters**

Without modifying our report we draw attention to the budgeted figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

*Grant Thornton LLP*

Markham, Canada  
July 3, 2012

Chartered Accountants  
Licensed Public Accountants

# The Corporation of the Municipality of Clarington

## Consolidated statement of financial position

as at December 31, 2011

	<b>2011</b>	2010
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	<b>42,483,052</b>	30,488,537
Investments (Note 5)	<b>22,480,347</b>	24,640,255
Accounts receivable	<b>7,220,249</b>	9,035,957
Taxes receivable (Note 4)	<b>10,918,627</b>	12,255,738
Inventories for resale	<b>47,883</b>	39,326
Land for resale	<b>146,409</b>	146,409
Promissory notes receivable (Note 6)	<b>8,321,000</b>	8,321,000
Investment in Veridian Corporation (Note 7)	<b>14,088,566</b>	13,639,630
<b>Total financial assets</b>	<b>105,706,133</b>	98,566,852
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<b>9,404,572</b>	11,034,278
Employee future benefits liabilities (Note 11)	<b>5,441,135</b>	4,721,719
Net long-term liabilities (Note 12)	<b>24,205,167</b>	29,539,932
Deferred revenue - general	<b>7,463,930</b>	5,461,019
Deferred revenue - obligatory reserve funds (Note 8)	<b>18,612,066</b>	13,815,939
<b>Total liabilities</b>	<b>65,126,870</b>	64,572,887
<b>Net financial assets</b>	<b>40,579,263</b>	33,993,965
<b>Non-financial assets</b>		
Tangible capital assets (Note 17) (Schedule 1)	<b>391,413,291</b>	386,323,159
Prepaid expenses	<b>624,846</b>	590,813
Inventory supplies	<b>327,147</b>	337,510
<b>Total non-financial assets</b>	<b>392,365,284</b>	387,251,482
<b>Accumulated surplus (Note 18)</b>	<b>432,944,547</b>	421,245,447

# The Corporation of the Municipality of Clarington

## Consolidated statement of operations

year ended December 31, 2011

	2011	2010
	Budget (unaudited)	Actual
	\$	\$
<b>Revenues</b>		
Taxation and user charges		
Property taxation	39,771,565	40,137,797
Taxation from other governments	3,069,556	3,221,290
User charges	8,011,499	12,058,349
Grants		
Government of Canada	-	416,648
Province of Ontario	75,000	719,315
Other		
Deferred revenue earned	8,637,260	11,335,731
Investment income	216,893	2,198,269
Penalty and interest on taxes	1,200,000	1,782,915
Fines	132,500	413,135
Donations and contribution from others	607,300	2,561,021
Veridian Corporation		
Equity share of net income	-	1,273,096
Contributed tangible capital assets	6,577,189	6,577,189
Other income	-	-
(Loss) on disposal of tangible capital assets	-	(308,582)
<b>Total revenues</b>	<b>68,298,762</b>	<b>82,386,173</b>
<b>Expenses</b>		
General government	10,309,196	10,520,631
Protection to persons and property	11,991,408	12,507,343
Transportation services	20,613,509	21,228,920
Environmental services	1,161,694	1,373,682
Health services	223,654	255,423
Recreational and cultural services	18,656,184	20,951,238
Planning and development	3,969,765	3,849,836
<b>Total expenses</b>	<b>66,925,410</b>	<b>70,687,073</b>
<b>Annual surplus</b>	<b>1,373,352</b>	<b>11,699,100</b>
<b>Accumulated surplus, beginning of year</b>	<b>420,044,021</b>	<b>421,245,447</b>
<b>Accumulated surplus, end of year</b>	<b>421,417,373</b>	<b>421,245,447</b>

# The Corporation of the Municipality of Clarington

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

	<b>2011</b>	2010
	<b>(unaudited) Budget</b>	<b>Actual Actual</b>
	\$	\$
<b>Annual surplus</b>	-	<b>11,699,100</b>
Amortization of tangible capital assets	<b>15,366,468</b>	15,246,985
Acquisition of tangible capital assets	<b>(21,058,407)</b>	(24,558,884)
Loss on sale of tangible capital assets	-	878,739
(Increase) in prepaid expenses	-	18,930
Decrease (increase) in inventory supplies	-	(64,242)
(Increase) decrease in net financial assets	<b>(5,691,939)</b>	1,478,573
Net financial assets, beginning of year		<b>33,993,965</b>
Net financial assets, end of year	<b>(5,691,939)</b>	<b>40,579,263</b>

# The Corporation of the Municipality of Clarington

Consolidated statement of cash flow  
year ended December 31, 2011

	2011	2010
	\$	\$
<b>Operating activities</b>		
Annual surplus	11,699,100	9,957,045
Non cash items		
Amortization of tangible capital assets	15,659,692	15,246,985
Loss on sale of tangible capital assets	308,582	878,739
Equity share of Veridian Corporation net income	(1,273,096)	(1,153,416)
Contributed tangible capital assets recorded in revenue	(6,577,189)	(4,163,541)
Change in non-cash operating items		
Decrease (increase) in accounts receivable	1,815,708	(2,135,978)
Decrease (increase) in taxes receivable	1,337,110	(441,563)
(Decrease) increase in inventories for resale	(8,557)	3,642
Decrease in inventory of land for resale	-	77,112
(Decrease) increase in accounts payable and accrued liabilities	(1,629,706)	1,702,060
Increase in employee future benefits liabilities	719,416	899,254
Increase (decrease) in deferred revenue - general	2,002,911	(72,685)
Increase in deferred revenue - obligatory reserve funds	4,796,127	2,037,247
(Increase) decrease in prepaid expenditures	(34,032)	18,930
Decrease (increase) in inventory supplies	10,363	(64,242)
	<b>28,826,429</b>	<b>22,789,589</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(14,565,919)	(20,477,092)
Proceeds on disposal of tangible capital assets	84,700	81,750
	<b>(14,481,219)</b>	<b>(20,395,342)</b>
<b>Investing activities</b>		
Decrease (increase) in investments	2,159,909	395,644
Dividends received from Veridian Corporation	824,160	709,980
	<b>2,984,069</b>	<b>1,105,624</b>
<b>Financing activities</b>		
Repayment of net-long term liabilities	(5,334,765)	(2,813,120)
Net increase (decrease) of cash and cash equivalents	<b>11,994,514</b>	<b>686,751</b>
Cash and cash equivalents, beginning of year	<b>30,488,537</b>	<b>29,801,786</b>
<b>Cash and cash equivalents, end of year</b>	<b>42,483,051</b>	<b>30,488,537</b>



# The Corporation of the Municipality of Clarington

## Notes to the consolidated financial statements

December 31, 2011

The Municipality of Clarington is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, the Municipal Affairs Act and related legislation.

### 1. Significant accounting policies

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

Significant accounting policies adopted are as follows:

#### (a) (i) Reporting entity

These consolidated financial statements reflect financial assets, liabilities, operating revenues and expenses, and changes in investment in tangible capital assets of the Municipality of Clarington. The reporting entity is comprised of all organizations, local boards and committees controlled by the Municipality, including the following:

- Board of Management for the Bowmanville Central Business District Improvement Area
- Board of Management for the Newcastle Central Business District Improvement Area
- Board of Management for the Orono Central Business District Improvement Area
- Clarington Older Adult Centre Board
- Clarington Public Library Board
- Clarington Museums and Archives
- Newcastle Arena Board
- Newcastle Community Hall Board
- Orono Arena and Community Centre Board
- Solina Hall Board
- Tyrone Community Hall Board
- Clarington Heritage Committee
- Bowmanville Santa Claus Parade Committee
- Orono Cemetery Board

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

#### (ii) Investment in Veridian Corporation

The Municipality's investment in Veridian Corporation and its subsidiaries is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business partnerships. Under the modified equity basis of accounting, the business partnership's accounting principles are not adjusted to conform to those of the Municipality and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of Veridian Corporation in its "Consolidated Statement of Operations" with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from Veridian Corporation and other capital transactions will be reflected as adjustments in the investment asset account.

#### (iii) Accounting for region and school board transactions

The taxation and other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Durham are not reflected in these financial statements.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 1. Significant accounting policies (continued)

### (iv) Accounting for phase-in/capping provisions

Increases/decreases in property taxes levied as a result of the application of phase-in/capping legislation are not reflected in the Consolidated Statement of Operations but are reported on the Consolidated Statement of Financial Position.

### (v) Trust funds

Trust funds and their related operations administered by the municipality are not included in these consolidated financial statements, but are reported separately on the "Trust Funds Statement of Operations" and "Trust Fund Statement of Financial Position".

### (b) Basis of accounting

#### (i) Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

#### (ii) Investments

Investments are recorded at the lower of cost plus accrued interest and market value. Any premium or discount on purchase of an investment is amortized over the life of the investment.

#### (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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Changes in Net Financial Assets for the year.

##### (a) Tangible capital assets ("TCA")

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 are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20-75 years
Buildings	5-75 years
Vehicles	7-20 years
Equipment	3-25 years
Linear roads	7-75 years
Linear storm sewers	40-75 years

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 1. Significant accounting policies (continued)

### (b) Basis of accounting (continued)

#### (iii) Non-financial assets (continued)

##### (a) Tangible capital assets ("TCA") (continued)

###### Amortization

The Municipality of Clarington uses the straight line method of amortization. For pooled assets and networks such as roads and storm sewers, one half of the annual amortization is charged in the year of acquisition or in-service date and in the year of disposal. For individual assets, if acquired (or in-service) in the first half of the year, the full year of the amortization is charged. If acquired (or in-service) in the second half of the year, one half of the annual amortization is charged. Similarly in the year of disposal, if the asset is disposed of in the first half of the year, one half of the amortization is charged but if disposed of in the second half of the year the full annual amortization is charged. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Municipality of Clarington has a capitalization threshold of \$5,000, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. The capitalization threshold for pooled items is \$50,000. Examples of pools are computer hardware, streetlights and storm water networks.

##### (b) Contribution of tangible capital assets

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

##### (c) Intangible assets

Intangible assets are not recognized in the consolidated financial statements.

##### (d) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

### (iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with bank, Government of Canada treasury bills, provincial government treasury bills and promissory notes, bankers' acceptances and bearer deposits that mature within one year.

### (v) Reserves and reserve funds

Certain amounts, as approved by 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. Reserves and reserve funds form part of the Municipality's accumulated surplus.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 1. Significant accounting policies (continued)

### *(b) Basis of accounting (continued)*

#### *(vi) Deferred revenues*

Deferred revenues represent externally restricted user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. In addition, any contributions received with external restrictions are reported as deferred revenue in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the period in which related expenses are incurred.

#### *(vii) Pension and employee future benefits liabilities*

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued and subject to payout when an employee leaves the Municipality's employment. Other post-employment benefits are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life ("ARSL") of all employees covered. The actuary determined ARSL to be 16.0 years.

#### *(viii) Government transfers*

Government transfers are recognized in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

#### *(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 of financial assets, tangible capital assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Accounts involving significant estimates include the recording of accrued liabilities and estimates relating to the useful life of tangible capital assets. Actual results could differ from these estimates.

# The Corporation of the Municipality of Clarington

## Notes to the consolidated financial statements

December 31, 2011

### 2. Trust funds

Trust funds administered by the Municipality amounting to \$11,554,836 (2010 - \$11,495,870) have not been included in the "Consolidated Statement of Financial Position" nor have their financial activities been included in the "Consolidated Statement of Operations".

Included in trust funds is an amount of \$10,000,000 received in 2001 from Natural Resources Canada (Canada). This money is being held in trust pending the issuance of a licence by the Canadian Nuclear Safety Commission to Canada, to construct (at Canada's cost) the Port Granby low-level radioactive long-term waste management facility. Upon issuance of the above noted licence, the \$10,000,000 will become a grant to the Municipality of Clarington.

On March 31, 2012, a land transaction was completed between the Canadian Nuclear Safety Commission and the Municipality, thereby releasing Clarington's obligation relating to the Host Community Fund agreement and granting \$10,000,000 to the Municipality.

### 3. Operations of school boards and The Regional Municipality of Durham

Further to Note 1(a) (iii), requisitions were made by the Regional Municipality of Durham and School Boards requiring the Municipality of Clarington to collect property taxes and payments in lieu of property taxes on their behalf. The amounts levied and remitted are summarized below:

	<b>School Boards</b>	<b>Region of Municipality of Durham</b>
	\$	\$
Property taxes	<b>27,568,213</b>	<b>67,040,455</b>
Taxation from other governments	<b>83,271</b>	<b>2,145,203</b>
<b>Total</b>	<b>27,651,484</b>	<b>69,185,658</b>

### 4. Taxes receivable

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

	<b>2011</b>	2010
	\$	\$
Current year	<b>7,038,906</b>	7,140,261
Arrears previous years	<b>3,879,721</b>	5,115,477
	<b>10,918,627</b>	12,255,738

### 5. Investments

Total investments of \$22,480,347 (2010 - \$24,640,255) reported on the Consolidated Statement of Financial Position at cost plus accrued interest, have a market value (including accrued interest) of \$24,129,639 (2010 - \$26,637,923) at the end of the year. It is the Municipality's intention to hold these investments until maturity.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 6. Promissory notes receivable

	2011	2010
	\$	\$
Promissory note receivable from Veridian Corporation maturing November 12, 2012 and bearing interest at 7.62% until April 30, 2010, then the greater of 6% or the Ontario Energy Board deemed long-term debt rate on an annual basis to maturity (6% effective May 1, 2010)	2,355,000	2,355,000
Promissory note receivable from Veridian Connection Inc. maturing November 1, 2039 and bearing interest at 7.62% until April 30, 2010, then 5.57% from May 1, 2010 to December 31, 2014 and then the Ontario Energy Board deemed long-term debt rate for each successive five year period thereafter	5,966,000	5,966,000
	8,321,000	8,321,000

Interest revenue earned from these notes receivable totaled \$479,614 (2010 - \$527,091).

The promissory note from Veridian Corporation is convertible into common shares at the rate of one Common share for every \$1,000 of principal amount at the option of the Municipality.

## 7. Investment in Veridian Corporation

- (a) Veridian Corporation is a government business partnership which is jointly owned by the City of Pickering, Town of Ajax, Municipality of Clarington and the City of Belleville. The Municipality of Clarington owns 1,360 of the outstanding common shares of Veridian Corporation. This represents a 13.6% share of ownership. The Municipality is accounting for this investment using a modified equity basis in these financial statements. Veridian Corporation serves as the electric distribution utility for a number of communities including the four noted above, and conducts non-regulated utility service ventures through its subsidiaries.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 7. Investment in Veridian Corporation (continued)

The following table provides condensed supplementary financial information of the Corporation and its subsidiaries for the year ended December 31:

	<b>2011</b>	2010
	\$	\$
<b>Financial position</b>		
Assets		
Current	<b>79,455,000</b>	74,269,000
Capital and intangibles	<b>183,895,000</b>	173,727,000
Other	<b>19,296,000</b>	20,633,000
<b>Total assets</b>	<b>282,646,000</b>	268,629,000
Liabilities		
Current	<b>69,996,000</b>	58,298,000
Long-term debt	<b>86,649,000</b>	76,928,000
Other	<b>22,433,000</b>	33,136,000
<b>Total liabilities</b>	<b>179,078,000</b>	168,362,000
Shareholders' Equity		
Share capital	<b>67,260,000</b>	67,260,000
Contributed capital	<b>25,000</b>	25,000
Retained earnings	<b>36,283,000</b>	32,982,000
<b>Total shareholders' equity</b>	<b>103,568,000</b>	100,267,000
<b>Total liabilities and shareholders' equity</b>	<b>282,646,000</b>	268,629,000
<b>Financial activities</b>		
Revenues	<b>286,271,000</b>	256,203,000
Other income	<b>1,669,000</b>	4,713,000
Expenses	<b>(282,498,000)</b>	(252,843,000)
Loss/earnings from discontinued operations	<b>3,919,000</b>	408,000
<b>Net income for the year</b>	<b>9,361,000</b>	8,481,000

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 7. Investment in Veridian Corporation (continued)

(b) Municipality of Clarington's equity represented by:

	2011	2010
	\$	\$
Promissory notes receivable (Note 6)	<b>8,321,000</b>	8,321,000
Initial investment in shares of the Corporation	<b>10,146,495</b>	10,146,495
Accumulated net income	<b>8,995,876</b>	7,722,781
Net increase in value of investment	<b>400,126</b>	400,126
Accumulated dividends received	<b>(5,453,932)</b>	(4,629,772)
<b>Total equity</b>	<b>22,409,565</b>	21,960,630
Municipality of Clarington's investment represented by:		
Investment in Veridian Corporation	<b>14,088,565</b>	13,639,630
Promissory notes receivable	<b>8,321,000</b>	8,321,000
	<b>22,409,565</b>	21,960,630

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

(i) *Insurance claims*

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

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

(ii) *Other claims*

An 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.

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

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

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



# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 7. Investment in Veridian Corporation (continued)

### (iii) Contractual obligation - Hydro One Networks Inc.

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

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

The Corporation has recorded a liability and a corresponding intangible asset for \$1,212,000 as at December 31, 2011, based on management's best estimate of the present value of the future transformation connection revenue shortfall.

### (iv) Environmental liability

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

### (d) Lease commitments - Veridian Corporation

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

	\$
2012	157,000
2013	2,000
2014	2,000
2015	2,000
2016	2,000
Thereafter	70,000
	<hr/> 235,000 <hr/>

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 8. Deferred revenue - obligatory reserve funds

The continuity of "deferred revenue - obligatory reserve funds" of the Municipality is summarized:

	2011	2010
	\$	\$
Balance, beginning of year	<b>13,815,939</b>	11,778,692
Contributions		
Contributions from developers	<b>13,487,644</b>	8,911,305
Investment income	<b>257,088</b>	304,485
Federal Gas Tax	<b>2,387,129</b>	2,394,407
	<b>16,131,861</b>	11,610,197
Decreases		
Total revenue recognized in the year	<b>11,335,734</b>	9,572,950
Change in deferred revenue during the year	<b>4,796,127</b>	2,037,247
Balance, end of year	<b>18,612,066</b>	13,815,939

Balance, end of year - analyzed as follows:

Federal gas tax	<b>973,404</b>	1,784,609
Building code act	<b>406,621</b>	3,043
Development charges	<b>17,232,041</b>	12,028,287
Total deferred revenue - obligatory reserve funds	<b>18,612,066</b>	13,815,939

## 9. Continuity of development charges reserve funds

	2011	2010
	\$	\$
Balance at the beginning of the year	<b>12,028,287</b>	8,465,205
Development charges collection	<b>13,179,159</b>	8,591,189
Investment income	<b>195,871</b>	208,303
Tangible capital assets acquisitions and construction	<b>(3,600,351)</b>	(1,373,486)
Operating expenses	<b>(4,570,925)</b>	(3,862,924)
Balance at the end of the year	<b>17,232,041</b>	12,028,287

# The Corporation of the Municipality of Clarington

## Notes to the consolidated financial statements

December 31, 2011

### 10. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of approximately 323 employees. The plan is defined benefit plan that specifies the amount of retirement benefits to be received by employees based on length of service and rates of pay. Contributions to OMERS were \$1,921,908 (2010 - \$1,672,920) for current service.

### 11. Employee future benefits liabilities

#### (a) Accumulated sick leave entitlement

##### (i) Firefighters

The Municipality provides a sick leave accumulation plan for firefighters which accumulate at the rate of one day per month of completed years of service to a maximum of 182 days. These employees may become entitled to a cash payment on retirement, early retirement, termination, or death, at the rate of 50% of the accumulated credit, to a maximum of one-half a year's salary. The estimated liability at December 31, 2011 was \$962,059 (2010 - \$891,067).

##### (ii) Other

During the 1993 fiscal year, the Municipality negotiated an agreement with all employees (except firefighters) to terminate the sick leave benefit plan which had been in effect for many years. The Municipality agreed to pay to those employees covered by the plan and who had at least five years service with the Corporation a cash equivalent of 50% of sick leave days accumulated to July 1, 1993 to a maximum of 120 days of salary. Remuneration for the buying out of sick days identified will be available to the employee at any time up to the time that the employee either leaves the Corporation or retires, at the rate of remuneration in effect at July 31, 1993. The estimated liability at December 31, 2011 amounted to \$1,625 (2010 - \$1,493).

#### (b) Post employment benefits - other

The Municipality makes available to qualifying employees who retire before the age of 65 (firefighters - age 60) the opportunity of continuing their coverage for benefits such as medical (extended health), dental, and life insurance benefits. Coverage ceases at age 65. Dependant upon the eligibility, the cost of this coverage may be a shared responsibility between the Municipality and the retired employees.

The accrued benefit obligation at December 31, 2011 and the changes in the accrued benefit obligation for the 2011 fiscal year was determined by actuarial valuation prepared as at October 31, 2010 to December 31, 2011.

The significant actuarial assumptions employed for the valuation are as follows:

- (i) Future cost of long-term debt (discount rate) will be 5.0% per year.
- (ii) Future inflation rates will be 4.0% per year.
- (iii) Future dental premium rates will escalate at a 4.5% rate per year.
- (iv) Future Extended Health and Travel premium rates will escalate at 7.6% per year in 2012 grading down to 4.5% per year in and after 2031.

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 11. Employee future benefits liabilities (continued)

(c) Information about the Municipality's employee future benefits liabilities is as follows:

	2011	2010
	\$	\$
<b>Accrued benefit obligation</b>		
Balance, beginning of year	6,518,049	4,560,374
Employer current service cost	393,035	376,954
Plan amendments	68,164	338,321
Interest cost	339,038	317,748
Benefits paid	(229,624)	(284,655)
Actuarial loss (gain)	(26,866)	1,209,307
Balance, end of year	7,061,796	6,518,049
Unamortized net actuarial losses	(1,620,661)	(1,796,330)
<b>Employee future benefits liabilities, end of year</b>	<b>5,441,135</b>	<b>4,721,719</b>

## 12. Net long-term liabilities

(a) The net long-term liabilities reported on the "Consolidated Statement of Financial Position" is made up of the following:

The Municipality has assumed responsibility for payment of principal and interest charges on certain long-term liabilities issued by the Regional Municipality of Durham. Interest rates range from 2.65% to 5.75%. At the end of the year, the outstanding principal amount of this liability is \$24,205,168 (2010 - \$29,539,932).

Regional By-law #	Maturity date	Interest rate	2011	2010
		%	\$	\$
71-2001	November 1, 2011	5.50 to 5.75	0	3,085,000
56-2002	November 1, 2012	4.10 to 5.60	5,972,000	6,794,000
45-2004	July 15, 2014	2.80 to 5.45	2,122,000	2,331,000
52-2006	July 12, 2021	5.100	829,892	892,078
07-2007	August 21, 2022	4.30 to 4.75	14,358,000	15,458,000
65-2008	November 21, 2018	2.65 to 5.20	919,000	975,000
56-2007	October 1, 2017	6.00	4,275	4,854
			<b>24,205,167</b>	<b>29,539,932</b>

# The Corporation of the Municipality of Clarington

## Notes to the consolidated financial statements

December 31, 2011

### 12. Net long-term liabilities (continued)

- (b) Of the municipal debt reported in (a) of this note, principal payments are payable from general municipal revenues follows:

	\$
2012	7,467,024
2013	1,567,453
2014	3,067,059
2015	1,462,854
2016	1,530,845
Thereafter	9,109,932
	<u>24,205,167</u>

- (c) The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Total interest expense related to the net long-term liabilities amounted to \$1,389,731 (2010 - \$1,555,964, includes \$324 tile drainage) and is reported on the Consolidated Statement of Operations.

### 13. Contingencies

Various legal actions and claims have been initiated by and against the Municipality, the outcomes of which cannot be determined at the time of reporting. Accordingly, no provision has been made in these consolidated financial statements for any liability which may result. Should any gain or loss occur as a result of the above legal actions the Municipality will account for the gain/loss when it is likely that such a gain/loss will occur and the amount is measurable.

### 14. Contractual commitments

During the year the Municipality had work done on several major projects with contract values totaling approximately \$31,713,719 (2010 - \$40,995,574). These contracts relate to the construction and expansion of certain permanent facilities. As at December 31, 2011, \$3,515,214 (2010 - \$3,129,331) relating to these contracts had not been expended.

### 15. Related party transactions and balances - Veridian Corporation

	2011	2010
	\$	\$
Transactions		
Dividends received	<b>824,160</b>	709,980
Interest earned on promissory notes	<b>479,614</b>	527,091
Property taxes	<b>36,055</b>	35,451
Energy and services purchases	<b>612,337</b>	561,399
Balances		
Promissory notes receivable	<b>8,321,000</b>	8,321,000
Accounts payable and accrued liabilities	<b>60,832</b>	64,109

# The Corporation of the Municipality of Clarington

## Notes to the consolidated financial statements

December 31, 2011

### 16. Guarantees

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

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

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

### 17. Tangible capital assets

The continuity of the historical cost and accumulated amortization for various categories of tangible capital assets can be found in Schedule 1.

Further information relating to tangible capital assets is as follows:

- i) Contributed tangible capital assets

The Municipality of Clarington records all tangible assets contributed by an external party at fair value on the earlier date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. For subdivision assets, the recorded date is considered to be the date of acceptance with the exclusion of streetlights with the recorded date as the date of completion. Prior years contributed assets are recorded based on the tangible capital asset valuation of inventory. In 2011, there were contributed assets of \$6,577,189 (2010 - \$4,163,541).

# The Corporation of the Municipality of Clarington

Notes to the consolidated financial statements

December 31, 2011

## 17. Tangible capital assets (continued)

### ii) Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one Canadian dollar (\$1.00) because of the difficulty of determining a tenable valuation. The most significant such assets are the Municipality's road allowances. The 2010 road network had 1565 segments (2009 - 1556), each of which has been assigned a value of a dollar for the road allowance itself. Others include unopened road allowances in existence since horse and carriage days. There were 364 segments valued at \$10 each.

### iii) Works of Art and Historical Treasures

The Municipality has two historical collections. One is the former Total Hockey collection currently insured for \$150,000 and the Clarington museum collection currently insured for \$350,000. Also included in historical treasures are the cenotaphs located in Bowmanville, Newcastle, Orono and Newtonville. Due to the rural history, there are several abandoned cemeteries located throughout the Municipality. The land is included in the Land asset account, however, all associated physical items are considered a historical treasure. The includes historical signs and cairns or concrete structures built for old headstones.

# The Corporation of the Municipality of Clarington

## Notes to the consolidated financial statements

December 31, 2011

### 18. Accumulated surplus

Accumulated surplus is comprised of the following:

	2011	2010
	\$	\$
Invested in tangible capital assets	<b>391,413,291</b>	386,323,159
General revenue fund	<b>2,623,687</b>	4,175,235
Capital fund	<b>9,470,679</b>	8,847,779
Inventory - surplus land	<b>146,409</b>	146,409
Net long-term liabilities to be recovered from future revenue	<b>(24,205,167)</b>	(29,539,932)
Unfunded employee benefits and post-employment liabilities	<b>(3,354,895)</b>	(3,050,636)
Reserves set aside for specific purposes by Council:		
Tax write-off	<b>206,045</b>	206,045
Acquisition of capital assets	<b>2,306,197</b>	2,231,826
Legal/consulting issues	<b>790,618</b>	539,221
Hockey museum	-	18,379
Election expenses	<b>85,686</b>	20,686
Fire prevention	<b>92,132</b>	75,632
Waterfront trail	<b>20,427</b>	20,585
Burketon park improvements	<b>7,569</b>	7,569
Samuel Wilmont nature area	<b>523</b>	28,523
Reserve funds set aside for specific purposes by Council:		
General municipal purposes	<b>2,368,054</b>	3,109,873
Rate stabilization	<b>4,604,571</b>	1,940,948
Recreation programs and facilities	<b>752,044</b>	567,531
Debenture repayment	<b>260,721</b>	266,955
Industrial development	<b>356,370</b>	325,092
Other cultural	<b>139,168</b>	145,830
Acquisition of capital assets	<b>8,193,288</b>	7,788,828
Newcastle Waterfront study	<b>231,293</b>	69,963
Municipal capital works	<b>5,551,521</b>	5,892,502
Other capital - unspecified	<b>1,870,391</b>	2,442,577
Road contributions	<b>4,077,511</b>	4,399,114
Westside Bridge/Bowmanville Marsh	<b>87,541</b>	101,480
Port Granby LLRW	<b>174,672</b>	157,404
Community Improvement Plan	<b>148,223</b>	115,532
Business Improvement Areas	<b>163,347</b>	160,095
Equity in Veridian Corporation	<b>24,362,631</b>	23,711,243
<b>Accumulated surplus</b>	<b>432,944,547</b>	421,245,447



# The Corporation of the Municipality of Clarington

## Notes to the consolidated financial statements

December 31, 2011

### 19. Segmented information

The Municipality provides a wide range of services to its residents. Segmented information has been provided in Schedule 2 for the following Municipal services:

- Protection to persons and property
- Transportation services
- Environmental services
- Recreation and culture
- Planning and development
- Health and social service
- General government

For each reported segment, revenues and expenses represent amounts that are directly attributable to each segment. Tax revenues are reported as part of general government.

### 20. Budget amounts

The budgets originally approved by the Municipality for 2011, adjusted as noted below, are reflected on the Consolidated Statement of Operations and the Consolidated Statement of Changes in Net Financial Assets.

- An amount for amortization expense has been added and is based on the actual amortization expense recorded in the year, as amortization 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 actual amounts, as 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 under the appropriate functional expense category, while those recognized as tangible capital assets are included in the Consolidated Statement of Change in Net Financial Assets.

Budget figures have been restated for purposes of these consolidated financial statements to comply with PSAB reporting requirements and are not audited.

# The Corporation of the Municipality of Clarington

Consolidated schedule of tangible capital assets - Schedule 1  
year ended December 31, 2011

2011

	General					Infrastructure							Total
	Land	Land Improvements	Buildings	Vehicles	Equipment	Land	Linear Road & Related	Linear Storm Sewers	Buildings	Vehicles	Equipment	Assets under construction	
<b>Cost</b>													
Balance, beginning of year	48,143,207	19,542,807	90,328,403	6,845,795	11,059,648	3,042,886	319,233,528	59,308,554	2,389,283	8,875,601	53,856	11,238,371	580,061,939
Add: additions during the year	3,190,651	878,990	3,874,996	109,644	791,300	-	10,642,529	3,084,852	-	954,704	-	6,697,679	30,225,345
Less: disposals during the year	-	-	(1,020,388)	(105,615)	(892,018)	-	(2,297,829)	-	-	(489,075)	-	(9,110,987)	(13,915,912)
Balance, end transfers of year	51,333,858	20,421,797	93,183,011	6,849,824	10,958,930	3,042,886	327,578,228	62,393,406	2,389,283	9,341,230	53,856	8,825,063	596,371,372
<b>Accumulated amortization</b>													
Balance, beginning of year	-	6,791,743	29,439,728	3,566,408	6,455,491	-	129,773,807	11,564,107	1,320,372	4,803,869	23,255	-	193,738,780
Add: amortization during the year	-	585,993	2,682,742	584,025	1,112,202	-	9,114,907	818,555	68,919	689,137	3,212	-	15,659,692
Less: accumulated amortization on disposals	-	-	(996,092)	(100,549)	(874,516)	-	(2,020,719)	-	-	(448,515)	-	-	(4,440,391)
Balance, end of year	-	7,377,736	31,126,378	4,049,884	6,693,177	-	136,867,995	12,382,662	1,389,291	5,044,491	26,467	-	204,958,081
<b>Net book value of tangible capital assets</b>	51,333,858	13,044,061	62,056,633	2,799,940	4,265,753	3,042,886	190,710,233	50,010,744	999,992	4,296,739	27,389	8,825,063	391,413,291

# The Corporation of the Municipality of Clarington

Consolidated schedule of tangible capital assets - Schedule 1  
year ended December 31, 2010

2010

	General					Infrastructure							Total
	Land	Land Improvements	Buildings	Vehicles	Equipment	Land	Linear Road & Related	Linear Storm Sewers	Buildings	Vehicles	Equipment	Assets under construction	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Cost</b>													
Balance, beginning of year	45,425,205	19,210,224	89,737,911	6,946,620	10,545,473	2,989,324	307,149,822	57,418,019	1,909,431	8,455,540	53,856	7,734,048	557,575,473
Add: additions during the year	2,718,002	332,583	1,445,386	94,785	628,990	53,563	12,517,407	1,902,139	525,518	836,188	-	5,248,524	26,303,085
Less: disposals during the year	-	-	(854,895)	(195,610)	(114,815)	-	(433,701)	(11,604)	(45,666)	(416,127)	-	(1,744,201)	(3,816,619)
Balance, end transfers of year	48,143,207	19,542,807	90,328,402	6,845,795	11,059,648	3,042,887	319,233,528	59,308,554	2,389,283	8,875,601	53,856	11,238,371	580,061,939
<b>Accumulated amortization</b>													
Balance, beginning of year	-	6,224,357	27,099,931	3,173,781	5,493,472	-	121,121,606	10,790,177	1,316,656	4,445,451	20,043	-	179,685,474
Add: amortization during the year	-	567,386	2,608,804	586,205	1,072,088	-	8,860,860	785,389	52,861	710,180	3,212	-	15,246,985
Less: accumulated amortization on disposals	-	-	(269,006)	(193,578)	(110,070)	-	(208,659)	(11,459)	(49,145)	(351,762)	-	-	(1,193,679)
Balance, end of year	-	6,791,743	29,439,729	3,566,408	6,455,490	-	129,773,807	11,564,107	1,320,372	4,803,869	23,255	-	193,738,780
<b>Net book value of tangible capital assets</b>	48,143,207	12,751,064	60,888,673	3,279,387	4,604,158	3,042,887	189,459,722	47,744,447	1,068,911	4,071,732	30,601	11,238,371	386,323,159

# The Corporation of The Municipality of Clarington

Consolidated schedule of segmented information - Schedule 2  
year ended December 31, 2011

								2011
	General Government	Protection to persons and property	Transportation services	Environmental services	Health and social services	Recreation and culture	Planning and development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating revenue</b>								
Grants	5,028	244,286	739,096	-	-	147,553	-	<b>1,135,963</b>
Tax revenues	43,359,087	-	-	-	-	-	-	<b>43,359,087</b>
Other revenues	4,604,128	3,927,330	10,473,293	428,131	236,571	10,935,698	708,783	<b>31,313,934</b>
Contributed tangible capital assets	-	-	2,304,520	2,830,569	-	1,442,100	-	<b>6,577,189</b>
<b>Total operating revenue</b>	<b>47,968,243</b>	<b>4,171,616</b>	<b>13,435,160</b>	<b>3,258,700</b>	<b>236,571</b>	<b>12,525,351</b>	<b>708,783</b>	<b>82,386,173</b>
<b>Operating expenditures</b>								
Salaries, wages & employee benefits	6,535,290	10,462,197	6,089,038	8,357	147,848	9,624,377	2,770,319	<b>35,637,426</b>
Materials and supplies	1,824,144	871,854	4,724,612	51,735	106,824	5,933,552	694,789	<b>14,207,510</b>
Contracted services	650,792	293,779	558,839	353,940	-	578,549	379,636	<b>2,815,535</b>
Rent and financial expenses	661,269	-	-	-	-	3,345	-	<b>664,614</b>
External transfers to others	-	-	-	-	-	312,565	-	<b>312,565</b>
Amortization expense	701,640	879,513	9,856,431	959,650	751	3,256,906	4,801	<b>15,659,692</b>
Interest on net long-term liabilities	147,496	-	-	-	-	1,241,944	291	<b>1,389,731</b>
<b>Total operating expenditures</b>	<b>10,520,631</b>	<b>12,507,343</b>	<b>21,228,920</b>	<b>1,373,682</b>	<b>255,423</b>	<b>20,951,238</b>	<b>3,849,836</b>	<b>70,687,073</b>
<b>Annual surplus (deficit)</b>	<b>37,447,612</b>	<b>(8,335,727)</b>	<b>(7,793,760)</b>	<b>1,885,018</b>	<b>(18,851)</b>	<b>(8,425,887)</b>	<b>(3,141,053)</b>	<b>11,699,100</b>

# The Corporation of The Municipality of Clarington

Consolidated schedule of segmented information - Schedule 2

year ended December 31, 2011

2010

	General Government	Protection to persons and property	Transporation services	Environmental services	Health and social services	Recreation and culture	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating revenue</b>								
Grants	4,925	112,799	5,433,111	-	-	187,763	-	<b>5,738,598</b>
Tax revenues	41,348,582	-	-	-	-	-	-	<b>41,348,582</b>
Other revenues	6,009,172	3,532,254	3,614,914	292,600	279,183	9,950,620	838,673	<b>24,517,416</b>
Contributed tangible capital assets	-	-	1,625,039	1,588,710	-	949,792	-	<b>4,163,541</b>
<b>Total operating revenue</b>	<b>47,362,679</b>	<b>3,645,053</b>	<b>10,673,064</b>	<b>1,881,310</b>	<b>279,183</b>	<b>11,088,175</b>	<b>838,673</b>	<b>75,768,137</b>
<b>Operating expenses</b>								
Salaries and wages	5,966,540	9,644,529	5,358,876	9,711	156,211	9,011,320	2,564,449	<b>32,711,636</b>
Operating materials and supplies	1,887,515	1,002,181	4,092,476	14,249	66,256	4,787,743	915,181	<b>12,765,601</b>
Contracted services	961,366	249,495	553,155	230,851	-	573,413	378,120	<b>2,946,400</b>
Rent and financial expenses	150,590	-	-	-	-	21,551	-	<b>172,141</b>
External transfers to others	-	-	-	-	-	412,689	-	<b>412,689</b>
Amortization expense	710,622	877,050	9,644,709	908,559	426	3,100,818	4,801	<b>15,246,985</b>
Interest on net long-term liabilities	208,724	-	-	-	-	1,346,915	-	<b>1,555,639</b>
<b>Total operating expenses</b>	<b>9,885,357</b>	<b>11,773,256</b>	<b>19,649,216</b>	<b>1,163,370</b>	<b>222,893</b>	<b>19,254,449</b>	<b>3,862,551</b>	<b>65,811,092</b>
<b>Annual surplus (deficit)</b>	<b>37,477,322</b>	<b>(8,128,203)</b>	<b>(8,976,152)</b>	<b>717,940</b>	<b>56,290</b>	<b>(8,166,274)</b>	<b>(3,023,878)</b>	<b>9,957,045</b>