

Consolidated financial statements of

**The Corporation of
the Town of Whitby**

December 31, 2013

The Corporation of the Town of Whitby

December 31, 2013

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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, 2013, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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, 2013 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 16, 2014

The Corporation of the Town of Whitby

Consolidated statement of financial position as at December 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	95,572,434	126,846,528
Investments	55,269,619	14,334,610
Taxes receivable (Note 4)	11,330,155	12,121,069
Accounts receivable	9,796,314	6,018,325
Other accounts receivable (Note 5)	6,521,300	6,521,300
Investment in Whitby Hydro (Note 15)	42,607,735	40,701,395
Long-term note receivable (Note 15)	21,816,642	21,816,642
	242,914,199	228,359,869
Liabilities		
Accounts payable and accrued liabilities	13,586,947	11,110,304
Other current liabilities	3,196,377	4,721,687
Deferred revenue (Note 6)	87,538,591	82,198,900
Employee future benefits liabilities (Note 7)	9,674,648	9,415,171
	113,996,563	107,446,062
Net financial assets	128,917,636	120,913,807
Non-financial assets		
Tangible capital assets (Note 8)	619,701,622	622,613,234
Inventory of supplies	444,872	443,041
	620,146,494	623,056,275
Accumulated surplus (Note 9)	749,064,130	743,970,082

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, 2013

	Budget (Note 13)	2013 Actual	2012 Actual
	\$	\$	\$
Revenue			
Taxation	70,156,886	69,627,111	66,997,111
User fees and charges	16,988,051	16,834,847	18,515,029
Grants	211,748	291,525	1,244,934
Developer and other contributions earned	4,193,863	3,866,537	5,368,396
Gas tax revenue	3,400,000	2,395,335	2,742,192
Investment income	1,558,900	1,528,926	1,564,222
Fines, penalties and interest	2,457,000	2,671,699	2,686,410
Licenses and permits	266,500	393,504	297,154
Rents and other	2,277,195	2,389,505	3,381,656
Revenue recognized on contributed tangible capital assets	10,000,000	9,980,498	17,460,301
Net earnings, Whitby Hydro (Note 15)	4,000,000	5,607,340	4,242,098
	115,510,143	115,586,827	124,499,503
Expenses (Note 12)			
General government	14,178,856	14,063,141	13,222,686
Protection to persons and property	21,429,555	21,275,218	20,084,683
Transportation services	34,122,630	34,049,130	35,188,967
Environmental services	6,060,004	6,034,828	6,196,355
Recreation and cultural services	30,144,306	29,924,767	29,327,935
Planning and development	5,180,858	3,758,936	3,552,312
Social and family services	1,286,117	1,386,759	1,313,852
	112,402,326	110,492,779	108,886,790
Annual surplus	3,107,817	5,094,048	15,612,713
Accumulated surplus, beginning of year	743,970,082	743,970,082	728,357,369
Accumulated surplus, end of year	747,077,899	749,064,130	743,970,082

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 change in net financial assets year ended December 31, 2013

		2013	2012
	Budget (Note 13)	Actual	Actual
	\$	\$	\$
Annual surplus	-	5,094,048	15,612,713
Acquisition of tangible capital assets	(26,808,619)	(23,942,913)	(30,309,624)
Amortization of tangible capital assets	23,415,000	21,981,018	22,170,295
Loss on disposal of tangible capital assets	-	1,396,240	-
Proceeds from sale of tangible capital assets	-	2,658,750	-
Write down of tangible capital assets	-	818,517	-
	(3,393,619)	8,005,660	7,473,384
Acquisition of inventories of supplies	-	(444,872)	(443,041)
Consumption of inventories of supplies	-	443,041	423,380
Change in net financial assets	(3,393,619)	8,003,829	7,453,723
Net financial assets, beginning of year	120,913,807	120,913,807	113,460,084
Net financial assets, end of year	117,520,188	128,917,636	120,913,807

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, 2013

	2013	2012
	\$	\$
Operating activities		
Annual surplus	5,094,048	15,612,713
Items not involving cash		
Amortization	21,981,018	22,170,295
Loss on sale of tangible capital assets	1,396,240	-
Write down of tangible capital assets	818,517	-
Net earnings of Whitby Hydro Energy Corporation	(5,607,340)	(4,242,098)
Value of contributed tangible assets recognized as revenue	(9,980,498)	(17,460,301)
Changes in non-cash assets and liabilities		
Decrease in taxes receivable	790,914	84,417
(Decrease) increase in accounts receivable	(3,777,989)	6,873
Increase (decrease) in inventory of supplies	(1,831)	(19,661)
Increase (decrease) in accounts payable and accrued liabilities	2,476,643	(435,524)
(Decrease) increase in other current liabilities	(1,525,310)	3,101,346
Increase (decrease) in deferred revenue	5,339,691	(665,080)
Increase in employee future benefits liability	259,477	2,504,560
	17,263,580	20,657,540
Capital activities		
Acquisition of tangible capital assets	(13,962,415)	(12,849,323)
Proceeds from sale of tangible capital assets	2,658,750	-
	(11,303,665)	(12,849,323)
Investing activities		
Net changes in investments	(40,935,009)	(560,869)
Dividend from Whitby Hydro Energy Corporation	3,701,000	3,701,000
	(37,234,009)	3,140,131
Change in cash during the year	(31,274,094)	10,948,348
Cash, beginning of year	126,846,528	115,898,180
Cash, end of year	95,572,434	126,846,528

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, 2013

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 Chartered Professional Accountants of Canada

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, expenses, 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 Activities 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.

Tax Revenue

Tax revenue is recognized on all taxable properties within the Town included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the Town as it relates to supplementary or omitted assessments using tax rates authorized by Council for the Town's own purposes in the period for which the tax is levied.

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, 2013

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.

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.

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2013

1. Significant accounting policies (continued)

b) Basis of accounting (continued)

vii) Government transfers

Government transfers are recognized as revenues by the Town in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

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.

x) Adoption of new accounting standards

As at January 1, 2014, the Town adopted Public Sector Accounting Handbook Sections PS 3410, "Government Transfers" and Section 3510 "Tax Revenue" as a prospective basis. There was no impact on the financial statements as a result of the adoption of these new standards.

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:

	boards	Region of Durham	2013 Total	2012 Total
	\$	\$	\$	\$
Taxation	49,263,961	114,453,437	163,717,398	160,757,541
Payment in lieu of taxes	665,006	1,669,261	2,334,267	2,225,598
Amounts collected and remitted	49,928,967	116,122,698	166,051,665	162,983,139

3. Trust funds

Trust funds administered by the Town amounting to \$1,000,359 (2012 - \$949,754) 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 Activities 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, 2013

4. Taxes receivable

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

	2013	2012
	\$	\$
Current year	6,512,806	6,606,951
Arrears previous years	4,817,349	5,514,118
	11,330,155	12,121,069

5. Other accounts receivable

	2013	2012
	\$	\$
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, 2014.	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, 2014	5,061,000	5,061,000
	6,521,300	6,521,300

Interest revenue earned on these notes totaled \$ 472,794 (2012 - \$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:

	2013	2012
	\$	\$
Obligatory reserve funds		
Development charges	75,982,237	74,516,664
Parkland	2,360,078	2,348,655
Federal gas tax	3,964,217	2,865,237
Building Code Act	4,230	-
Deferred revenue - general	5,227,829	2,468,344
	87,538,591	82,198,900

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2013

6. Deferred revenue (continued)

Continuity of deferred revenue is as follows:

	2013	2012
	\$	\$
Balance, beginning of year	82,198,900	82,863,980
Developer contributions collected	3,439,782	3,614,358
Federal gas tax	3,410,569	3,410,569
Other collections	5,227,828	2,468,344
Interest earned	1,991,728	1,559,592
	14,069,907	11,052,863
Less		
Developer contribution revenue recognized in current operations	941,200	527,042
Developer contribution revenue recognized in capital operations	2,925,337	3,140,583
Gas tax revenue recognized in capital operations	2,395,335	2,742,192
Parkland revenue recognized	-	51,932
Investing in Ontario Act revenue recognized	-	1,648,839
General deferred revenue recognized	2,468,344	3,607,355
	8,730,216	11,717,943
Balance, end of year	87,538,591	82,198,900

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, 2013 are based on the results and assumptions of an actuarial valuation as at December 31, 2013. The significant actuarial assumptions used in estimating the Town's related accrued benefit obligation are as follows:

Discount rate	4.75%
Inflation rate	2% per year
Dental benefit cost escalation	4% per year
Medical benefit cash escalation	6% per year reducing to 4% per year over 6 years

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

Accrued benefit liability

	2013	2012
	\$	\$
Accrued benefit obligation	10,598,691	9,836,519
Unamortized actuarial loss	(924,043)	(421,349)
Employee future benefit liability	9,674,648	9,415,170

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2013

7. Employee future benefits liabilities (continued)

Expense

	2013	2012
	\$	\$
Current year benefit expense	472,983	2,470,423
Amortization of actuarial losses	44,427	44,427
Interest on accrued benefit obligation	460,679	348,233
	978,089	2,863,083

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 2013 amounted to \$9,980,498 (2012 - \$17,460,301)

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, 2013

8. Tangible capital assets (continued)

iv) Other

No interest was capitalized during the year (2012 - \$Nil).

	2013							
	Land	Land improvements	Building and building improvements	Vehicles, machinery and equipment	Stormwater management	Road infrastructure	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning 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
Additions	157,363	1,141,718	876,967	2,158,080	32,132	12,978,419	6,598,234	23,942,913
Work in process completed	-	869,186	57,921	-	228,704	2,837,398	(3,993,209)	-
Write downs	(749,323)	(100,179)	(4,662,455)	(2,605,893)	-	(2,336,851)	-	(10,454,701)
Balance, end of year	79,391,023	72,469,101	142,380,349	35,304,925	64,671,147	536,653,676	6,598,234	937,468,455
Accumulated amortization								
Balance, beginning of year	-	25,136,200	51,007,260	25,569,594	12,876,416	186,777,539	-	301,367,009
Write downs	-	-	(1,356,788)	(2,404,634)	-	(1,819,774)	-	(5,581,196)
Amortization expense	-	1,843,172	4,269,919	2,308,401	811,625	12,747,901	-	21,981,018
Balance, end of year	-	26,979,372	53,920,391	25,473,361	13,688,041	197,705,666	-	317,766,831
Net book value, end of year	79,391,023	45,489,729	88,459,958	9,831,564	50,983,106	338,948,010	6,598,234	619,701,624

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2013

8. Tangible capital assets (continued)

iv) Other (continued)

	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)	-
Write downs	-	-	(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
Write downs	-	-	(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, 2013

9. Accumulated surplus

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

	2013	2012
	\$	\$
General	5,240,088	5,204,555
Unfunded employee future benefits	(9,674,648)	(9,384,826)
Internal borrowings from deferred revenue	(8,091,440)	(8,833,800)
Unfunded capital	(787,413)	(834,006)
Equity in Whitby Hydro	64,424,377	62,518,037
Reserve and Reserve Funds	78,251,544	72,686,888
Invested in tangible capital assets	619,701,622	622,613,234
	749,064,130	743,970,082

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.

	2013	2012
	\$	\$
Whitby Public Library	5,662,067	6,120,297
Recreation and Cultural	376,544	497,702
Soccer Club	2,052,829	2,215,801
	8,091,440	8,833,800

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 \$7,556,112 (2012 - \$6,950,548).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2013

12. Classification of expenses by object

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

	2013	2012
	\$	\$
Salaries, wages and employee benefits	59,414,845	57,688,424
Operating materials and supplies	17,561,783	17,038,380
Contracted services	9,046,208	9,572,891
Other	2,788,925	2,416,800
Amortization expense	21,981,018	22,170,295
Total expenses by object	110,792,779	108,886,790

13. Budget figures

The budgets originally approved by Town Council for 2013, adjusted as noted below, are reflected 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 statements to comply with PSAB reporting requirements.

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, 2013

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

	2013	2012
	\$	\$
Balance, beginning of year	62,518,037	61,976,939
Changes during the year		
Net income for the year	5,607,340	4,242,098
Dividend received from Whitby Hydro Energy Corporation	68,125,377	66,219,037
Dividend received from Whitby Hydro Energy Corporation	(3,701,000)	(3,701,000)
Balance, end of year	64,424,377	62,518,037
	2013	2012
	\$	\$
Investment in Whitby Hydro Energy Corporation	42,607,735	40,160,297
Long-term note receivable	21,816,642	21,816,642
	64,424,377	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, 2015.

Interest revenue earned on this note totaled \$1,527,206 (2012 - \$1,527,206).

The Corporation of the Town of Whitby

Notes to the consolidated financial statements

December 31, 2013

15. Investment in Whitby Hydro Energy Corporation (continued)

a) Equity in Whitby Hydro Energy Corporation (continued)

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

	2013	2012
	\$	\$
Financial position		
Current assets	38,534,985	35,255,010
Capital assets	64,594,849	58,522,184
Deferred charges and other assets	8,128,318	12,533,563
	111,258,152	106,310,757
Current liabilities	20,799,922	15,837,760
Other liabilities	47,850,495	49,771,602
	68,650,417	65,609,362
Net assets	42,607,735	40,701,395
Results of operations		
Revenues	23,239,440	21,027,535
Expenses (including income taxes \$290,275; 2012 - \$832,920)	17,632,100	16,785,437
Net earnings	5,607,340	4,242,098

Included in revenues above is \$3,850,169 (2012 - \$3,836,193) earned from the Town for services provided. Expenses above include \$2,542,818 (2012 - \$2,560,725) paid to the Town.

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

	\$
2014	231,067
2015	18,586
	249,653

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, 2013

	Protection to persons and property	Public works services	Recreation and culture	Planning and development	General government	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue						
Tax revenues	-	-	-	-	69,627,111	69,627,111
Grants	5,182	2,106	213,111	5,286	65,840	291,525
Developer contributions used for capital	994,139	1,647,994	-	141,077	142,127	2,925,337
Revenue recognized on contributed assets	-	9,823,303	-	-	157,195	9,980,498
Other revenues	939,993	4,598,300	6,821,125	312,723	20,090,215	32,762,356
	1,939,314	16,071,703	7,034,236	459,086	90,082,488	115,586,827
Expenditures						
Salaries and wages	18,395,079	12,669,437	16,440,225	2,956,647	8,953,458	59,414,845
Materials and supplies	805,404	8,158,198	3,590,998	669,443	2,623,500	15,847,543
Contracted services	1,078,198	3,334,154	3,067,917	120,960	1,462,979	9,064,208
Other	7,744	216,796	519,955	514	2,043,916	2,788,925
Loss on disposal of tangible capital assets	-	-	1,396,240	-	-	1,396,240
Amortization	988,793	15,705,373	4,909,432	11,372	366,047	21,981,018
	21,275,218	40,083,958	29,924,767	3,758,936	15,449,900	110,492,779
Annual surplus	(19,335,904)	(24,012,255)	(22,890,531)	(3,299,850)	74,632,588	5,094,048

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, 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 contributions used for capital	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	14,366,860	35,656,576
	5,894,517	23,482,657	10,816,442	981,887	82,782,902	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)	68,246,364	15,612,713

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