

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF WHITBY**

December 31, 2006

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, 2006 and the consolidated statements of financial activities and of changes in financial position 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 Town as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 30, 2007

THE CORPORATION OF THE TOWN OF WHITBY

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THE CORPORATION OF THE TOWN OF WHITBY
Consolidated Statement of Financial Position
December 31, 2006

	<u>2006</u>	<u>2005</u> (Restated) (Note 2)
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 83,466,060	\$ 70,318,085
Taxes receivable (Note 5)	10,135,122	9,584,061
Accounts receivable	3,011,257	4,688,260
Other receivables (Note 6)	6,521,300	6,521,300
Investment in Whitby Hydro Energy Corporation (Note 14)	38,102,231	34,877,486
Long-term note receivable (Note 14)	21,816,642	21,816,642
	163,052,612	147,805,834
LIABILITIES		
Accounts payable and accrued liabilities	21,059,080	11,020,912
Other current liabilities	1,441,594	1,794,432
Deferred revenue (Note 7)	61,969,057	56,278,770
Employee future benefits liabilities (Note 8)	4,824,284	4,442,637
Long term liabilities	-	277,000
	89,294,015	73,813,751
NET FINANCIAL ASSETS	73,758,597	73,992,083
NON-FINANCIAL ASSETS		
Inventory	410,601	427,888
	\$ 74,169,198	\$ 74,419,971
FUND BALANCES		
Operating Fund - Schedule 1	\$ 2,709,156	\$ 2,647,834
Capital Fund - Schedule 2	(2,915,671)	(195,935)
Reserves and Reserve Funds - Schedule 3	40,510,863	34,498,086
Equity in Whitby Hydro Energy Corporation (Note 14)	59,918,873	56,694,128
	100,223,221	93,644,113
AMOUNTS TO BE RECOVERED (Note 9)		
From future revenues	(26,054,023)	(19,224,142)
	\$ 74,169,198	\$ 74,419,971

THE CORPORATION OF THE TOWN OF WHITBY
Consolidated Statement of Financial Activities
Year ended December 31, 2006

	2006		2005
	Budget	Actual	Actual (Restated) (Note 2)
REVENUES			
Taxation - all classes	\$ -	\$ 176,531,850	\$ 165,769,444
Less amounts received for Region and School Boards	-	(129,019,648)	(119,296,211)
	46,943,688	47,512,202	46,473,233
User charges	12,369,254	11,863,257	13,674,011
Grants	355,452	4,175,381	5,578,735
Developer revenues earned	7,911,635	5,625,415	10,429,830
Gas tax revenue	-	1,312,516	-
Investment income	275,000	2,130,050	1,207,686
Fines, penalties and interest	1,450,000	1,729,853	1,642,252
Licenses and permits	1,879,050	1,816,982	2,998,186
Rents and other	3,416,939	7,350,330	8,748,179
TOTAL REVENUES	74,601,018	83,515,986	90,752,112
EXPENDITURES (Note 11)			
Operating			
General government	7,848,615	9,096,100	7,862,772
Protection to persons and property	14,242,212	14,672,531	12,906,393
Transportation services	11,721,146	11,331,859	16,547,310
Environmental services	2,328,343	2,434,647	2,080,770
Recreation and cultural services	16,899,142	17,785,659	16,085,364
Planning and development	2,220,820	1,957,052	1,861,949
Health services	177,100	239,990	292,809
Social and family services	905,645	915,134	896,872
	56,343,023	58,432,972	58,534,239
Capital			
General government	2,600,995	1,169,256	1,170,307
Protection to persons and property	888,840	2,093,068	1,874,284
Transportation services	10,460,465	8,731,154	6,521,015
Environmental services	608,980	1,772,983	465,297
Recreation and cultural services	11,273,434	15,481,209	8,126,688
Planning and development	1,640,580	950,375	3,401,134
Social and family services	19,500	19,200	73,062
	27,492,794	30,217,245	21,631,787
TOTAL EXPENDITURES	83,835,817	88,650,217	80,166,026
NET OPERATING INCOME, WHITBY HYDRO ENERGY CORPORATION			
	-	4,900,745	2,228,776
NET (EXPENDITURES) REVENUES	(9,234,799)	(233,486)	12,814,862
PRINCIPAL REPAYMENT OF INTERNAL LOANS	(1,778,743)	(1,636,020)	(1,289,933)
INCREASE IN INTERNAL LOANS	-	8,084,254	-
ADD INCREASE IN EMPLOYEE FUTURE BENEFITS	-	381,647	373,683
(DECREASE) INCREASE IN AMOUNTS TO BE RECOVERED	(1,778,743)	6,829,881	(916,250)
(DECREASE) INCREASE IN INVENTORY	-	(17,287)	81,513
CHANGE IN FUND BALANCE	\$ (11,013,542)	\$ 6,579,108	\$ 11,980,125

THE CORPORATION OF THE TOWN OF WHITBY
Consolidated Statement of Changes in Financial Position
Year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
		(Restated)
		(Note 2)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net (expenditures) revenues	\$ (233,486)	\$ 12,814,862
Less item not affecting cash		
Net operating income Whitby Hydro Energy Corporation	(4,900,745)	(2,228,776)
	(5,134,231)	10,586,086
Uses		
Increase in taxes receivable	(551,061)	(1,770,993)
Increase in accounts receivable	-	-
Decrease in accounts payable and accrued liabilities	-	(241,261)
Decrease in other current liabilities	(352,838)	-
	(903,899)	(2,012,254)
Sources		
Decrease in taxes receivable	-	-
Decrease in accounts receivable	1,677,003	6,009,988
Increase in accounts payable and accrued liabilities	10,038,168	-
Increase in other current liabilities	-	302,912
Increase in deferred revenue	5,690,287	6,631,824
Increase in employee benefits liabilities	381,647	373,683
	17,787,105	13,318,407
	11,748,975	21,892,239
INVESTING		
Dividends	1,676,000	182,000
FINANCING		
Repayment of long-term debt	(277,000)	(262,600)
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,147,975	21,811,639
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	70,318,085	48,506,446
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 83,466,060	\$ 70,318,085

THE CORPORATION OF THE TOWN OF WHITBY

Notes to the Consolidated Financial Statements

Year ended December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the Town of Whitby 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.

(a) (i) *Reporting entity*

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the operating fund, capital fund, reserve funds, and reserves of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees which are owned or 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.

(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 financial activities 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”.

THE CORPORATION OF THE TOWN OF WHITBY
Notes to the Consolidated Financial Statements
Year ended December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of accounting

(i) Revenues and expenditures

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues, as they are earned and measurable; expenditures 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) Tangible capital assets

Tangible capital assets are recorded as capital expenditures in the statement of financial activities in the period acquired.

(iii) Accounting for Bill 140 Capping and Clawback Provisions resulting from the Ontario Fair Assessment System

The net impact in property taxes as a result of the application capping provisions does not affect the consolidated statement of financial activities as the full amount of the property taxes is levied.

(iv) Deferred revenue - obligatory reserve funds

Deferred revenue - obligatory reserve funds represents development charge contributions, payments in lieu of parkland, 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 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 services are performed.

THE CORPORATION OF THE TOWN OF WHITBY

Notes to the Consolidated Financial Statements

Year ended December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of accounting

(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) 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 taxes receivable, accounts receivable, accounts payable and accrued liabilities and expenditures in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. RESTATEMENT OF PRIOR PERIOD FIGURES

Investment in Whitby Hydro

The equity adjustment for the operating income of Whitby Hydro Energy Corporation was recorded incorrectly in the prior year. The amount reported was \$3,245,936 but should have been \$2,228,776. The figures included in the prior year's statements were preliminary and did not reflect certain adjustments. The effect of the restatement on prior years' figures is a reduction of net operating income - Whitby Hydro Energy Corporation of \$1,017,160 on the consolidated statement of financial activities and a reduction of \$1,017,160 in both the Investment in Whitby Hydro Energy Corporation and Equity in Whitby Hydro Energy Corporation on the consolidated statement of financial position.

THE CORPORATION OF THE TOWN OF WHITBY

Notes to the Consolidated Financial Statements

Year ended December 31, 2006

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:

	<u>2006</u>			<u>2005</u>
	<u>School Boards</u>	<u>Region of Durham</u>	<u>Total</u>	<u>Total</u>
Taxation	\$ 46,714,547	\$ 81,003,756	\$ 127,718,303	\$ 118,023,062
Payment in lieu of taxes	168,993	1,132,352	1,301,345	1,273,149
Amount requisitioned and received	\$ 46,883,540	\$ 82,136,108	\$ 129,019,648	\$ 119,296,211

4. TRUST FUNDS

Trust funds administered by the municipality amounting to \$690,764 (2005 - \$667,124) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities". 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

Taxes receivable

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

	<u>2006</u>	<u>2005</u>
Current year	\$ 6,951,918	\$ 6,723,200
Arrears previous years	3,183,204	2,860,861
	\$ 10,135,122	\$ 9,584,061

THE CORPORATION OF THE TOWN OF WHITBY
Notes to the Consolidated Financial Statements
Year ended December 31, 2006

6. OTHER RECEIVABLES

	<u>2006</u>	<u>2005</u>
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, 2008.	\$ 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, 2008.	5,061,000	5,061,000
	<u>\$ 6,521,300</u>	<u>\$ 6,521,300</u>

Interest revenue earned on these notes totalled \$472,794 (2005 - \$472,794).

7. DEFERRED REVENUE

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. The following is the current status of the deferred revenues:

	<u>2006</u>	<u>2005</u>
Obligatory Reserve Funds		
Development charges	\$ 56,995,735	\$ 51,055,165
Parkland	1,430,224	1,059,941
Federal gas tax	42,207	866,355
Building Code Act	924,878	-
Deferred revenue - general	2,576,013	3,297,309
	<u>\$ 61,969,057</u>	<u>\$ 56,278,770</u>

THE CORPORATION OF THE TOWN OF WHITBY

Notes to the Consolidated Financial Statements

Year ended December 31, 2006

7. DEFERRED REVENUE (continued)

Continuity of deferred revenue is as follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 56,278,770	\$ 49,646,946
Developer contributions collected	9,582,335	13,334,804
Federal gas tax	426,124	852,249
Net building code receipts	924,878	-
Other collections	2,576,013	3,297,309
Interest earned	2,416,177	1,735,791
	<u>15,925,527</u>	<u>19,220,153</u>
Less		
Developer contribution revenue recognized in current operations	601,769	1,071,641
Developer contribution revenue recognized in capital operations	5,023,646	9,358,189
Gas tax revenue recognized in capital operations	1,312,516	-
General deferred revenue recognized	3,297,309	2,158,499
	<u>10,235,240</u>	<u>12,588,329</u>
Balance, end of year	\$ 61,969,057	\$ 56,278,770

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, 2006 are based on the results and assumptions of an actuarial valuation as at December 31, 2005 and updated to December 31, 2006. The significant actuarial assumptions used in estimating the Town's 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

THE CORPORATION OF THE TOWN OF WHITBY
Notes to the Consolidated Financial Statements
Year ended December 31, 2006

8. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

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

Accrued benefit liability

	<u>2006</u>	<u>2005</u>
Accrued benefit liability at December 31	\$ 5,138,584	\$ 4,779,386
Unamortized actuarial loss at December 31	(314,300)	(336,749)
Employee future benefit liability at December 31	\$ 4,824,284	\$ 4,442,637

Expense

	<u>2006</u>	<u>2005</u>
Current year benefit expense	\$ 213,478	\$ 216,009
Amortization of actuarial losses	22,450	22,450
Interest on accrued benefit obligation	287,342	266,907
	\$ 523,270	\$ 505,366

9. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

	<u>2006</u>	<u>2005</u>
Employee future benefits	\$ 4,824,284	\$ 4,442,637
Internal loans from Obligatory Reserve Funds	21,229,739	14,781,505
	\$ 26,054,023	\$ 19,224,142

As a means of funding various capital acquisitions, funds are borrowed by the Operating Fund from Development Charges received. 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. For the purpose of these financial statements, the loans are included in amounts to be recovered. The following is a summary of the individual loans.

	<u>2006</u>	<u>2005</u>
Whitby Public Library	\$ 8,400,170	\$ 9,508,818
Cullen Central Park	8,624,131	-
Iroquois Park Sports Centre expansion	4,205,438	4,794,601
Civic Recreation Complex construction	-	478,086
	\$ 21,229,739	\$ 14,781,505

THE CORPORATION OF THE TOWN OF WHITBY

Notes to the Consolidated Financial Statements

Year ended December 31, 2006

10. 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 \$3,704,557 (2005 - \$3,075,700).

11. CLASSIFICATION OF EXPENDITURES BY OBJECT

The Consolidated Statement of Financial Activities presents the expenditures by function. The following classifies those same expenditures by object:

	<u>2006</u>	<u>2005</u>
Salaries, wages and employee benefits	\$ 39,867,932	\$ 36,297,392
Operating materials and supplies	8,308,415	8,786,445
Contracted services	7,291,038	11,166,732
Rents and financial expenses	2,233,812	1,854,234
Other	731,775	429,436
Capital expenditures	30,217,245	21,631,787
Total expenditures by object	<u>\$ 88,650,217</u>	<u>\$ 80,166,026</u>

12. BUDGET FIGURES

The approved operating and capital budgets for 2006 are reflected on the Consolidated Schedule of Operating Fund Activities and Fund Balance, Consolidated Schedule of Capital Fund Activities and Fund Balance, and the Consolidated Statement of Financial Activities. The budgets established for the Capital Fund operations are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, budget figures presented may not be comparable with the current year actual amounts. As well, the Town does not budget for activity within Reserves and Reserve Funds, with the exceptions being those transactions which affect either operating or capital funds.

13. 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

Year ended December 31, 2006

14. 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 will carry on the former business of the Commission with all its rights, duties, obligations and responsibilities.

(a) *Equity in Whitby Hydro Energy Corporation*

	<u>2006</u>	<u>2005</u> (Note 2)
Balance, beginning of year	\$ 56,694,128	\$ 54,647,352
Changes during the year:		
Net income for the year	4,900,745	2,228,776
Equity in income of Whitby Hydro Energy Corporation	61,594,873	56,876,128
Dividend received from Whitby Hydro Energy Corporation	(1,676,000)	(182,000)
Balance, end of year	\$ 59,918,873	\$ 56,694,128

Reported on the Consolidated Statement of Financial Position as follows:

	<u>2006</u>	<u>2005</u> (Note 2)
Investment in Whitby Hydro Energy Corporation	\$ 38,102,231	\$ 34,877,486
Long-term note receivable	21,816,642	21,816,642
	\$ 59,918,873	\$ 56,694,128

THE CORPORATION OF THE TOWN OF WHITBY
Notes to the Consolidated Financial Statements
Year ended December 31, 2006

14. INVESTMENT IN WHITBY HYDRO ENERGY CORPORATION (continued)

(a) *Equity in Whitby Hydro Energy Corporation (continued)*

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, 2008.

Interest revenue earned on this note totaled \$1,527,206 (2005 - \$1,527,606).

The following table provides condensed financial information of Whitby Hydro Energy Corporation at and for the year ended December 31, 2006.

	<u>2006</u>	<u>2005</u>
		(Note 2)
Financial position		
Current assets	\$ 30,636,580	\$ 30,785,626
Capital assets	53,602,188	51,720,933
Deferred charges and other assets	762,837	675,486
Total assets	85,001,605	83,182,045
Current liabilities	15,385,231	16,658,980
Other liabilities	31,514,143	31,645,579
Total investment	46,899,374	48,304,559
Net assets	\$ 38,102,231	\$ 34,877,486
Results of operations		
Revenues	\$ 21,968,944	\$ 18,695,602
Expenditures	17,068,199	16,466,826
Net earnings	\$ 4,900,745	\$ 2,228,776

Included in revenues above is \$2,277,028 earned from the Town for services provided. Expenditures above include \$2,395,576 paid to the Town.

THE CORPORATION OF THE TOWN OF WHITBY

Notes to the Consolidated Financial Statements

Year ended December 31, 2006

14. 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 defences 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.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumer Gas case, the plaintiffs in the LDC late penalties class action indicated their intention to proceed with their litigation against the LDCs. To date, no formal steps have been taken to move the action forward. The electric utilities intend to respond to the action if and when it proceeds on the basis that the LDC’s situation may be distinguishable from that of Consumers Gas.

The Corporation collected total late payment penalties of \$3,475,752 from and after 1994. No determination of the portion of these payments which may have constituted interest at an impermissible rate has been made.

(ii) Commitments

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

2007	\$ 330,000
2008	306,000
2009	294,000
	<hr/>
	\$ 930,000

THE CORPORATION OF THE TOWN OF WHITBY
Consolidated Schedule of Operating Fund Activities
and Fund Balance

Year ended December 31, 2006

Schedule 1

	2006		2005
	Budget	Actual	Actual
REVENUES			
Taxation - all classes	\$ -	\$ 176,531,850	\$ 165,769,444
Less amounts received for Region and school boards (Note 3)	-	(129,019,648)	(119,296,211)
	46,943,688	47,512,202	46,473,233
User charges	12,369,254	11,863,257	13,674,011
Grants	234,122	304,615	847,371
Developers revenue earned	-	601,769	1,071,641
Investment income	275,000	593,032	280,986
Fines, penalties and interest	1,450,000	1,729,853	1,642,252
Licenses and permits	1,879,050	1,816,982	2,998,186
Rents and other	3,248,689	6,130,706	7,395,585
	19,456,115	23,040,214	27,910,032
Total revenue	66,399,803	70,552,416	74,383,265
EXPENDITURES			
General government	7,848,615	9,096,101	7,862,772
Protection to persons and property	14,242,212	14,672,531	12,906,393
Transportation services	11,721,146	11,331,859	16,547,310
Environmental services	2,328,343	2,434,647	2,080,770
Recreation and cultural services	16,899,142	17,785,659	16,085,364
Planning and development	2,220,820	1,957,052	1,861,949
Health services	177,100	239,990	292,809
Social and family services	905,645	915,134	896,872
Total expenditures	56,343,023	58,432,973	58,534,239
NET REVENUES	10,056,780	12,119,443	15,849,026
FINANCING AND TRANSFERS			
Principal repayment of internal loans	(1,778,743)	(1,636,020)	(1,289,933)
Increase in employee future benefits	-	381,648	373,683
Transfer to Reserves and Reserve Funds	(8,205,222)	(10,294,706)	(14,155,956)
Transfer to Capital Funds	(72,815)	(491,756)	(946,496)
Net financing and transfers	(10,056,780)	(12,040,834)	(16,018,702)
CHANGE IN OPERATING FUND	-	78,609	(169,676)
(DECREASE) INCREASE IN INVENTORY	-	(17,287)	81,513
OPERATING FUND BALANCE, BEGINNING OF YEAR	2,647,834	2,647,834	2,735,997
OPERATING FUND BALANCE, END OF YEAR	\$ 2,647,834	\$ 2,709,156	\$ 2,647,834

THE CORPORATION OF THE TOWN OF WHITBY
Consolidated Schedule of Capital Fund Activities
and Fund Balance

Year ended December 31, 2006

Schedule 2

	2006		2005
	Budget	Actual	Actual
REVENUES			
Government of Canada Grants	\$ 60,665	\$ 391,283	\$2,176,783
Province of Ontario Grants	60,665	3,479,483	2,554,581
Developers revenue earned	7,911,635	5,023,646	9,358,189
Gas tax revenue	1,647,515	1,312,516	-
Other	168,250	428,738	1,174,355
Total revenues	9,848,730	10,635,666	15,263,908
EXPENDITURES			
General government	2,600,995	1,169,256	1,170,307
Protection to persons and property	888,840	2,093,068	1,874,284
Transportation services	10,460,465	8,731,154	6,521,015
Environmental services	608,980	1,772,983	465,297
Recreation and cultural services	11,273,435	15,481,209	8,126,688
Planning and development	1,640,580	950,375	3,401,134
Social and family services	19,500	19,200	73,062
Total expenditures	27,492,795	30,217,245	21,631,787
NET EXPENDITURES	(17,644,065)	(19,581,579)	(6,367,879)
FINANCING AND TRANSFERS			
Increase in internal loans	4,485,000	8,084,254	-
Transfer from Reserves and Reserve Funds	13,086,250	8,285,833	10,185,088
Transfer from Operating Funds	72,815	491,756	946,496
Net financing and transfers	17,644,065	16,861,843	11,131,584
CHANGE IN CAPITAL FUND	-	(2,719,736)	4,763,705
CAPITAL FUND BALANCE, BEGINNING OF YEAR	-	(195,935)	(4,959,640)
CAPITAL FUND BALANCE, END OF YEAR	\$ -	\$ (2,915,671)	\$ (195,935)

THE CORPORATION OF THE TOWN OF WHITBY
Consolidated Schedule of Reserves and Reserve Funds Activities
and Fund Balance

Year ended December 31, 2006

Schedule 3

	2006		2005
	Budget	Actual	Actual
REVENUES			
Investment income	\$ -	\$ 1,537,018	\$ 926,700
Other	-	790,886	178,239
Total revenues	-	2,327,904	1,104,939
NET REVENUES	-	2,327,904	1,104,939
NET TRANSFERS FROM (TO)			
OTHER FUNDS			
Transfer from Operating Funds	8,205,222	10,294,706	14,155,956
Transfer to Capital Funds	(13,086,250)	(8,285,833)	(10,185,088)
Transfer from Equity in Whitby Hydro Energy Corporation	-	1,676,000	182,000
Total net transfers	(4,881,028)	3,684,873	4,152,868
CHANGE IN RESERVE AND RESERVE FUNDS	(4,881,028)	6,012,777	5,257,807
RESERVES AND RESERVES FUNDS BALANCE, BEGINNING OF YEAR	34,498,086	34,498,086	29,240,279
RESERVES AND RESERVES FUNDS BALANCE, END OF YEAR	\$ 29,617,058	\$ 40,510,863	\$ 34,498,086
ANALYZED AS FOLLOWS:			
Reserves set aside for specific purposes by Council for:			
Working fund, contingencies and other		\$ 4,571,141	\$ 4,303,212
Acquisition of capital assets		1,555,050	1,296,272
Total Reserves		6,126,191	5,599,484
Reserve Funds set aside for specific purposes by Council for:			
Equipment replacement		5,768,535	6,300,707
Sick leave		1,230,581	1,053,413
Capital purposes		24,238,708	18,030,086
Other		3,146,848	3,514,396
Total Reserve Funds		34,384,672	28,898,602
TOTAL RESERVES AND RESERVE FUNDS		\$ 40,510,863	\$ 34,498,086