
Consolidated financial statements of The Corporation of the Town of Whitby

December 31, 2023

Independent Auditor’s Report	1–2
Consolidated statement of financial position	3
Consolidated statement of operations	4
Consolidated statement of change in net financial assets	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7–26
Schedule 1 – Consolidated schedule of segmented disclosure	27

Independent Auditor's Report

To the Members of Council of
The Corporation of the Town of Whitby

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Whitby (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2023, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized script font followed by "LLP" in a bold, sans-serif font.

Chartered Professional Accountants
Licensed Public Accountants
August 16, 2024

The Corporation of the Town of Whitby
Consolidated statement of financial position
As at December 31, 2023

	Notes	2023 \$	2022 \$
Financial assets			
Cash		116,276,094	93,690,071
Investments	5	316,188,085	315,164,758
Taxes receivable	6	29,951,075	20,538,191
Accounts receivable		28,033,159	22,907,521
Long term note receivable	7	5,919,453	6,065,473
Investment in Government Business Enterprise	20	82,213,839	84,169,143
Promissory note receivable	20	28,337,942	28,337,942
		606,919,647	570,873,099
Liabilities			
Accounts payable and accrued liabilities		39,694,564	30,786,319
Other current liabilities		20,180,377	18,831,120
Long term debt	8	15,529,000	16,343,000
Deferred revenue	9	257,815,330	256,315,067
Liability for contaminated sites	10	4,490,000	4,490,000
Employee future benefits liabilities	11	14,227,900	13,440,882
Asset retirement obligations	22	4,631,264	—
		356,568,435	340,206,388
Net financial assets		250,351,212	230,666,711
Non-financial assets			
Tangible capital assets	12 and 24	735,084,236	717,442,859
Prepaid expenses		1,406,898	1,399,296
Inventory of supplies		827,744	713,522
		737,318,878	719,555,677
Accumulated surplus	13	987,670,090	950,222,388

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

Approved by the Board

_____, Director

_____, Director

The Corporation of the Town of Whitby
Consolidated statement of operations
Year ended December 31, 2023

	Notes	Budget \$	2023 Actual \$	2022 Actual \$
		(Note 15)		
Revenue				
Taxation		120,171,306	122,105,537	112,077,550
User fees and charges		27,489,133	25,809,425	23,920,973
Grants		1,001,319	1,776,251	1,568,880
Developer and other contributions earned	9 and 17	41,047,192	25,597,219	47,072,067
Canada Community Building Fund	9	5,709,330	3,692,418	2,747,490
Investment income (loss)		2,075,265	17,717,673	(7,452,252)
Fines, penalties and interest		3,533,189	4,660,825	3,701,773
Licenses and permits		1,090,828	1,331,742	2,214,587
Rents and other		1,179,465	2,404,832	2,748,118
Net earnings, Government Business Enterprise	20	3,400,000	1,600	6,778,880
		206,697,027	205,097,522	195,378,066
Expenses (Schedule 1)				
General government		37,813,098	40,117,652	29,880,446
Protection to persons and property		32,848,273	34,495,667	32,233,812
Transportation services		47,750,060	43,417,240	44,614,837
Environmental services		8,181,448	6,833,876	7,230,085
Recreation and cultural services		38,246,257	37,618,208	34,264,743
Planning and development		5,724,788	3,718,215	4,791,726
Social and family services		1,636,970	1,448,962	1,307,239
		172,200,894	167,649,820	154,322,888
Annual surplus		34,496,133	37,447,702	41,055,178
Accumulated surplus, beginning of year		950,222,388	950,222,388	909,167,210
Accumulated surplus, end of year		984,718,521	987,670,090	950,222,388

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

The Corporation of the Town of Whitby
Consolidated statement of change in net financial assets
Year ended December 31, 2023

	Notes	Budget \$	2023 Actual \$	2022 Actual \$
		(Note 15)		
Annual surplus		34,496,133	37,447,702	41,055,178
Acquisition of tangible capital assets	12	(164,854,874)	(42,417,082)	(64,439,993)
Adjustment for first time adoption of PSAS 3280, Asset Retirement Obligations		—	(4,771,330)	—
Amortization of tangible capital assets	12	27,661,000	29,028,568	26,908,091
Write down/disposal of tangible capital assets	12	—	518,467	3,491,073
		(102,697,741)	19,806,325	7,014,349
(Increase) decrease in prepaid expenses		—	(7,602)	204,012
Increase in inventory of supplies		—	(114,222)	(11,440)
Change in net financial assets		(102,697,741)	19,684,501	7,206,921
Net financial assets, beginning of year		250,351,212	230,666,711	223,459,790
Net financial assets, end of year		147,653,471	250,351,212	230,666,711

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

The Corporation of the Town of Whitby
Consolidated statement of cash flows
Year ended December 31, 2023

	Notes	2023 \$	2022 \$
Operating activities			
Annual surplus		37,447,702	41,055,178
Items not involving cash			
Amortization	12	29,028,568	26,908,091
Write down/disposal of tangible capital assets	12	518,467	3,491,073
Net earnings of Government Business Enterprise	20	(1,600)	(6,778,880)
Changes in non-cash assets and liabilities			
Taxes receivable		(9,412,884)	(5,830,113)
Accounts receivable		(5,125,638)	534,942
Inventory of supplies		(114,222)	(11,440)
Prepaid expenses		(7,602)	204,012
Accounts payable and accrued liabilities		8,908,245	1,711,865
Other current liabilities		1,349,257	10,234,155
Deferred revenue		1,500,263	10,989,817
Liability for contaminated sites		—	934,000
Employee future benefits liabilities		787,018	787,437
Asset retirement obligation		(140,066)	—
		64,737,508	84,230,137
Capital activity			
Acquisition of tangible capital assets	12	(42,417,082)	(64,439,993)
Financing activity			
Repayment of long-term debt	8	(814,000)	(806,000)
Investing activities			
Net changes in investments		(1,023,327)	(26,101,046)
Collection of notes receivable	7	146,020	142,304
Dividends from Government Business Enterprises	20	1,956,904	3,014,859
		1,079,597	(22,943,883)
Change in cash during the year		22,586,023	(3,959,739)
Cash, beginning of year		93,690,071	97,649,810
Cash, end of year		116,276,094	93,690,071

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

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) Reporting entity

(i) Consolidated financial statements

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; and
- Downtown Whitby Business Improvement Area.

All material inter-entity transactions and balances are eliminated on consolidation with the exception of transactions/balances with Government Business Enterprise (Note 1(a) (ii)).

(ii) Investment in Government Business Enterprise

The Town's investment in Elexicon Corporation is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, Elexicon Corporation's accounting policies 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 earnings or loss of Elexicon Corporation in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Dividends that the Town may receive from Elexicon Corporation and other capital transactions are reflected as adjustments 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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(i) Revenues and expenses (continued)

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) Financial instruments

Financial instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument.

Financial instrument	Measurement method
Cash	Cost
Investments	Cost
Taxes receivable	Cost
Accounts receivable	Cost
Long term note receivable	Amortized cost
Accounts payable and accrued liabilities	Cost
Long term debt	Amortized cost

Financial instruments recognized at amortized cost are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category and is now the method that must be used to calculate amortized cost.

(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:

	<u>Useful life-years</u>
Land improvements	10-20
Building and building improvements	10-50
Vehicles, machinery and equipment	5-20
Stormwater management	15-75
Road infrastructure	<u>25-50</u>

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(iii) Non-financial assets (continued)

Tangible capital assets (continued)

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, and Federal/Provincial grants such as Invest in Ontario and Canada Community-Building Fund (formally Federal gas tax). These amounts have been collected/collectible 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 fees and charges, which have been collected, for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the related services are performed.

(vi) Employee future benefits liabilities

The present value of the cost of providing employees with future benefits programs is recognized as employees earn these entitlements through service.

(vii) Asset retirement obligations

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Township's tangible capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

- (a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) the past transaction or event giving rise to the liability has occurred;
- (c) it is expected that future economic benefits will be given up; and
- (d) a reasonable estimate of the amount can be made.

The Town recognizes asset retirement obligations in the period in which it incurs a statutory, contractual, or legal obligation associated with the retirement of tangible capital assets resulting from acquisition, construction, development, and or normal operation of tangible capital assets.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(vii) Asset retirement obligations (continued)

The liabilities are measured initially at management's best estimate of the cost required to settle the retirement obligation. For tangible capital assets that are still in productive use, the estimated retirement costs are capitalized and amortized on the same basis as the related tangible capital asset. For assets that are no longer in productive use, the liability is expensed in the period.

In subsequent periods, the asset retirement obligations estimates are adjusted, if necessary, for changes in the liability estimate or timing of the future cash flows, as applicable. Actual costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between actual costs incurred and the liability, if any are recognized in the Consolidated Statement of Operations when remediation is complete.

(viii) 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.

(ix) 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.

(x) Liability for contaminated sites

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the Town's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

(xi) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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, accounts payable and accrued liabilities, and contaminated sites. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Adoption of New Accounting Standards

The Town adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments* and PS 3450 *Financial Instruments*, PSAS 3280 *Asset Retirement Obligations*.

PS 1201 - Financial Statement Presentation, PS 3041 - Portfolio Investments, PS 2601 - Foreign Currency Translation, and PS 3450 - Financial Instruments, are interdependent standards and require concurrent adoption. PS 1201 provides guidance and presentation requirements for financial statements and the inclusion of a new statement of remeasurement of gains and losses. PS 3041 has removed the distinction between temporary and portfolio investments and includes pooled investment funds within the standard's scope. PS 2601 requires that both monetary, and fair valued, non-monetary assets and liabilities, denominated in a foreign currency, be adjusted to reflect exchange rates in effect at the financial statement date. Any unrealized gains or losses will be recognized in the new statement of remeasurement of gains and losses. PS 3450 covers accounting and reporting of financial instruments, including derivatives. Unrealized gains and losses will be presented in the new statement of remeasurement of gains and losses.

The adoption of the new standards is applied prospectively, and comparative information has not been restated. A statement of remeasurement gains and losses has not been included as there are no unrealized gains or losses to report.

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 using the prospective application method.

The adoption of this standard has been applied on a prospective basis with no restatement of prior year comparative amounts. The adoption of this standard has impacted the Town's consolidated financial statements as of January 1, 2023 by increasing the following balances:

	\$
Asset retirement obligations	4,771,331
Tangible capital assets	4,771,331

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 raised and remitted are summarized as follows:

	School Boards \$	Region of Durham \$	2023 Total \$	2022 Total \$
Taxation	57,373,837	177,123,096	234,496,933	223,869,951
Payment in lieu of taxes	592,502	2,564,543	3,157,045	2,939,674
Amounts raised and remitted	57,966,339	179,687,639	237,653,978	226,809,625

4. Trust funds

Trust funds administered by the Town amounting to \$1,693,972 (\$1,603,286 in 2022) 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".

5. Investments

Investments include units in pooled investment funds with a cost of \$177,974,824 (\$163,711,321 in 2022), as well as portfolio investments in guaranteed investment certificates with a cost of \$138,213,261 (\$151,453,437 in 2022).

6. Taxes receivable

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

	2023	2022
	\$	\$
Current year	16,049,031	10,354,303
Arrears previous years	13,902,044	10,183,888
	29,951,075	20,538,191

7. Long term note receivable

The Town issued the Abilities Centre Durham a fixed rate term loan on June 1, 2021. The loan bears interest at 2.58% per annum and is repayable in monthly installments of principal and interest of \$25,066 over a period of 30 years. Continuity of the balance receivable is as follows:

	2023	2022
	\$	\$
Balance, beginning of year	6,065,473	6,207,777
Loan advanced	—	—
Principal payments received	(146,020)	(142,304)
Balance, end of year	5,919,453	6,065,473

Interest income in the amount of \$154,771 (\$158,488 in 2022) has been recognized on the consolidated statement of operations.

8. Long term debt

The Town has assumed responsibility for the payment of principal and interest charges on certain debt issued via the Regional Municipality of Durham, to fund Town capital infrastructure projects. The long-term debt reported on the consolidated statement of financial position include the following:

	2023	2022
	\$	\$
Long term debt, issued in 2018 in the amount of \$4,000,000, bears interest at rates ranging from 2.2%-3.35% and matures annually on September 14th of each year through 2038	3,210,000	3,376,000
Long term debt, issued in 2020 in the amount of \$14,250,000, bears interest at rates ranging from 0.45%-2.2% and matures annually on October 2nd of each year through 2040	12,319,000	12,967,000
	15,529,000	16,343,000

The following table outlines the principal and interest requirements on the long-term debt.

	Principal	Interest	Total
	\$	\$	\$
2024	823,000	301,683	1,124,683
2025	833,000	291,834	1,124,834
2026	843,000	280,970	1,123,970
2027	856,000	268,829	1,124,829
2028	868,000	255,673	1,123,673
Thereafter	11,306,000	1,636,341	12,942,341
	15,529,000	3,035,330	18,564,330

Interest expense in the amount of \$308,536 (\$320,510 in 2022) has been recognized on the consolidated statement of operations.

The above debt issued in the name of the Town has been approved by Council through by-law as required by legislation. The annual principal and interest payments required to service the long-term debt of the municipality are within the annual repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

9. Deferred revenue

Deferred revenue represents user fees and charges and grants which have been collected or received 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. Deferred revenues balances are summarized as follows:

	2023	2022
	\$	\$
Obligatory reserve funds		
Development Charges Act	183,299,740	187,120,302
Subdivider Contributions	15,579,322	14,615,324
Parkland	11,444,336	9,149,755
Canada Community Building Fund	22,053,235	20,465,302
Building Code Act	16,515,583	15,551,588
Subtotal - Obligatory reserve funds	248,892,216	246,902,271
Deferred revenue – general	8,923,114	9,412,796
	257,815,330	256,315,067

The changes during the year in obligatory reserve funds which are reflected directly in the deferred revenue balance are analyzed as follows:

	Development Charges Act	Subdivider Contributions	Canada Community Building Fund	Parkland	Building Code Act	Total
	\$	\$	\$	\$	\$	\$
Opening balance	187,120,302	14,615,324	20,465,302	9,149,755	15,551,588	246,902,271
Restricted fund						
received and receivable	12,201,783	1,038,117	4,248,519	1,864,863	514,345	19,867,627
Interest earned	8,523,795	548,132	1,031,832	535,461	772,735	11,411,955
Revenue recognized	(24,546,140)	(622,251)	(3,692,418)	(105,743)	(323,085)	(29,289,637)
Closing balance	183,299,740	15,579,322	22,053,235	11,444,336	16,515,583	248,892,216

10. Liability for contaminated sites

The Town has recorded an unfunded liability of \$4,490,000 (\$4,490,000 in 2022) for the estimated remediation costs associated with Town owned sites with identified contaminants in the soil. The liability estimate for the sites identified was based on an environmental assessment conducted by a third party engineering firm. At this time, the Town does not anticipate obtaining any recoveries in respect of the estimated liability.

11. 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 medication, 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, 2023, are based on the results and assumptions of an actuarial valuation as at December 31, 2023. The significant actuarial assumptions used in estimating the Town's related accrued benefit obligation are as follows:

Discount rate	4.2%
Inflation rate	2.0% per year
	5.00% in 2023 reducing by
Dental benefit cost escalation	0.13% per year to 4.34% in 2033
	5.97% in 2023 reducing by
Medical benefit cash escalation	0.33% per year to 4.34% in 2033

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

Accrued benefit liability

	2023	2022
	\$	\$
Accrued benefit obligation	12,415,546	17,817,435
Unamortized actuarial (gains)/loss	1,812,354	(4,376,553)
Employee future benefit liability	14,227,900	13,440,882

Expense

	2023	2022
	\$	\$
Current year benefit expense	1,167,371	1,111,147
Amortization of actuarial (gains)/losses	503,940	522,434
Interest on accrued benefit obligation	530,807	503,939
	2,202,118	2,137,520

12. 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 2023 amounted to nil (nil in 2022).

(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.

12. Tangible capital assets (continued)

(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, 2023

12. Tangible capital assets (continued)

(iv) Other

Nil interest was capitalized during the year (nil in 2022).

	Land \$	Land improvements \$	Building and building improvements \$	Vehicles, machinery and equipment \$	Stormwater management \$	Road infrastructure \$	Work in progress \$	2023 Total \$
Cost								
Balance, beginning of year	89,500,711	97,403,730	158,486,207	40,243,409	82,922,975	633,204,650	85,272,610	1,187,034,292
Adjustment for adoption of PSAS 3280, Asset retirement obligations	—	1,163,446	2,450,750	321,000	—	836,134	—	4,771,330
Additions	38,968	684,060	7,175,617	6,256,368	—	607,396	27,654,673	42,417,082
Work in progress completed	—	1,375,721	10,950,777	132,430	—	—	(12,458,928)	—
Write downs/disposals	—	(9,269)	(547,379)	(964,221)	—	(610,334)	—	(2,131,203)
Balance, end of year	89,539,679	100,617,688	178,515,972	45,988,986	82,922,975	634,037,846	100,468,355	1,232,091,501
Accumulated amortization								
Balance, beginning of year	—	44,483,188	81,641,770	26,145,559	22,424,440	294,896,476	—	469,591,433
Write downs/disposals	—	(9,269)	(547,379)	(948,676)	—	(107,412)	—	(1,612,736)
Amortization expense	—	2,674,019	6,763,866	3,511,524	1,108,103	14,971,056	—	29,028,568
Balance, end of year	—	47,147,938	87,858,257	28,708,407	23,532,543	309,760,120	—	497,007,265
Net book value, end of year	89,539,679	53,469,750	90,657,715	17,280,579	59,390,432	324,277,726	100,468,355	735,084,236

The Corporation of the Town of Whitby
Notes to the consolidated financial statements
December 31, 2023

12. Tangible capital assets (continued)

(iv) Other (continued)

	Land	Land improvements	Building and building improvements	Vehicles, machinery and equipment	Stormwater management	Road infrastructure	Work in progress	2022 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	85,595,078	95,834,874	154,292,271	37,970,123	82,787,261	627,080,446	47,692,175	1,131,252,228
Additions	3,905,633	349,201	4,835,545	4,737,349	135,714	4,728,150	45,748,401	64,439,993
Work in progress completed	—	2,212,736	—	—	—	3,429,487	(5,642,223)	—
Write downs/disposals	—	(993,081)	(641,609)	(2,464,063)	—	(2,033,433)	(2,525,743)	(8,657,929)
Balance, end of year	89,500,711	97,403,730	158,486,207	40,243,409	82,922,975	633,204,650	85,272,610	1,187,034,292
Accumulated amortization								
Balance, beginning of year	—	42,504,627	77,499,532	25,163,818	21,317,267	281,364,954	—	447,850,198
Write downs/disposals	—	(738,850)	(641,609)	(2,257,626)	—	(1,528,771)	—	(5,166,856)
Amortization expense	—	2,717,411	4,783,847	3,239,367	1,107,173	15,060,293	—	26,908,091
Balance, end of year	—	44,483,188	81,641,770	26,145,559	22,424,440	294,896,476	—	469,591,433
Net book value, end of year	89,500,711	52,920,542	76,844,437	14,097,850	60,498,535	338,308,174	85,272,610	717,442,859

13. Accumulated surplus

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

	2023	2022
	\$	\$
General	6,133,161	6,648,711
Unfunded employee future benefits	(14,227,900)	(13,440,882)
Debenture recovery in future years	(15,529,000)	(16,343,000)
Unfunded liability for contaminated sites	(4,490,000)	(4,490,000)
Asset retirement obligation	(4,631,264)	—
Internal borrowings from deferred revenue	(690,434)	(989,280)
Unfunded capital	(5,742,614)	(2,840,537)
Equity in government business enterprise	110,551,781	112,507,085
Reserve and Reserve Funds	181,212,124	151,727,432
Invested in tangible capital assets	735,084,236	717,442,859
	987,670,090	950,222,388

Internal borrowings from deferred revenue

As a means of funding various infrastructure projects, funds were borrowed from Reserve Funds for growth-related infrastructure. The internal borrowings 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 remaining balances related to internal borrowing:

	2023	2022
	\$	\$
Recreation and Cultural	239,972	270,956
Soccer Dome and Turf	450,462	718,324
	690,434	989,280

14. 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 paid to OMERS for the year were \$12,439,514 (\$12,384,160 in 2022).

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial value of the Plan was conducted at December 31, 2023. The results of this valuation disclosed total actuarial liabilities of \$136.185 billion in respect of benefits accrued for service with actuarial assets at that date of \$131.983 billion indicating an actuarial deficit of \$4.202 billion. As OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

15. Budget figures

The 2023 budget adopted by Council was prepared on the traditional fund accounting basis. The financial statements are prepared on a full accrual basis of accounting. Accordingly, the approved 2023 budget figures were adjusted to a full accrual basis for the financial statements. Full accrual accounting adjustments include amortization expense on tangible capital assets and other capital adjustments, removing transfers from/to reserves, and recognition of post-employment benefits. Details of the adjustments to the 2023 approved budget, prepared on the fund accounting basis, to a full accrual accounting basis presentation in the Consolidated Financial Statements is as follows:

	Budget adopted by council	Adjust for consolidated entities	PSAS adjustments	2023 budget presented in statements
	\$	\$	\$	\$
Taxation	120,171,306	—	—	120,171,306
User fees and charges	26,711,889	777,244	—	27,489,133
Developer and other contributions	41,047,192	—	—	41,047,192
Canada Community Building Fund	5,709,330	—	—	5,709,330
Revenue recognized on contributed tangible capital assets	—	—	—	—
Other	155,468,992	512,924	(143,701,850)	12,280,066
	349,108,709	1,290,168	(143,701,850)	206,697,027
Expenses				
General government	41,793,515	(5,389,647)	(1,016,729)	35,387,139
Protection	32,539,990	—	308,283	32,848,273
Transportation	68,507,044	—	(20,756,984)	47,750,060
Environmental	9,804,473	—	(1,623,025)	8,181,448
Social and family	1,157,520	473,450	6,000	1,636,970
Recreation and culture	146,628,753	5,810,923	(114,193,419)	38,246,257
Planning and development	5,349,346	375,442	—	5,724,788
Interfund transfers	43,328,068	—	(40,902,109)	2,425,959
	349,108,709	1,270,168	(178,177,983)	172,200,894
Annual surplus	—	20,000	34,476,133	34,496,133

16. 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.

17. Contractual obligations

The Town of Whitby has entered into a Development Charges Works Funding and Reimbursement Agreement with the West Whitby Landowners Group related to developer up-fronting of road infrastructure. Development charges are received from the West Whitby Landowners Group in accordance with the Town's Development Charges By-Law. Until July 2027, when any remaining amount of the road infrastructure costs are due, the Town will continue to use a portion of the Development Charges received from the West Whitby Landowners Group as reimbursement for the road infrastructure.

17. Contractual obligations (continued)

Development charge revenue is recognized as the West Whitby Landowners Group is reimbursed or a payable is established for the up-fronted infrastructure. In 2023, \$398,083 (\$15,014,415 in 2022) of development charge revenue and infrastructure assets (work-in-progress) was recognized related to this agreement.

The estimated value for the construction of infrastructure based on the Development Charges Works Funding and Reimbursement Agreement is \$31,079,000 (excluding indexing). To date, total revenue recognized, recorded as reimbursed or payable to the West Whitby Landowners Group, and recognized as Town infrastructure assets (work-in-progress) is \$30,814,794 (\$30,416,712 in 2022).

18. Lease commitments

The Town has commitments under building lease agreements for the Garden Street branch and office units expiring in 2025. The Town also has lease commitments for an urban space at 101 Byron Street South, expiring in 2024. Future minimum lease payment obligations under operating leases are as follow:

	\$
2024	309,426
2025	113,928
	<u>423,354</u>

19. Guarantees

The Town's primary guarantees 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 Town 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 counterparties 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 Town 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 covered offered to counterparties. Historically, the Town has not made any significant payments under such or similar indemnification agreements and therefore, no amount has been accrued in the financial statements with respect to these agreements.

20. Investment in government business enterprise

(a) Equity in Elexicon Corporation

Elexicon Corporation, as a government business enterprise, is accounted for on the modified equity basis in these financial statements. Elexicon Corporation serves as the electrical distribution utility for a number of communities including the Town of Whitby, Town of Ajax, City of Pickering, City of Belleville and the Municipality of Clarington, and conducts non-regulated utility service ventures through its subsidiaries. The following table provides condensed supplementary consolidated financial information for the corporation and its subsidiaries for the year ended December 31. The amounts are disclosed in thousands of dollars:

	2023	2022
	\$	\$
Assets		
Current	116,654	106,273
Capital and intangibles	720,727	661,146
Other	708	1,505
Total assets	838,089	768,924
Regulatory balances	56,310	58,573
Total assets and regulatory balances	894,399	827,497
Liabilities		
Current	172,106	313,840
Long-term debt	253,465	89,209
Other	200,678	151,541
Total liabilities	626,249	554,590
Shareholders' equity		
Share capital	97,692	97,692
Contributed capital	25	25
2019 Contributed surplus	79,301	79,301
Accumulated other comprehensive loss	2,511	3,130
Retained earnings	77,239	82,730
Total equity	256,768	262,878
Regulatory balances	11,382	10,029
Total liabilities, equity and regulatory balances	894,399	827,497
Comprehensive income		
Commodity revenue	421,522	430,139
Commodity expenses	(412,905)	(434,592)
Distribution revenue	97,459	84,574
Operating expenses	(82,206)	(75,016)
Other expense	(19,631)	909
Accumulated other comprehensive loss	(619)	4,387
Net movements in regulatory balances, net of tax	(3,615)	10,783
Total comprehensive income for the year	5	21,184

20. Investment in government business enterprise (continued)

(a) Equity in Elexicon Corporation (continued)

The continuity of the Town's equity in Elexicon Corporation is as follows:

	2023	2022
	\$	\$
Balance, beginning of year	112,507,085	108,743,064
Change in valuation of investment		—
Equity share of net earnings for the year	1,600	6,778,880
Dividend received	(1,956,904)	(3,014,859)
Balance, end of year	110,551,781	112,507,085

The Town's equity investment in Elexicon at year end is represented in the Statement of financial position as follows:

	2023	2022
	\$	\$
Investment in Elexicon Corporation	82,213,839	84,169,143
Promissory note receivable (19 (b))	28,337,942	28,337,942
	110,551,781	112,507,085

(b) Promissory note receivable

The promissory note receivable of \$28,337,942 previously owed by Whitby Hydro was assumed by Elexicon Corporation on amalgamation, amended and restated, and form part of the investment in the government business enterprise. Interest revenue earned totaled \$1,170,357 (\$1,170,357 in 2022).

Commencing April 1, 2019, for a ten-year period, interest on the note will be determined based on the deemed long-term interest rate prescribed by the Ontario Energy Board in its most recent cost of capital parameter update ("OEB rate"). As of April 1, 2019, the OEB rate was determined at 4.13%.

On the tenth year anniversary of the note, the interest rate will be adjusted to the OEB rate in effect at that time. Thereafter, the interest rate will be adjusted to the OEB rate in effect at the earlier of:

- (i) The five-year anniversary of the most recent interest rate adjustment of these notes, and
- (ii) The date on which Elexicon Energy Inc. files a cost-of-service application with the Ontario Energy Board.

The Town may demand full or partial repayment with sixty days' notice of the principal and accrued interest. The Town has agreed not to demand repayment of the notes prior to December 31, 2023.

20. Investment in government business enterprise (continued)

(c) *Contingencies and guarantees of Elexicon 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. MEARIE also provides vehicle and property insurance to the Corporation.

(ii) *Contractual obligation - Hydro One Networks Inc.*

The Corporation's subsidiary, Elexicon Energy Inc. ("EEI"), 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, EEI is obliged to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to EEI. The construction costs allocated to EEI for the project are \$19,950,000.

Hydro One has performed a true-up based on actual load at the end of the tenth anniversary of the in-service date and is expected to perform another true-up based on actual load at the end of the fifteenth anniversary of the in-service date.

(iii) *Prudential Support*

Purchasers of electricity in Ontario, through the Independent Electricity System Operator ("IESO"), are required to provide security to mitigate the risk of default based on their expected activity in the market. The IESO could draw on this security if the Corporation fails to make the payment required on a default notice issued by the IESO. The Corporation has provided a \$64,000,000 guarantee to the IESO on behalf of EEI.

(iv) *General claims*

From time to time, the Corporation is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Corporation's consolidated financial position and results of operations or cash flows.

(d) *Lease commitments*

Future minimum non-cancellable lease payment obligations under finance leases are as follows:

	\$
2024	124,000
2025	95,000
2026	71,000
2027	44,000
	<u>334,000</u>

21. 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

Protection is comprised of Fire Services and Municipal Law Enforcement and Licensing Services ("MLELS"). Fire Services is responsible to provide fire suppression, fire prevention, education, planning and emergency incident services to the Town of Whitby. MLELS is responsible for the investigation and enforcement of various municipal by-laws relating to property standards, lot maintenance, zoning, signs, noise, parking and animal services.

- Transportation and Environmental Services

The majority of Transportation Services are provided by the Operational Services and Engineering Services. The primary responsibilities include inspection and maintenance of the Town roads, sidewalks and storm drainage networks, traffic engineering, transportation planning, streetlights, road and sidewalk snow clearing and winter control.

Environmental Services are provided by Operational Services and Engineering Services. Responsibilities include sustaining the quality of life for the residents of the Town of Whitby through the collection of organics and residual waste, and monitoring and administering of environmental programs.

- Recreation and Culture

Recreation Services provides public services that contribute to neighbourhood development and sustainability, the provision of recreation and leisure services, such as fitness, skating and aquatic program, and the support of arts and culture. Operational Services provide the maintenance, improvement and beautification of parks and trails. This segment includes the Whitby Public Library which provides facilities and materials to meet the informational, educational recreational and culture needs of the Town's residents.

- Planning and Development

Development Services manages urban and rural development, local neighborhood planning, community development and heritage matters. It ensures an acceptable quality of building construction and maintenance of properties. Development Services also develops and maintains the Town's Official Plan and Zoning By-laws and amendments.

- General Government and Social and Family Services

Financial Services, Organizational Effectiveness and the Office of the CAO are primarily responsible for the provision of internal services that support the work of Town Council, management and staff across all municipal departments as well as for the provision of external services to the public. These services are provided through the governance and corporate management divisions including Town Clerk, Technology and Innovation Services, Finance and Human Resources.

Social and Family Services include the Groveside Cemetery, which provides maintenance and administration of cemetery operations. Additionally, it ensures the benefit and protection of each citizen who has purchased or has an interest in interment rights within the cemetery.

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.

22. Asset Retirement Obligations

The Town's asset retirement obligations consist of the following:

Regulated substances

The Town owns and operates various tangible capital assets including buildings, roads, underground storage tanks, and leases that contain certain regulated substances requiring remediation upon decommissioning. The Canadian Environment Protection Act, 1999, governs the protection of the environment and human health with respect to regulated substances. In addition, the Canada Occupational Health and Safety Regulations also outlines requirements for exposure control, as well as requirements on disposal and decontamination of these regulated substances.

	Underground storage tanks	Leases	Regulated substances	2023
	\$	\$	\$	\$
Balance set up on adoption of PS 3280	321,000	1,163,446	3,286,884	4,771,330
Accretion expense	12,583	45,607	128,846	187,036
Asset Retirement Obligation settled during the year	—	—	(327,102)	(327,102)
Asset Retirement Obligation, end of year	333,583	1,209,053	3,088,628	4,631,264

23. Financial instruments

Risks arising from financial instruments and risk management

The Town is exposed to a variety of financial risks including credit risk and liquidity risk. The Town's overall risk management program seeks to minimize potential adverse effects on the Town's financial performance.

Credit risk

The Town's principal financial assets are cash, investments, taxes receivable and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the Statement of Financial Position represent the Town's maximum credit exposure as at the Statement of Financial Position date.

Liquidity Risk

Liquidity risk is the risk that the Town will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Township manages its liquidity risk by monitoring its operating requirements, and prepares a budget to ensure that it has sufficient funds to fulfill obligations.

24. Prior year comparatives

Certain of prior year's figures have been reclassified to conform with current year's presentation.

The Corporation of the Town of Whitby
Schedule 1 – Consolidated schedule of segmented disclosure
Year ended December 31, 2023

	Protection to persons and property \$	Transportation and Environmental services \$	Recreation and culture \$	Planning and development \$	General government/ social and family services \$	Consolidated \$
Revenue						
Tax revenues	—	—	—	210,001	121,895,536	122,105,537
Grants	—	36,652	1,122,717	45,188	571,695	1,776,252
Developer contributions used	1,069,450	10,754,476	17,109,705	—	356,006	29,289,637
Other revenue	4,266,343	8,347,537	7,950,278	5,964,655	25,397,284	51,926,097
	5,335,793	19,138,665	26,182,700	6,219,844	148,220,521	205,097,523
Expenses						
Salaries and wages	28,321,634	17,173,283	22,328,235	3,796,934	23,677,340	95,297,426
Materials and supplies	998,406	9,402,113	4,872,027	(159,716)	8,462,206	23,575,036
Contracted services	3,753,419	4,276,520	3,413,137	68,774	3,874,295	15,386,145
Other	17,022	231,034	632,939	12,223	2,950,959	3,844,177
Loss on disposal of tangible capital assets	—	502,922	—	—	15,546	518,468
Amortization	1,405,186	18,665,244	6,371,870	—	2,586,268	29,028,568
	34,495,667	50,251,116	37,618,208	3,718,215	41,566,614	167,649,820
Annual (deficit) surplus	(29,159,874)	(31,112,451)	(11,435,508)	2,501,629	106,653,907	37,447,703