



City of
Peterborough

To: **Members of the Audit Committee**

From: **Patricia Lester**
Commissioner of Corporate and Legislative Services

Meeting Date: **June 25, 2018**

Subject: **Report CLSFS18-026**
Treasurer's Report, 2017 Consolidated Financial Report, 2017
Trust Funds Financial Statement and Five-Year Review

Purpose

A report to recommend the Treasurer's Report, 2017 Consolidated Financial Report, the 2017 Trust Funds Financial Statement and Five Year Review be received, that underlying accounting policies be approved, and the 2017 Financial Report be received and submitted to the Province of Ontario.

Recommendations

That Council approve the recommendations outlined in report CLSFS18-026 dated June 25, 2018, of the Commissioner of Corporate and Legislative Services as follows:

- a) That Report CLSFS18-026, Treasurer's Report, 2017 Consolidated Financial Report, the 2017 Trust Funds Financial Statement and Five Year Review be received as information.
- b) That the underlying accounting policies as detailed in the Notes to the Financial Statements be approved.
- c) That the Treasurer's Report, 2017 Consolidated Financial Report and 2017 Trust Funds Financial Statement, as presented and received, be submitted to the Province of Ontario.

Budget and Financial Implications

There are no additional budget and financial implications of receiving this report.

Background

Each year the City must undergo an external audit mandated by Section 296.1 of the **Municipal Act, 2001**. The audit involves the City's external Auditor, Collins Barrow Kawarthas LLP, conducting the audit in accordance with Canadian generally accepted auditing standards. Those standards require that they plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. The audit also involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements as well as assessing the accounting principles used and significant estimates made by management. The audit also evaluates the overall financial statement presentation.

The Treasurer's Report and Five Year Review are supplementary to the financial statements. They are used to summarize, highlight and evaluate the financial health of the City and confirm its ability to meet future obligations. Although there is no separate audit report attached to these reports, they are generated from the same information used to compile the year-end financial statements.

Submitted by,

Prepared by,

Patricia Lester
Commissioner of Corporate and
Legislative Services

Richard Freymond
Manager of Financial Services

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Attachments:

Appendix A - Treasurer's Report on the 2017 Financial Report for the City of
Peterborough

Appendix B - City of Peterborough – Five Year Review

Appendix C - Consolidated Financial Report Including Trust Funds Financial Statement

Appendix A



City of
Peterborough

500 George Street North, Peterborough, ON K9H 3R9

June 25, 2018

To: The Mayor and Members of Council
Inhabitants and Ratepayers of the City of Peterborough

Treasurer's Report on the 2017 Financial Statements for the Corporation of the City of Peterborough

Introduction

I am pleased to present the Financial Statements for the Corporation of the City of Peterborough (the City) for the period ending December 31, 2017. This report provides taxpayers, residents and other stakeholders the opportunity to evaluate the annual financial health of the City and confirm its ability to meet its obligations.

The Budget Process

The development of the budget is an accountability process, two key documents are prepared – an operating budget and a capital budget. The budget documents show what the City plans to do with its financial resources over the coming fiscal year. Council approved the 2017 Capital and Operating Budget on December 12, 2016.

The Operating Budget is prepared on a modified cash basis and provides for the day-to-day expenses of the City for items such as salaries, wages, benefits, utilities, building maintenance and supplies. The Capital Budget is a multi-year plan for the acquisition and rehabilitation of capital assets. Once complete, the capital plan specifies the future financial resources required to finance the project, references any commitments made, the effect it will have on any future operating budgets, provides project details, justification and any other information necessary to make informed decisions. Both budgets are closely linked and impact each other.

As part of the Budget process, the Operating Budget is re-stated into a format that conforms to Public Sector Accounting Standards. Those standards require that all Inter-

fund transfers be eliminated, debt principal be removed and the effects of unfunded liabilities such as employee future benefits and landfill closure and post closure costs be included.

Financial Statements

The accompanying consolidated financial statements are the responsibility of the management of the City. As with all Ontario municipalities, they have been prepared in accordance with the accounting principles and guidelines of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The statements include all organizations that are accountable for the administration of their financial affairs and resources to Council, and are owned or controlled by the City. These organizations make up what is known as the reporting entity. Some organizations are fully consolidated whereas others are proportionately consolidated meaning only a percentage of the organization is accounted for. The partially consolidated boards are a result of partnership agreements with the County of Peterborough whereby the City's pro rata share of each of the assets (including tangible capital assets); liabilities, revenues and expenditures are combined on a line-by-line basis in the financial statements. As a government business enterprise, the City of Peterborough Holdings Inc. is accounted for on a Modified Equity basis, which means that the accounting principles of the organization are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

Chart 1 provides a summary of the organizations included in the reporting entity.

Chart 1 - The Reporting Entity

Full Consolidation	Proportionate Consolidation	Modified Equity Basis
<ul style="list-style-type: none"> • City of Peterborough • Peterborough Public Library • Peterborough Downtown Business Improvement Area • The Village Business Improvement Area • Peterborough Housing Corporation • Peterborough Utilities Commission 	<ul style="list-style-type: none"> • Fairhaven (66%) • Peterborough Public Health (57%) • Greater Peterborough Area Economic Development Corporation (60%) • Peterborough County-City Waste Management Facility (50%) 	<ul style="list-style-type: none"> • City of Peterborough Holdings Inc.

External Audit

The financial statements have been audited by the City's external auditors, Collins Barrow Kawarthas LLP in accordance with Generally Accepted Auditing Standards. The auditors have expressed an unqualified opinion that these statements present fairly the financial position of the City. In addition, separate audit examinations have been completed for all of the local boards and agencies and reports have been rendered to their oversight bodies. The auditors are also responsible for advising management and the Audit Committee of City Council of any control or operational issues that may have been identified during the audit. As such, they must be independent and communicate independence in accordance with Canadian professional requirements.

Fund Accounting

The City uses different funds as the basis of recording and reporting all financial transactions. Each of the funds represents a grouping of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Three types of funds are used: operating funds, capital funds and reserve funds. The transactions and balances of these funds have been consolidated to report the overall financial position and financial activities of the City. The Statement of Financial Position is calculated at a very specific date in time, December 31, whereas the Statement of Operations and Accumulated Surplus summarizes the transactions that have occurred throughout the fiscal year.

Results of Operations

The consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus on a comparative basis.

During 2017, the City recorded consolidated revenues of \$331.1 million (2016 - \$307.1 million).

A summary of the key revenue variances is shown on Chart 2:

Chart 2 - Consolidated Revenues

	2017		2016		Variance Increase (decrease)
	\$	%	\$	%	\$
Property taxation	123,098,960	37.2	118,905,323	38.7	4,193,637
Taxation from other governments	2,945,589	0.9	3,090,187	1.0	(144,598)
User fees and service charges	67,762,731	20.5	67,294,760	21.9	467,971
Government grants & other municipalities	103,032,893	31.1	97,290,068	31.7	5,742,825
Development levies and contribution from developers	5,528,521	1.7	3,979,303	1.3	1,549,218
Licenses, permits royalties and rents	3,015,113	0.9	2,966,553	1.0	48,560
Fines and other charges	2,034,852	0.6	2,082,146	0.7	(47,294)
Penalties and interest on taxes	719,696	0.2	829,825	0.3	(110,129)
Investment income	2,741,616	0.8	2,835,608	0.9	(93,992)
Donations and contributed capital assets	9,422,534	2.8	804,243	0.3	8,618,291
Other	1,674,251	0.5	1,510,843	0.5	163,408
Income from government business enterprise	9,098,000	2.8	5,463,000	1.7	3,635,000
Total Consolidated Revenues	331,074,756	100.0	307,051,859	100.0	24,022,897

Revenues increased \$24 million due to several factors:

- The net property taxation levy was \$4.2 million higher than the previous year.
- Government grants increased by \$5.7 million. Various programs within Social and Family Services accounted for \$4.4 million including \$1.2 million related to new programs in Children's Services and over \$2 million as a result of the 3% increase in Ontario Works funding. The City received \$1.4 million for the purchase of new transit buses and \$1 million towards the new Public Works yard.
- Development levies and contributions from developers were \$1.5 million higher than the previous year due to higher development charge utilization as a result of capital spending.
- Donations and contributed capital assets were up significantly accounting for an \$8.6 million increase. This number is a direct result of the City assuming three subdivisions from developers and the associated infrastructure. The subdivisions were Evans Drive, Milroy Drive and Fairview Phase 8.

- The net earnings from City of Peterborough Holdings were \$3.6 million higher in 2017 due to higher revenues from electricity generation initiatives.

Consolidated expenses totaled \$296.8 million (2016 - \$284.1 million).

A summary of the key expense variances is shown on Chart 3:

Chart 3 - Consolidated Expenses

	2017		2016		Variance Increase (decrease)
	\$	%	\$	%	\$
General government	16,162,198	5.4	14,587,999	5.1	1,574,199
Protection services	51,748,007	17.4	51,287,016	18.1	460,991
Transportation	40,046,824	13.5	37,934,048	13.4	2,112,776
Environmental	37,326,751	12.6	36,870,707	13.0	456,044
Health	12,361,804	4.2	11,957,285	4.2	404,519
Social and family	78,726,885	26.5	77,469,485	27.3	1,257,400
Social housing	22,629,823	7.6	22,336,460	7.9	293,363
Recreation and cultural	28,741,420	9.7	27,818,978	9.8	922,442
Planning and development	9,054,817	3.1	3,866,045	1.2	5,188,772
Total Consolidated Expenses	296,798,529	100.0	284,128,023	100.0	12,670,506

Expenses increased \$12.6 million due to several factors:

- General government expenses were higher and are primarily the result of increased costs associated with the City's extended benefits program.
- Transportation services related costs increased by \$2.1 million. Variances included a \$0.4 million increase in salaries and wages related to enhanced transit services for Fleming College, the Community Bus and enhanced Handi-van service as well as \$0.5 million related to negotiated settlements. Various other expenditures were \$0.7 million higher, with a portion related to the minimum wage increase for City service providers. Amortization was \$0.62 million in excess of 2016.
- Social and family services costs were higher as a result of new programs and initiatives directly related to new funding sources. The new programs included Children's Services Expansion Plan, Ontario Early Years and Home for Good.

- Planning and development costs were significantly higher due to the write-down of \$3.8 million of land inventory for resale. The inventory value was written down primarily due to the determination that the land is not developable.

The annual surplus amounts to \$34.3 million (2016 - \$22.9 million). This surplus indicates that the revenues raised during the year covered the cost of services provided – including the annual cost of using capital assets to provide those services.

Under current reporting standards, the City has an annual amortization charge of \$32.1 million (2016 - \$30.1 million). This amortization charge represents the cost of depreciating tangible capital assets over their useful life. The amortization charge is less than the City's current level of capital spending of \$77.9 million (2016 - \$62.3 million). The Statement of Operations reflects the annual amortization and the surplus that results, which is used to help finance the cost of capital acquisition.

Financial Position

Net financial assets of \$64.6 million (2016 - \$74.2 million), the difference between the City's financial assets and its financial liabilities is a measure of the resources that the City has to finance future operations.

The net financial asset position is an indicator that the revenues raised during the year were sufficient to cover both the operating and capital spending that took place during the year. The decrease of \$9.6 million in the net financial asset position results primarily from revenues being in excess of operating expenses of \$34.3 million and amortization of tangible capital assets of \$32.1 million to finance the acquisition of tangible capital assets totaling \$77.9 million. For a more detailed accounting, refer to the Statement of Change in Net Financial Assets on Page 6 of the Consolidated Financial Report.

The accumulated surplus of \$821.3 million (2016 - \$787.0 million) represents the sum of the net financial assets of the City plus the City's capital assets at historic depreciated values and is shown on Chart 4. The accumulated surplus under the current reporting model represents the net resources (both financial and physical) that the City can use to provide future services.

The accumulated surplus consists of individual fund surpluses (deficits), unfunded amounts, reserve and reserve funds and other components and is comprised of the following:

Chart 4 - Analysis of Accumulated Surplus

	2017 \$	2016 \$
Surplus/(Deficit)		
City of Peterborough		
Operating surplus	159,426	121,539
Unexpended financing	6,621,609	6,144,628
	6,781,035	6,266,167
Consolidated Entities		
Peterborough Public Health	105,060	72,592
The Village Business Improvement Area	27,543	37,760
Greater Peterborough Area Economic Development Corporation	82,592	43,515
Peterborough Downtown Business Improvement Area	243,052	175,395
Peterborough Utilities Commission	6,406,994	7,393,534
Peterborough Public Library Board	-	-
	6,865,241	7,722,796
Unfunded amounts		
Employee benefits	(29,287,934)	(29,518,458)
Solid waste landfill closure and post-closure	(7,062,920)	(6,872,707)
Accrued interest on long term debt	(931,458)	(914,357)
	(37,282,312)	(37,305,522)
Inventory for resale	4,003,057	8,243,416
Equity in government business enterprise (below)	96,214,000	92,670,000
Invested in Tangible Capital Assets		
Tangible capital assets net book value	754,740,253	710,973,293
(Unfinanced)/Unexpended capital financing	(272,723)	4,386,238
Short and long term debt	(127,339,101)	(124,386,415)
	627,128,429	590,973,116
Reserve Funds and Reserves		
Discretionary reserve funds	30,488,888	32,497,329
Reserves	87,069,700	85,924,508
	117,558,588	118,421,837
Accumulated Surplus	821,268,038	786,991,810

The equity in government business enterprise is comprised of the following:

Investment in government business enterprise	101,964,000	98,400,000
Short term cash advances converted to shares	(5,750,000)	(5,750,000)
Equity in government business enterprise	96,214,000	92,650,000

Conclusion

The City of Peterborough continues to be well positioned financially for the future.

The level of capital spending throughout 2017 remained high at \$77.9 million and is a direct result of the Debt Management and Capital Financing Plan approved by Council on April 23, 2012. That Plan provides additional funding for capital projects, however, the demand still outweighs available funds as the City struggles to keep up with the need to maintain and replace aging capital infrastructure as well as requests for expansion.

With respect to day-to-day operations, like most Ontario municipalities, the City of Peterborough continues to struggle to provide a reasonable level of service to its rate-payers while keeping tax rate increases to a minimum.

Submitted by,

Richard Freymond
Treasurer

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2017	2016	2015	2014	2013
CURRENT PROGRAM ACTIVITY					
Consolidated Revenues					
Taxation	123,099	118,905	114,700	109,085	103,270
Taxation from other governments	2,946	3,090	3,070	2,900	2,714
Fees and service charges	67,763	67,295	65,078	65,538	62,397
Government grants and other Municipalities	103,032	97,290	93,415	84,684	78,557
Development levies	5,529	3,979	4,442	4,145	8,199
Investment and other revenue	28,706	16,493	16,477	16,609	22,051
	331,075	307,052	297,182	282,961	277,188
Expenses	296,799	284,128	275,639	262,100	252,556
Growth in accumulated surplus	34,276	22,924	21,543	20,861	24,632
NET LONG TERM LIABILITIES					
For general municipal activities	123,875	118,310	106,919	94,306	92,239
For municipal enterprises	2,464	2,738	615	1,185	1,715
	126,339	121,048	107,534	95,491	93,954
General municipal activities - net long term liabilities as % of CVA	1.4%	1.4%	1.3%	1.2%	1.2%
CURRENT CHARGES FOR NET LONG TERM LIABILITIES					
General municipal activities and for municipal enterprise	19,621	17,304	12,835	12,855	12,986
CURRENT VALUE ASSESSMENT (CVA) - TAXABLE					
Residential and farm	7,343,416	7,050,785	6,820,112	6,613,688	6,404,837
Commercial and industrial	1,248,605	1,267,350	1,246,702	1,215,601	1,189,123
	8,592,021	8,318,135	8,066,814	7,829,289	7,593,960
Percentage increase from previous year	3.29%	3.12%	3.03%	3.10%	3.31%
Commercial / industrial CVA as percentage of total	14.5%	15.2%	15.5%	15.5%	15.7%

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2017	2016	2015	2014	2013
VALUE OF BUILDING PERMITS ISSUED					
Residential	78,682	75,583	63,305	70,322	81,996
Commercial	29,716	14,732	17,126	31,356	20,287
Industrial	2,706	25,758	4,616	56,232	4,179
Institutional	38,703	29,431	23,907	11,164	13,512
	149,806	145,503	108,954	169,074	119,973
Percentage increase (decrease) from previous year	3.0%	33.5%	-35.6%	40.9%	-16.1%
TAX LEVY AND ARREARS					
Tax levy					
Current year's tax levy - municipal and education combined	155,105	152,661	147,859	139,655	134,635
Percentage increase over previous year	1.6%	3.2%	5.9%	3.7%	3.7%
Tax arrears					
Total arrears (excluding Allowance for Doubtful Accounts)	4,521	5,037	6,020	7,479	6,834
Percentage increase (decrease) over previous year	-10.2%	-16.3%	-19.5%	9.4%	11.0%
Tax arrears as a percentage of current tax levy	2.9%	3.3%	4.1%	5.4%	5.1%
POPULATION & SIZE					
Estimated Population (Updated for 2016 Census)	82,094	82,094	78,700	78,700	78,700
Area in acres	16,639	16,639	16,639	16,639	16,639
PER CAPITA INFORMATION					
CVA - Taxable	104,661	101,325	102,501	99,483	96,493
Expenses	3,615	3,461	3,502	3,330	3,209
Net long-term debt for general municipal activities and municipal enterprise	1,539	1,475	1,366	1,213	1,194
Tax arrears	55	61	76	95	87

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2017	2016	2015	2014	2013
RATES OF TAXATION					
Municipal tax rates					
Residential	1.2564280%	1.2544830%	1.2361920%	1.2132270%	1.1788420%
Multi-residential	2.4465290%	2.4427420%	2.4071250%	2.3624080%	2.2954530%
New Multi-residential	1.2564280%	1.2544830%	1.2361920%	1.2132270%	1.1788420%
Commercial	1.9852820%	2.0073300%	2.0028160%	1.9656100%	1.9571130%
Commercial Vacant	1.3896980%	1.4051340%	1.4019720%	1.3759270%	1.3699790%
Industrial	2.2294060%	2.3120120%	2.3631050%	2.3192050%	2.4152110%
Industrial Vacant	1.4491140%	1.5028080%	1.5360180%	1.5074830%	1.5698870%
Pipeline	1.5964170%	1.5939460%	1.5707060%	1.5415260%	1.4978370%
Farmlands	0.3141070%	0.3136210%	0.3090480%	0.3033070%	0.2947110%
Education tax rates					
Residential	0.1790000%	0.1880000%	0.1950000%	0.2030000%	0.2120000%
Multi-residential	0.1790000%	0.1880000%	0.1950000%	0.2030000%	0.2120000%
New Multi-residential	0.1790000%	0.1880000%	0.1950000%	0.2030000%	0.2120000%
Commercial	1.3884420%	1.3884420%	1.4163160%	1.4457340%	1.4772980%
Commercial Vacant	0.9719094%	0.9719094%	0.9914210%	1.0120140%	1.0341090%
Industrial	1.3900000%	1.5000000%	1.5300000%	1.5600000%	1.5900000%
Industrial Vacant	0.9035000%	0.9750000%	0.9945000%	1.0140000%	1.0335000%
Pipeline	1.1400000%	1.1800000%	1.1900000%	1.2200000%	1.2600000%
Farmlands	0.0447500%	0.0470000%	0.0487500%	0.0507500%	0.0530000%
Combined municipal and education tax rates					
Residential	1.4354280%	1.4424830%	1.4311920%	1.4162270%	1.3908420%
Multi-residential	2.6255290%	2.6307420%	2.6021250%	2.5654080%	2.5074530%
Commercial	3.3737240%	3.3957720%	3.4191320%	3.4113440%	3.4344110%
Commercial Vacant	2.3616074%	2.3770434%	2.3933930%	2.3879410%	2.4040880%
Industrial	3.6194060%	3.8120120%	3.8931050%	3.8792050%	4.0052110%
Industrial Vacant	2.3526140%	2.4778080%	2.5305180%	2.5214830%	2.6033870%
Pipeline	2.7364170%	2.7739460%	2.7607060%	2.7615260%	2.7578370%
Farmlands	0.3588570%	0.3606210%	0.3577980%	0.3540570%	0.3477110%

Appendix C

Corporation of the City of Peterborough Consolidated Financial Statements At December 31, 2017

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The Corporation of the City of Peterborough

For The Year Ended December 31, 2017

Management Report

The accompanying consolidated financial statements of the Corporation of the City of Peterborough, and all the information in this annual report, are the responsibility of management and have been reviewed by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The City maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the City's assets are appropriately accounted for and adequately safeguarded.

City Council is responsible for ensuring that management fulfills its responsibilities for financial reporting. Council, through the Audit Committee, reviews the City's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the City of Peterborough. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external independent auditors' report.

The consolidated financial statements have been audited by Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the City. Collins Barrow Kawarthas LLP has full and free access to Council and the Audit Committee.

Mayor _____

Date _____

Chief Administrative Officer _____

Date _____

Treasurer _____

Date _____

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Peterborough

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the City of Peterborough and its local boards, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are 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 consolidated 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Peterborough and its local boards as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 9, 2018

Draft May 31, 2018

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	2017 \$	2016 \$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	44,303,744	59,228,121
Taxes receivable (Note 4)	3,608,244	3,447,264
Accounts receivable (Note 5)	34,088,183	24,640,555
Inventory held for resale	4,029,226	8,340,375
Investments (Note 6)	101,190,831	95,642,492
Other receivables (Note 7)	1,007,564	1,249,726
Investment in Government Business Enterprise (Note 8)	101,964,000	98,420,000
	290,191,792	290,968,533
LIABILITIES		
Short term debt (Note 9)	1,000,000	600,000
Accounts payable and accrued liabilities	35,417,122	32,395,733
Deferred revenue (Note 10)	2,797,677	2,704,086
Solid waste landfill closure and post-closure (Note 11)	7,062,920	6,872,707
Deferred revenue - obligatory reserve funds (Note 12)	21,131,255	18,450,226
Employee benefits (Note 13)	31,866,854	32,002,296
Long term debt (Note 14)	126,339,101	123,786,415
	225,614,929	216,811,463
NET FINANCIAL ASSETS	64,576,863	74,157,070
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15)	754,740,253	710,973,293
Prepaid expenses	1,206,209	1,186,964
Inventory of supplies	744,713	674,484
	756,691,175	712,834,741
ACCUMULATED SURPLUS (Note 16)	821,268,038	786,991,811

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For The Year Ended December 31, 2017

	Budget 2017 \$ (Unaudited)	2017 \$	2016 \$
REVENUES			
Property taxation	122,498,386	123,098,960	118,905,323
Taxation from other governments	3,284,467	2,945,589	3,090,187
User fees and service charges	69,073,757	67,762,731	67,294,760
Government grants and other municipalities	114,261,121	103,032,893	97,290,068
Development levies and contributions from developers	7,891,059	5,528,521	3,979,303
Licenses, permits, royalties and rents	1,410,015	3,015,113	2,966,553
Fines and other charges	2,595,000	2,034,852	2,082,146
Penalties and interest on taxes	850,000	719,696	829,825
Investment income	2,293,242	2,741,616	2,835,608
Donations and contributed tangible capital assets	38,000	9,422,534	804,243
Other	1,378,465	1,674,251	1,510,843
Income from government business enterprise (Note 8)	-	9,098,000	5,463,000
TOTAL REVENUES	325,573,512	331,074,756	307,051,859
EXPENSES			
General government	19,459,902	16,162,198	14,587,999
Protection services	51,089,372	51,748,007	51,287,016
Transportation services	39,569,897	40,046,824	37,934,048
Environmental services	36,865,421	37,326,751	36,870,707
Health services	12,743,958	12,361,804	11,957,285
Social and family services	81,552,293	78,726,885	77,469,485
Social housing	28,501,649	22,629,823	22,336,460
Recreation and cultural services	28,392,588	28,741,420	27,818,978
Planning and development	4,793,773	9,054,817	3,866,045
TOTAL EXPENSES	302,968,853	296,798,529	284,128,023
ANNUAL SURPLUS	22,604,659	34,276,227	22,923,836
ACCUMULATED SURPLUS, beginning of year	786,991,811	786,991,811	764,067,975
ACCUMULATED SURPLUS, end of year (Note 16)	809,596,470	821,268,038	786,991,811

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For The Year Ended December 31, 2017

	Budget 2017 \$ (Unaudited)	2017 \$	2016 \$
Annual Surplus	22,604,659	34,276,227	22,923,836
Amortization of tangible capital assets	31,160,941	32,134,169	30,095,271
Proceeds on disposal of tangible capital assets	-	2,215,093	1,086,273
Loss/(gain) on disposal of tangible capital assets	-	(203,329)	159,315
Acquisition of tangible capital assets	(81,057,653)	(77,912,893)	(62,365,142)
Change in prepaid expenses	(10,000)	(19,245)	360,553
Change in inventory of supplies	11,000	(70,229)	43,581
DECREASE IN NET FINANCIAL ASSETS	(27,291,053)	(9,580,207)	(7,696,313)
NET FINANCIAL ASSETS, beginning of year	74,157,070	74,157,070	81,853,383
NET FINANCIAL ASSETS, end of year	46,866,017	64,576,863	74,157,070

The accompanying notes are an integral part of this financial statement.

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2017

	2017 \$	2016 \$
OPERATIONS		
Annual Surplus	34,276,227	22,923,836
Non-cash charges to/(revenue from) operations:		
Amortization	32,134,169	30,095,271
(Gain)/loss on disposal of tangible capital assets	(203,329)	159,315
Income from government business enterprise	(9,098,000)	(5,463,000)
Change in solid waste landfill closure and post-closure	190,213	188,511
Change in employee benefits and other liabilities	(135,442)	969,734
Contributed tangible capital assets	(8,716,997)	(468,867)
Loss on write-down of inventory for resale	3,786,658	-
Change in non-cash working capital (Note 17)	(3,135,420)	1,987,568
Net increase in cash related to operations	49,098,079	50,392,368
CAPITAL		
Proceeds on disposal of tangible capital assets	2,215,093	1,086,273
Purchased tangible capital assets	(69,195,896)	(61,896,275)
Net decrease in cash related to capital	(66,980,803)	(60,810,002)
INVESTING		
Proceeds from portfolio investments	40,529,824	73,962,705
Purchase of portfolio investments	(46,078,163)	(75,117,191)
Dividends received from government business enterprise	5,554,000	5,443,000
Net increase in cash related to investing	5,661	4,288,514
FINANCING		
Short term debt issued	1,000,000	600,000
Short term debt repayment	(600,000)	-
Long term debt issued	18,008,031	29,549,798
Long term debt principal repayment	(15,455,345)	(13,297,009)
Net increase in cash related to financing	2,952,686	16,852,789
NET CHANGE IN CASH AND TEMPORARY INVESTMENTS	(14,924,377)	10,723,669
CASH AND TEMPORARY INVESTMENTS, beginning of year	59,228,121	48,504,452
CASH AND TEMPORARY INVESTMENTS, end of year	44,303,744	59,228,121

The accompanying notes are an integral part of this financial statement.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

The City of Peterborough is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation.

1. Significant Accounting Policies

The consolidated financial statements of The Corporation of the City of Peterborough (the "City") are the representations of management prepared in accordance with accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada (CPA Canada).

The focus of PSAB financial statements is on the financial position of the City and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of the City. Financial assets are those assets that could provide resources to discharge existing liabilities or finance future operations. Net financial assets represent the municipal position and consist of the difference between financial assets and liabilities. This provides information about the City's overall future revenue requirements and its ability to finance activities and meet its obligations.

Reporting Entity

These consolidated financial statements reflect the assets, liabilities, sources of financing, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These financial statements include the following fully consolidated local entities:

1. Peterborough Public Library Board
2. Peterborough Downtown Business Improvement Area
3. The Village Business Improvement Area
4. Peterborough Housing Corporation
5. Peterborough Utilities Commission

The City has several partnership agreements in place with The Corporation of the County of Peterborough and as such, consistent with generally accepted accounting treatment for government partnerships, the following local boards are accounted for on a proportionate consolidation basis whereby the City's pro rata share of each of the assets, liabilities, revenues and expenses are combined on a line by line basis in the financial statements. These include:

1. Fairhaven 2017 – 66% (2016 – 66%)
2. Peterborough Public Health 2017 – 57% (2016 – 57%)
3. Greater Peterborough Area Economic Development Corporation 2017 – 60% (2016 – 60%)

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

4. Peterborough County-City Waste Management Facility 2017 - 50% (2016 – 50%)

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

City of Peterborough Holdings Inc. is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated.

Trust Funds

Trust funds and their related operations administered by the City are not included in these consolidated financial statements but are reported on separately on the Trust Fund's Statement of Continuity and Statement of Financial Position.

Tangible Capital Assets

Tangible capital assets are recorded at cost. Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. With the exception of the Peterborough Utilities Commission that uses the declining balance basis at a rate of 5% per annum, the cost, less residual value, if any, of the tangible capital assets are amortized on a straight-line basis over the expected useful life of the assets, as follows:

Land improvements	10-50 years
Buildings and leaseholds	10-60 years
Vehicles, machinery and equipment	2-30 years
Books and materials	7 years
Roads and sidewalks	10-100 years
Water, storm and waste water systems	5-100 years

Assets under construction are not amortized. When assets under construction are put in service they are transferred to the appropriate tangible capital asset classification.

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

Historical treasures and works of art held by the City are not included as tangible capital assets.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Recognition of Revenue and Expenses

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

a. **Obligatory Reserve Funds**

The City receives development charge contributions and payments in lieu of parkland under the authority of provincial legislation and City by-laws, The Building Code, Federal Gasoline Tax Revenues, Federal Public Transit Funds under Municipal Funding Agreements with the Association of Municipalities of Ontario and Provincial Gasoline Tax Revenues. By their nature, these funds are restricted in their use and until applied to applicable quality projects are recorded as deferred revenue. Amounts applied to qualifying projects are recorded as revenue in the fiscal period they are earned.

b. **Government Transfers**

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

c. **Taxation and Related Revenues**

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Municipal tax rates are established annually by City Council, incorporating amounts to be raised for local services. The City is required to collect on behalf of the local school boards in respect of education taxes based on rates established by the Province. Taxation revenues are recorded at the time tax billings are issued. A normal part of the assessment process is the issue of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are reasonably determined and are shared with the school boards as appropriate.

The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

d. **Investment Income**

Investment income earned on surplus funds, (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

e. User Fees and Service Charges

User fees and service charges are recognized in the period in which the revenue relates.

Deferred Revenue

Deferred revenue generally represents user charges, grants and fees which have been received 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.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for the provision of services. They have useful lives beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year combined with the annual surplus provides the change in net financial assets for the year.

Forgivable Loans

Forgivable loans are granted by the City based on specific criteria and funding arrangements. These forgivable loans are not included in the financial statements as repayment criteria are exceedingly rare. Revenue or a reserve transfer is recognized when the loan is issued and an amount equal to the loan amount expensed when the loan is granted.

Pensions and Employee Benefits

The City accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined benefit plan. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits for members of the Peterborough Professional Firefighter's Association are accrued when they are vested and subject to pay out when an employee leaves the City's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Use of Management 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas where management has made complex or subjective judgements (often as a result of matters that are inherently uncertain) include, among others: allowance for uncollectible taxes, accounts payable, solid waste landfill closure and post-closure liability, employee future benefits and other liabilities, useful lives of tangible capital assets and amortization. Actual results may differ from these and other estimates, the impact of which would be recorded in future periods.

Financial Instruments

The City's financial instruments consist of cash and temporary investments, taxes receivable, accounts receivable, investments, other receivables, short term debt, accounts payable and accrued liabilities and long term debt. It is management's opinion that the fair value of its financial instruments is not materially different from their carrying value unless otherwise noted.

a. Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The City holds bonds, other marketable securities, loans and other receivables and has issued long term debt that may be impacted by interest rate risk. Management attempts to mitigate this risk through its investment and debt policies.

b. Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The City has limited exposure to credit risk as significant amounts are due from government agencies. Trade receivables are made up of a number of customers which minimizes concentrations of credit risk.

c. Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The City holds bank accounts in U.S. dollars and does not use derivative instruments to reduce exposure to foreign currency risk. The exposure to foreign currency risk is not significant.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

2. Cash and Temporary Investments

This figure is comprised of the following:

	2017 \$	2016 \$
Petty cash and cash floats	50,451	50,401
Temporary investments	5,166,740	6,000,000
Unrestricted cash	30,572,455	44,094,537
Restricted cash	8,514,098	9,083,183
	44,303,744	59,228,121

3. Transfers to the School Boards

During 2017, the City made property tax transfers to the School Boards. The amounts collected and remitted amounted to \$29,986,915 (2016 - \$30,612,767). These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

4. Taxes Receivable

This figure is comprised of the following:

	2017 \$	2016 \$
Current year's levies	2,611,894	2,640,539
Previous year's levies	794,498	1,068,361
Prior year's levies	911,749	1,109,387
Penalties and interest	797,059	852,218
	5,115,200	5,670,505
Allowance for uncollectible taxes	(1,506,956)	(2,223,241)
	3,608,244	3,447,264

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

5. Accounts Receivable

This figure is comprised of the following:

	2017 \$	2016 \$
Government of Canada	5,297,831	3,005,835
Government of Ontario	6,173,454	5,545,912
Other municipalities and school boards	458,529	1,524,202
User charges and other receivables	22,158,369	14,564,606
	34,088,183	24,640,555

6. Investments

The investments have a cost of \$101,190,831 (2016 - \$95,642,492) at the end of the year. Investments consist of bonds, banker's acceptances and other principal guaranteed marketable securities as well as positions in The One Investment Program equity and bond portfolios. Any discount or premium on the purchase price is amortized over the life of the investment. The figure approximates market value.

7. Other Receivables

This figure is comprised of the following:

	2017 \$	2016 \$
Trent University – Woodland Acres Sanitary Sewer	-	62,640
Peterborough Lakers Lacrosse Association	12,000	18,000
Peterborough Lawn Bowling Club	220,000	320,000
Market Hall Performing Arts Incorporated	399,940	409,940
Peterborough Rugby Union Football Club	170,624	199,146
Peterborough Youth Soccer Club	180,000	210,000
Kinsmen Minor Football League Inc.	25,000	30,000
	1,007,564	1,249,726

The Woodland Acres Loan bears interest at a fixed rate of 7%. The interest rate on the Peterborough Lawn Bowling Club and Market Hall Performing Arts Incorporated loans are prime less 0.25%. The interest rate on the Peterborough Rugby Union Football Club loan is fixed at 2.75%. The remaining loans with a value of \$217,000 (2016 - \$258,000) approved by Council to qualifying community groups have been made on an interest free basis.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

8. Investment in Government Business Enterprise

City of Peterborough Holdings Inc.

City of Peterborough Holdings Inc. ("the Company") was established in 1999 to hold the shares of subsidiary companies created to meet the re-organizational requirements under the provincial government's Electricity Competition Act. The subsidiary companies of City of Peterborough Holdings Inc. are:

1. Peterborough Utilities Services Inc.;
2. Peterborough Distribution Inc.;
3. Peterborough Utilities Inc., and its wholly owned subsidiaries:
 - Campbellford-Seymour Electricity Generation Inc., Lily Lake Solar Inc., Trent Energy Inc., LFG Power Corporation, London Street Power Corporation, Trent Rapids Power Corporation, Peterborough Utilities Solar Inc., Peterborough Utilities Hydro Inc., Meter Services Peterborough Inc., and Peterborough Utilities Hydro 24 Inc.

All of the above companies, are wholly owned by the City of Peterborough Holdings Inc., which, in turn, is wholly owned by the Corporation of the City of Peterborough. For Peterborough Solar Projects Corporation, the City of Peterborough owns 51% of the equity in that company.

The investment in Government Business Enterprise is comprised of the following investment in City of Peterborough Holdings Inc.:

	2017 \$	2016 \$
Investment in shares	60,098,410	60,098,410
Retained earnings:		
Beginning balance	38,321,590	38,301,590
Net earnings	9,098,000	5,463,000
Less dividends	(5,554,000)	(5,443,000)
	41,865,590	38,321,590
	101,964,000	98,420,000

At its meeting dated December 12, 2016, Council of the City of Peterborough confirmed their intention to sell substantially all of the assets of Peterborough Distribution Inc. to Hydro One Inc. This sale would impact the investment in Government Business Enterprise, dividends and income in future fiscal periods. On March 9, 2018, Hydro One Limited announced that it had ceased negotiations on the proposed acquisition of assets of PDI, a wholly-owned subsidiary of the Company. The operations of PDI have been classified as discontinued operations based on the expectation held at December 31, 2017 that it was probable that the transaction would be completed. Subsequent to March 9, 2018, negotiations with Hydro One Inc. have been re-established.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

The following table provides condensed financial information in respect of City of Peterborough Holdings Inc. for its fiscal years ending December 31.

Financial Position:

	2017 \$	2016 \$
Current assets	160,396,000	118,408,000
Capital and intangible assets	160,762,000	163,638,000
Deferred tax assets	6,137,000	8,515,000
Total Assets	327,295,000	290,561,000
Current liabilities	80,808,000	86,446,000
Other long term liabilities	129,340,000	90,666,000
Deferred tax liabilities	15,183,000	15,029,000
Total liabilities	225,331,000	192,141,000
Shareholder's Equity		
Share capital	60,098,000	60,098,000
Accumulated other comprehensive income	(1,783,000)	(2,390,000)
Retained earnings	43,649,000	40,712,000
	101,964,000	98,420,000
Total liabilities and Shareholder's Equity	327,295,000	290,561,000

Results of Operations:

	2017 \$	2016 \$
Revenues	43,020,000	32,601,000
Discontinued revenues	107,446,000	119,930,000
Total revenues	150,466,000	152,531,000
Expenses	139,067,000	146,579,000
Net income before provision for corporate income taxes	11,399,000	5,952,000
Provision for corporate income taxes	2,908,000	1,004,000
Income of government business enterprise	8,491,000	4,948,000

During the year the City received dividends totalling \$5,554,000 (2016 - \$5,443,000).

9. Short term debt

In 2016, Peterborough Housing Corporation obtained from the seller an interest free, first mortgage on the purchase of the McRae Property. This mortgage was repaid on March 15, 2017. The balance outstanding as at December 31, 2016 was \$600,000.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

In 2017, the City of Peterborough obtained a short term advance from Infrastructure Ontario at an annual interest rate of 1.95%. The City then provided Peterborough Housing Corporation with construction financing advances for the McRae property project at the same annual interest rate of 1.95%. The balance outstanding as at December 31, 2017 is \$1,000,000.

10. Deferred Revenue

This figure is comprised of the following:

	2017 \$	2016 \$
Rents, user fees and service charges	1,461,066	1,216,789
Tickets, events and site deposits	736,605	1,042,822
Social and family services related	207,893	191,591
Government funding	392,113	252,884
	2,797,677	2,704,086

11. Solid waste landfill closure and post closure

The solid waste landfill closure and post closure liability of \$7,062,920 (2016 - \$6,872,707) is for closure and post closure costs of the Peterborough County-City Waste Management Facility, The Harper Road closed landfill site and the Nelson closed landfill site. During 2010, the Peterborough County-City Waste Management Facility currently referred to as the North Fill Area received waste for the first time. The site referred to as the South Fill Area (SFA) reached full capacity in 2012 at which time the North Fill Area (NFA) began to receive the balance of waste and will continue for at least 15 years.

The net present value of estimated closure and post closure costs for the Peterborough County-City Waste Management Facility as at December 31, 2017 is \$12,206,960 (2016 - \$12,021,080). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2016 - 2.25%), discounted at a rate of 5% (2016 - 5%). As the ownership of the facility is shared equally between the County and City of Peterborough, the liability recorded in these financial statements represents 50% of the estimated actual liability pro-rated on the basis of capacity used at the site. Estimated utilization of existing site capacity of the SFA at December 31, 2017 is 100% (2016 - 100%) and at the NFA is 43% (2016 - 35%).

The net present value of estimated closure and post closure costs for the Harper Road closed landfill site as at December 31, 2017 is \$962,090 (2016 - \$964,650). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2016 - 2.25%), discounted at a rate of 5% (2016 - 5%).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Estimated utilization of existing site capacity at December 31, 2017 is 100% (2016 - 100%).

The net present value of estimated closure and post closure costs for the Nelson closed landfill site as at December 31, 2017 is \$1,061,420 (2016 - \$1,063,990). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% for 2017 (2016 – 2.25%), discounted at a rate of 5% for 2017 (2016 - 5%). Estimated utilization of existing site capacity at December 31, 2017 is 100% (2016 - 100%).

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a period of 174 years for the Peterborough County-City Waste Management Facility. The monitoring and inspection period for the Harper Road closed landfill site and the Nelson closed landfill site extends over a period of 25 years. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity. The estimated change in liability would be recognized prospectively, when determined.

12. Deferred Revenue - Obligatory Reserve Funds

A requirement of the public sector accounting board of Chartered Professional Accountants Canada Public Sector Accounting Handbook is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances, these funds may possibly be refunded.

This figure is comprised of the following:

	2017	2016
	\$	\$
Development charges	12,967,598	11,869,803
Parkland fees and subdivider contributions	464,260	405,444
Building code	1,036,886	242,950
Federal gasoline tax	6,496,631	5,882,073
Provincial gasoline tax	165,880	49,956
	21,131,255	18,450,226

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

The continuity of deferred revenue – obligatory reserve funds is comprised of the following:

	2017 \$	2016 \$
Balance – beginning of year	18,450,226	15,157,533
Add amounts received:		
Development charges received	6,244,256	7,161,987
Parkland fees and subdivider contributions	126,267	114,380
Building code permits and other revenues	2,327,335	1,480,520
Provincial gasoline tax	1,695,345	1,597,434
Federal gasoline tax	4,870,056	4,785,340
Investment income	192,039	154,545
	15,455,298	15,294,206
Less amounts utilized:		
Development charges earned	5,282,763	3,580,491
Parkland fees and subdivider contributions earned	48,543	78,934
Building code permits earned	1,533,399	1,398,885
Provincial and Federal gasoline tax earned	5,909,564	6,943,203
	12,774,269	12,001,513
Balance – end of year	21,131,255	18,450,226

13. Employee Benefits

The City provides certain employee benefits that require funding in future periods. An actuarial valuation of these liabilities has been performed and the amounts are recorded in the Consolidated Statement of Financial Position.

This figure is comprised of the following:

	2017 \$	2016 \$
Accrued benefit obligation, beginning of year	30,221,300	29,021,882
Current period benefit expense	1,335,384	2,246,353
Interest	1,091,256	1,078,719
Benefit payments	(2,332,399)	(2,125,654)
Accrued benefit obligation, end of year	30,315,541	30,221,300
Unamortized actuarial gain	1,551,313	1,780,996
Employee benefits and other liabilities, end of year	31,866,854	32,002,296

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimate. There was no change in the assumptions and related percentages from 2016 to 2017. The following represents the more significant assumptions made:

	Benefits Payable for Early Retirees	Life Insurance	Worker's Compensation	Sick Leave
Inflation rate	2%	2%	2%	2%
Level of salary increases	3%	3%	3%	3%
Interest discount rate	4.5%	4.5%	4.25%	4.25%

Retirement Benefits

Full-time employees of the City are provided with Health Care and Dental benefits while active. Certain benefits are also provided in early retirement if the retiree is eligible to receive an OMERS pension. The benefits cease on the retiree's 65th birthday.

Life Insurance

Full-time employees of the City are provided with Life Insurance of two times salary while they are active employees. This coverage terminates at retirement. However, the member is provided with the option to continue the Life Insurance at a reduced amount until death and the member pays the required premium.

Workers' Compensation

Under the Workplace Safety and Insurance Act, the City is a self-insured employer (Schedule II) and remits payments to the WSIB as required to fund disability payments. The liability recorded by the City has been determined by a full actuarial review completed as of December 31, 2014, that is updated annually.

Liability for Vested Sick Leave

Fire Services and Fairhaven employees may vest a portion of their unused sick leave and earn entitlement to a cash payment when they leave the City's employment. Other employee groups have opted to join a new plan that does not have a vesting feature. The accrued benefit obligation and the net periodic benefit cost were determined by a full actuarial review completed as of December 31, 2014, that is updated annually.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Vacation Pay Entitlements

Vacation pay entitlements are based on employees' years of service. Current obligations total \$3,209,048 (2016 - \$3,105,210) of which \$2,483,838 (2016 - \$2,483,838) does not need to be recovered in future periods or has been funded in the current or previous periods.

14. Long Term Debt

The long term debt reported on the Consolidated Statement of Financial Position has been approved by the Ontario Municipal Board or the Council of the City of Peterborough. Interest rates on outstanding debt range from 1.80% to 6.45% (2016 – 1.80% to 6.45%)

Future year's repayment obligations are comprised of the following:

	2018 to 2022	2023 to 2027	2028 Onward	Total
	\$	\$	\$	\$
From general revenues	71,054,723	36,190,626	19,093,752	126,339,101

The long term debt issued in the name of the City have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by The Ministry of Municipal Affairs and Housing.

Interest on long-term debt in the year amounted to \$4,165,522 (2016 - \$4,007,471).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

15. Tangible Capital Assets

This figure is comprised of the following:

	Net Book Value	
	2017	2016
	\$	\$
General		
Land and land improvements	124,181,026	117,702,927
Buildings and leaseholds	126,889,539	123,862,400
Machinery and equipment	12,399,212	13,279,345
Vehicles	24,624,664	22,695,706
Books and materials	1,593,484	1,545,539
Infrastructure		
Land and land improvements	26,455,034	26,479,881
Buildings	30,419,580	31,455,406
Machinery and vehicles	438,608	614,892
Roadways and sidewalks	133,574,394	122,070,261
Storm sewer system	53,716,083	46,416,507
Wastewater system	69,819,575	66,856,696
Water system	84,755,241	85,322,254
	688,866,440	658,301,814
Assets under construction	65,873,813	52,671,479
Total tangible capital assets	754,740,253	710,973,293

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During 2017, there was \$203,329 representing gain on sale of assets (2016 loss \$159,315). No interest was capitalized in 2017 (2016 -\$Nil). Assets contributed to the City were capitalized at their fair value on the date of acquisition and amounted to \$8,716,997 (2016 - \$468,867).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Tangible capital assets by function are comprised of the following:

	Net Book Value	
	2017	2016
	\$	\$
General government	41,198,427	35,729,210
Protection to persons and property	16,530,039	17,174,140
Transportation services	205,933,077	189,203,371
Environmental services	264,621,243	256,242,848
Health services	5,111,283	5,372,512
Social and family services	8,250,136	8,946,722
Social housing	36,005,737	37,322,737
Recreation and cultural services	85,092,971	83,871,501
Planning and development	26,123,528	24,438,773
Assets under construction	65,873,812	52,671,479
Total tangible capital assets	754,740,253	710,973,293

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

16. Accumulated Surplus

This figure is comprised of the following:

	2017 \$	2016 \$
Surplus City of Peterborough		
Operating surplus before consolidated entities	159,426	121,539
Unexpended financing	6,621,609	6,144,628
	6,781,035	6,266,167
Consolidated Entities		
Peterborough Public Health	105,060	72,592
The Village Business Improvement Area	27,543	37,760
Greater Peterborough Area Economic Development Corporation	82,592	43,515
Peterborough Downtown Business Improvement Area	243,052	175,395
Peterborough Utilities Commission	6,406,994	7,393,534
Peterborough Library	-	-
	6,865,241	7,722,796
Unfunded amounts		
Employee benefits	(29,287,934)	(29,518,458)
Solid waste landfill closure and post-closure	(7,062,920)	(6,872,707)
Accrued interest on long term debt	(931,458)	(914,357)
	(37,282,312)	(37,305,522)
Inventory held for resale	4,003,057	8,243,416
Equity in government business enterprise (below)	96,214,000	92,670,000
Invested in Tangible Capital Assets		
Tangible capital assets net book value	754,740,253	710,973,293
(Unfinanced)/unexpended capital financing	(272,723)	4,386,238
Short and long term debt	(127,339,101)	(124,386,415)
	627,128,429	590,973,116
Reserve Funds and Reserves		
Discretionary reserve funds	30,488,888	32,497,329
Reserves	87,069,700	85,924,509
	117,558,588	118,421,838
Accumulated Surplus	821,268,038	786,991,811

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

The equity in government business enterprise is comprised of the following:

	2017 \$	2016 \$
Investment in government business enterprise (Note 8)	101,964,000	98,420,000
Short term advances due on demand converted to shares	(5,750,000)	(5,750,000)
Equity in government business enterprise (above)	96,214,000	92,670,000

17. Change in Non-Cash Working Capital

The change in the non-cash working capital is comprised of the following:

	2017 \$	2016 \$
Taxes receivable	(160,980)	1,238,925
Accounts receivable	(9,447,628)	663,205
Inventory held for resale	524,491	250,034
Other receivables	242,162	176,530
Accounts payable and accrued liabilities	3,021,389	(3,339,195)
Deferred revenue	93,591	(698,758)
Deferred revenue – obligatory reserves	2,681,029	3,292,693
Prepaid expenses	(19,245)	360,553
Inventory of supplies	(70,229)	43,581
	(3,135,420)	1,987,568

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

18. Expenses by Object

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are comprised of the following:

	Budget 2017 \$ (Unaudited)	2017 \$	2016 \$
Salary, wages and employee benefits	114,716,638	113,904,435	111,099,194
Interest on long term debt	3,044,904	4,165,522	4,007,471
Materials	38,570,210	37,974,272	36,893,188
Contracted services	52,215,277	48,206,438	47,203,514
Rents and financial expenses	2,218,839	2,055,108	2,112,367
External transfers	55,516,861	54,775,256	52,557,703
Amortization	31,160,941	32,134,169	30,095,271
(Gain)/loss on disposal of tangible capital assets	-	(203,329)	159,315
Loss in write-down of inventory for resale	-	3,786,658	-
	297,443,670	296,798,529	284,128,023

19. Partnerships with the County of Peterborough

Certain services are provided by joint local boards established in partnership with the County of Peterborough. Under the agreements created at the time each board was established, decisions related to the financial and operating activities are shared, neither partner is in a position to exercise unilateral control. Operations of each board are included in these financial statements based on the share of net operating expenses contributed by the City during the fiscal period being reported. The following provides a brief description of the nature and purpose of each entity and condensed financial information.

Fairhaven

Fairhaven is dedicated to serving the continuum of long-term care needs of Peterborough City and County by providing innovative programs and services to clients in a caring environment that upholds dignity and promotes quality of life.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Financial Position:

	2017		2016	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	3,552,546	2,368,376	2,821,941	1,881,294
Liabilities	11,099,421	7,399,651	12,996,671	8,664,447
Net financial liabilities	(7,546,875)	(5,031,275)	(10,174,730)	(6,783,153)
Non-financial assets	12,302,929	8,201,994	13,351,680	8,901,120
Accumulated surplus	4,756,054	3,170,719	3,176,950	2,117,967

Results of Operations:

	2017		2016	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	23,181,663	15,454,519	21,740,479	14,493,653
Expenses	21,602,559	14,401,778	21,100,316	14,066,877
Annual surplus	1,579,104	1,052,741	640,163	426,776

Fairhaven has incurred long-term debt as a result of a mandated rebuild by the Ministry of Health and Long-Term Care. Fairhaven will finance the annual debenture payments through a Ministry of Health and Long-Term Care annual contribution of \$955,752 for twenty years and contributions from the City and County for eighteen years in the amounts of \$709,939 and \$342,745 respectively.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Peterborough Public Health

Peterborough Public Health strives to enable people and the community to be as healthy as possible. Peterborough Public Health is a not-for-profit organization, which provides accessible, community based programs, and services that promote, protect and restore health.

Financial Position:

	2017		2016	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	3,630,561	2,069,420	3,632,236	2,070,375
Liabilities	5,622,475	3,204,811	5,887,616	3,355,941
Net financial liabilities	(1,991,914)	(1,135,391)	(2,255,380)	(1,285,566)
Non-financial assets	9,018,589	5,140,596	9,448,064	5,385,396
Accumulated surplus	7,026,675	4,005,205	7,192,684	4,099,830

Results of Operations:

	2017		2016	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	12,464,046	7,104,506	13,567,679	7,733,577
Expenses	12,630,055	7,199,131	12,328,916	7,027,482
Annual surplus/(deficit)	(166,009)	(94,625)	1,238,763	706,095

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Greater Peterborough Area Economic Development Corporation (Operating as Peterborough and the Kawarthas Economic Development “PKED”)

PKED promotes economic development in the Greater Peterborough area, with the co-operation and participation of available community resources, by encouraging, facilitating and supporting community strategic planning and increasing self-reliance, investment and job creation within the community.

Financial Position:

	2017		2016	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	463,507	278,104	594,085	356,451
Liabilities	267,527	160,516	305,655	183,393
Net financial assets	195,980	117,588	288,430	173,058
Non-financial assets	200,190	120,114	40,266	24,160
Accumulated surplus	396,170	237,702	328,696	197,218

Results of Operations:

	2017		2016	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	2,498,571	1,499,143	2,507,051	1,504,231
Expenses	2,431,097	1,458,658	2,357,937	1,414,762
Annual surplus	67,474	40,485	149,114	89,469

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Peterborough County-City Waste Management Facility

On July 1, 2002, the City and County of Peterborough entered into an agreement to jointly develop and operate a waste disposal facility. The Facility will receive non-hazardous waste from the County and City in accordance with the applicable regulations and the Certificate of Approval issued by the Ministry of the Environment and Energy to develop, operate and close the Facility. All revenues and expenses related to the development, management, closure, post-closure care and monitoring of the Facility are shared equally by both organizations.

Included in the Statement of Financial Position is an amount due to/(from) the County of Peterborough of \$168,398 (2016 – \$(56,319)).

Results of Operations:

	2017		2016	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	3,504,185	1,752,093	2,491,454	1,245,727
Expenses	3,781,862	1,890,931	3,380,498	1,690,249
Net expenses	(277,677)	(138,838)	(889,044)	(444,522)

20. Pension Agreements

The City is a member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff and part-time staff that meet specific eligibility requirements. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of credited service and average earnings.

The Actuarial Opinion contained in the 2017 Annual Report disclosed total actuarial liabilities of \$94,431 million in respect of benefits accrued for service with actuarial assets of \$89,028 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficit are a joint responsibility of Ontario Municipal Organizations and their employees. As a result, the Corporation of the City of Peterborough does not recognize any share of the OMERS pension surplus or deficit.

The City's share of the annual contribution to the pension plan for current service is charged to operations in the year in which the contribution is made. For 2017, the current service cost amounted to \$9,124,569 (2016 - \$8,657,844).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

21. Municipal Child Care Grants and Subsidies

The City of Peterborough provides child care services at five locations within the City: Peterborough Child Care, Pearson Child Care, and the Before and After School Programs located at Edmison Heights, King George and Westmount public schools. The City receives various grants and subsidies from the Province of Ontario to assist with the operations of the programs or assistance for families to cover the child care fees. The following represents grants and subsidies received in the current year.

	Fee Subsidy	General Operating Grant	Repairs and Maintenance	Total
	\$	\$	\$	\$
Peterborough Child Care	198,516	115,979	2,906	317,401
Pearson Child Care	185,918	120,644	60,000	366,562
School Age Programs	41,698	25,516	-	67,214
	426,132	262,139	62,906	751,177

22. Trust Funds

Trust funds administered by the Corporation of the City of Peterborough amounting to \$333,710 (2016 - \$488,123) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. Due to the fact that balances are held in trust by the Corporation for the benefit of others, they are not presented as part of financial position or financial activities.

23. Budget Figures

The budget approved by the City for the year is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

24. Lease Commitments

The City has entered into the following long-term operating lease agreements. The following table provides information on the minimum lease payments:

	(a)	(b)	Total
2018	2,613,739	161,090	2,774,829
2019	2,657,801	-	2,657,801
2020	2,703,151	-	2,703,151
2021	2,749,880	-	2,749,880
2022	2,798,039	-	2,798,039
Thereafter	10,437,433	-	10,437,433
Total minimum lease payments	23,960,043	161,090	24,121,133
Less: payments assumed by sub-lessee	4,846,778	-	4,846,778
	19,113,265	161,090	19,274,355

- (a) On October 30, 2000 the City committed to lease an office building, associated land and leaseholds for a 25-year term. The lease payments shown above include basic rent and base operating costs adjusted for estimated escalation and de-escalation provisions according to the agreement.

The City in turn has an agreement to sublease the premises to Americredit Financial Services of Canada Ltd, the terms of which expire July 31, 2019. Although there are provisions in the sublease agreement to either terminate the lease prior to this date, or, alternatively extend it for a further 7 years, the above table assumes that the sublease will continue to July 31, 2019. It is the City's expectation that the sublease will remain in place for the duration of the 25 years.

- (b) The City has executed lease agreements for office space for its own use that require annual payments in future years as they become due and payable.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

25. Contingent Liabilities

The Corporation of the City of Peterborough, in the course of operations is subject to claims, lawsuits and contingencies. The City records settlements as liabilities in the period they are reasonably determined. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the City does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its financial position.

On May 4, 2007, Bill 233, the Workplace Safety and Insurance Amendment Act (Presumptions for Firefighters), 2007, received Royal Assent. The Act provides for the eligibility of firefighters, and fire investigators, to receive compensation when they were deemed to have been subjected to certain illnesses and/or injuries sustained since January 1, 1960. The Act presumes that certain conditions, illnesses or injuries were work-related unless it can be demonstrated that the condition, illness or injury was a result of a non-work related incident, or was hereditary.

As a Schedule 2 employer under the Workplace Safety and Insurance Board Act, the City self-insures against claims made under the provisions of this Act. As the City provides fire protection services, certain current and former employees of the City may be eligible to receive awards under the amended Act. At this point in time, it is not practical to determine what exposure, if any, the City has as a result of the amended Act coming to force, and consequently, no amount has been provided for in these financial statements.

26. Contaminated Sites

The Corporation of the City of Peterborough in the normal course of operations owns certain contaminated sites. The contamination associated with the sites has been determined or is likely expected to be in excess of environmental standards. A reasonable estimate of the costs to remediate the sites cannot be determined as at the financial statement date; as a result, no liability has been recognized in these financial statements.

27. Loan Guarantee

In August 2005, the City of Peterborough entered into an agreement with the Peterborough Family Y.M.C.A. to guarantee the mortgage for the new Y.M.C.A. building to an amount not to exceed \$7,250,000. The balance outstanding on the loan at December 31, 2017 is \$2,976,972 (2016 - \$4,183,000).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

28. Provincial Offences Office

Revenues from the POA office consist of fines levied under Parts I and III (including delay penalties) for POA charges filed at 99 Simcoe Street in Peterborough. Offenders may pay their fines at any court office in Ontario, at which time, their receipt is recorded in the Integrated Courts Operation Network system ("ICON") operated by the Province of Ontario. The City of Peterborough recognizes fine revenue when the receipt of funds is recorded by ICON and matched to the offence notice, regardless of the location where payment is made.

Gross and net revenues for the year ended December 31, 2017, amounted to \$2,034,852 (2016 - \$2,082,146) and \$1,022,054 (2016 - \$941,953) respectively.

The Provincial Offences Office net revenues are jointly shared by the County of Peterborough and the City of Peterborough based on weighted assessments. During 2017, the proportion based on weighted assessment for the City was 45.5% (2016 - 45.8%). Based on this percentage, the City's portion of Net Revenues was \$465,034 (2016 - \$431,414).

Included in the Statement of Financial Position is an amount due from/(to) the County of Peterborough of \$172,074 (2016 - \$31,776).

29. Segment Information

The Corporation of the City of Peterborough is a diversified municipal government institution that provides a range of services to its residents including police, fire, public transit, community services, solid waste management and recycling. Municipal services are reported by function and their activities are separately disclosed in the segment information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segment financial information. Taxation, payments-in-lieu of taxes and investment income are apportioned based on each segment's net requirements. Revenues are allocated to segments based on amounts originally budgeted, adjusted for Public Sector Accounting Board recommendations or based on the Provincial requirements of the Financial Information Return. Expenses are allocated to segments based on the Provincial requirements for the Financial Information Return.

Interfunctional transfers include an administrative overhead allocation, data processing costs and accounting fees that are allocated based on the original amount budgeted. Interfunctional transfers also include a percentage overhead charge based on the amount of wages allocated to specific recoverable jobs that are undertaken by the public works department. That allocation is based on the percentage originally budgeted. Other internal charges are made for wages and materials used during repair

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

and preventative maintenance activities based on actual costs of the inputs. Other interfunctional charges such as leachate treatment are based on the actual costs of undertaking the testing. Engineering costs are allocated to capital projects based on a percentage of administrative overhead dictated in request for proposals award reports.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

Functions disclosed separately in the segment information are as follows:

General Government

General government consists of the activities of Council and general financial and administrative management of the City and its programs and services.

Protection to Persons and Property

Protection services include police, fire, conservation authority, protective inspection and control, emergency measures and the Provincial Offences Office.

Transportation Services

The activities of the transportation function include construction and maintenance of the City's roads and bridges, winter control, public transit, parking, street lighting and air transportation.

Environmental Services

The environmental function is responsible for the sanitary sewer system, storm sewers, solid waste collection, and waste disposal and recycling.

Health Services

The health services function consists of activities of Peterborough Public Health and activities of the land ambulance service that is a shared service with the County of Peterborough.

Social and Family Services

The social and family services function includes general assistance as well as childcare services and assistance to aged persons provided by Fairhaven.

Social Housing Services

The social housing function provides access and administration related to affordable housing in the City including the activities of Peterborough Housing Corporation.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2017

Recreation and Cultural Services

The recreation and cultural services function provides indoor and outdoor recreational facilities and programs, library services and information about the City's heritage through the Peterborough Museum and Archives.

Planning and Development Services

The planning and development services function manages commercial, industrial and residential development within the City.

Electric Utility

The electric utility function consists of the equity investment in City of Peterborough Holdings Inc.

30. Subsequent Events

Subsequent to December 31, 2017, in the normal course of operations, Council Members of the City of Peterborough authorized the issue of debentures in an amount not to exceed \$21,824,000. These debentures were issued on May 25, 2018.

31. Comparative Figures

The financial statements have been reclassified, where applicable, to conform to the presentation adopted in the current year. Annual surplus for the previous year is not affected by this reclassification.

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For The Year Ended December 31, 2017

	General					Infrastructure							Assets under Construction	Total \$
	Land and land Improvements	Buildings and leaseholds	Machinery and equipment	Vehicles	Books and materials	Land and land Improvements	Buildings	Machinery and Vehicles	Roadways and sidewalks	Storm sewer system	Wastewater System	Water System		
COST														
Balance, beginning of year	146,713,790	234,152,257	29,077,397	39,919,197	3,461,440	26,616,545	57,440,803	3,344,929	231,055,219	68,425,343	100,140,164	163,767,792	52,671,479	1,156,786,355
Add: Additions	448,833	188,766	249,111	-	489,124	-	449,588	-	-	-	-	3,910,143	72,177,328	77,912,893
Less: disposals and retirements	567,849	534,306	320,292	673,950	400,748	-	-	923,970	1,917,251	64,764	11,812	-	-	5,414,942
Interfund transfers	9,761,591	10,351,414	1,499,267	4,883,258	-	-	-	36,406	18,178,144	8,416,868	5,848,046	-	(58,974,994)	-
BALANCE, end of year	156,356,365	244,158,131	30,505,483	44,128,505	3,549,816	26,616,545	57,890,391	2,457,365	247,316,112	76,777,447	105,976,398	167,677,935	65,873,813	1,229,284,306
ACCUMULATED AMORTIZATION														
Balance, beginning of year	29,010,863	110,289,857	15,798,052	17,223,491	1,915,901	136,664	25,985,398	2,730,037	108,984,958	22,008,836	33,283,468	78,445,538	-	445,813,063
Add: Amortization	3,164,476	7,242,309	2,486,744	2,848,598	441,179	24,847	1,485,413	125,795	5,890,604	1,073,693	2,873,355	4,477,156	-	32,134,169
Less: disposals and retirements	-	263,574	178,525	568,248	400,748	-	-	837,075	1,133,844	21,165	-	-	-	3,403,179
BALANCE, end of year	32,175,339	117,268,592	18,106,271	19,503,841	1,956,332	161,511	27,470,811	2,018,757	113,741,718	23,061,364	36,156,823	82,922,694	-	474,544,053
NET BOOK VALUE	124,181,026	126,889,539	12,399,212	24,624,664	1,593,484	26,455,034	30,419,580	438,608	133,574,394	53,716,083	69,819,575	84,755,241	65,873,813	754,740,253

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For The Year Ended December 31, 2017

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Social and Family Services \$	Social Housing \$	Recreation and Cultural \$	Planning and Development \$	Electric Utility \$	Total \$
REVENUES											
Property taxation	16,206,455	40,974,685	21,579,915	7,132,032	5,537,173	8,402,288	4,203,173	14,092,885	4,970,354	-	123,098,960
Taxation from other governments	387,798	980,468	516,378	170,660	132,497	201,055	100,576	337,223	118,934	-	2,945,589
User fees and service charges	875,948	1,281,714	8,821,959	35,400,742	475,919	5,111,153	6,075,437	9,470,314	249,545	-	67,762,731
Government grants and other municipalities	55,891	3,391,085	10,775,047	1,430,272	5,842,719	67,195,922	12,682,950	959,879	699,128	-	103,032,893
Development levies and contributions from developers	29,559	12,238	3,007,195	650,361	-	-	-	911,823	917,345	-	5,528,521
Licences, permits, royalties and rents	881,332	1,571,374	71,765	66,930	-	-	-	423,712	-	-	3,015,113
Fines and other charges	-	2,034,852	-	-	-	-	-	-	-	-	2,034,852
Penalties and interest on taxes	719,696	-	-	-	-	-	-	-	-	-	719,696
Investment income	312,828	790,921	416,550	302,149	130,883	178,404	233,329	280,543	96,009	-	2,741,616
Donations and contributed tangible capital assets	-	-	8,736,548	169,515	-	-	-	465,758	50,713	-	9,422,534
Other	173,228	1,085	-	839,105	74,472	-	316,419	-	269,942	-	1,674,251
Income from government business enterprise (Note 8)	-	-	-	-	-	-	-	-	-	9,098,000	9,098,000
TOTAL REVENUES	19,642,735	51,038,422	53,925,357	46,161,766	12,193,663	81,088,822	23,611,884	26,942,137	7,371,970	9,098,000	331,074,756
EXPENSES											
Salaries, wages and employee benefits	6,552,090	41,912,247	17,075,090	4,827,992	5,594,791	21,679,892	2,938,326	10,794,955	2,529,052	-	113,904,435
Interest on net long term debt	98,579	145,378	1,426,978	906,908	64,120	300,548	613,847	561,152	48,012	-	4,165,522
Materials	4,908,466	3,349,983	9,080,459	3,721,108	1,751,940	3,137,571	5,965,188	4,785,432	1,274,125	-	37,974,272
Contracted services	3,893,030	1,056,832	3,964,740	15,233,458	4,571,432	1,956,992	12,000,575	4,194,150	1,335,229	-	48,206,438
Rents and financial expenses	267,615	50,230	26,840	562,964	17,880	675,168	95,982	275,903	82,526	-	2,055,108
External transfers	530,432	1,682,287	-	-	100,412	48,799,483	1,604,117	2,025,279	33,246	-	54,775,256
Amortization	1,765,472	1,489,825	11,057,580	11,244,991	142,213	720,908	1,021,016	4,653,232	38,932	-	32,134,169
Loss/(gain) on disposal of tangible capital assets	13,053	35,025	602,058	55,411	119,016	-	(956,038)	1,109	(72,963)	-	(203,329)
Loss on writedown of Inventory for resale	-	-	-	-	-	-	-	-	3,786,658	-	3,786,658
Interfunctional transfers	(1,866,539)	2,026,200	(3,186,921)	773,919	-	1,456,323	(653,190)	1,450,208	-	-	-
TOTAL EXPENSES	16,162,198	51,748,007	40,046,824	37,326,751	12,361,804	78,726,885	22,629,823	28,741,420	9,054,817	-	296,798,529
NET SURPLUS (DEFICIT)	3,480,537	(709,585)	13,878,533	8,835,015	(168,141)	2,361,937	982,061	(1,799,283)	(1,682,847)	9,098,000	34,276,227

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For The Year Ended December 31, 2016

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Social and Family Services \$	Social Housing \$	Recreation and Cultural \$	Planning and Development \$	Electric Utility \$	Total \$
REVENUES											
Property taxation	17,328,339	38,843,150	23,488,271	2,823,145	5,466,728	9,024,480	4,402,162	13,240,610	4,288,438	-	118,905,323
Taxation from other governments	450,340	1,009,480	610,428	73,370	142,073	234,534	114,406	344,105	111,451	-	3,090,187
User fees and service charges	742,244	1,376,451	8,466,544	34,508,629	450,561	6,286,752	5,850,442	9,414,266	198,871	-	67,294,760
Government grants and other municipalities	343,194	3,271,410	7,682,771	1,520,134	6,328,514	62,815,391	12,117,280	286,678	2,924,696	-	97,290,068
Development levies and contributions from developers	-	18,587	1,684,566	850,456	-	-	30,854	555,278	839,562	-	3,979,303
Licences, permits, royalties and rents	898,968	1,431,773	53,879	73,247	-	-	-	508,686	-	-	2,966,553
Fines and other charges	-	2,082,146	-	-	-	-	-	-	-	-	2,082,146
Penalties and interest on taxes	829,825	-	-	-	-	-	-	-	-	-	829,825
Investment income	380,547	853,033	515,825	182,760	141,571	214,579	156,222	296,831	94,240	-	2,835,608
Donations and contributed tangible capital assets	-	-	8	267,726	-	-	250,756	285,753	-	-	804,243
Other	111,310	-	-	639,650	188,307	-	344,160	-	227,416	-	1,510,843
Income from government business enterprise (Note 8)	-	-	-	-	-	-	-	-	-	5,463,000	5,463,000
TOTAL REVENUES	21,084,767	48,886,030	42,502,292	40,939,117	12,717,754	78,575,736	23,266,282	24,932,207	8,684,674	5,463,000	307,051,859
EXPENSES											
Salaries, wages and employee benefits	5,598,912	42,063,694	16,181,089	4,773,944	5,510,225	21,148,999	2,868,922	10,540,431	2,412,978	-	111,099,194
Interest on net long term debt	89,842	172,894	1,307,854	817,049	57,095	351,758	654,664	517,520	38,795	-	4,007,471
Materials	4,755,841	3,217,336	8,602,655	3,581,172	1,675,732	3,703,226	5,878,955	4,314,158	1,164,113	-	36,893,188
Contracted services	3,694,749	895,842	4,002,063	15,176,020	4,402,002	2,574,052	10,947,462	4,447,639	1,063,685	-	47,203,514
Rents and financial expenses	233,212	53,551	25,365	570,314	17,835	756,433	131,065	275,508	49,084	-	2,112,367
External transfers	564,501	1,586,188	-	-	97,496	46,707,112	1,568,608	2,027,009	6,789	-	52,557,703
Amortization	941,644	1,566,253	10,438,635	11,010,493	196,900	722,902	1,006,284	4,197,699	14,461	-	30,095,271
Loss/(gain) on disposal of tangible capital assets	288,250	(24,821)	685,981	78,028	-	31,222	-	-	(899,345)	-	159,315
Interfunctional transfers	(1,578,952)	1,756,079	(3,309,594)	863,687	-	1,473,781	(719,500)	1,499,014	15,485	-	-
TOTAL EXPENSES	14,587,999	51,287,016	37,934,048	36,870,707	11,957,285	77,469,485	22,336,460	27,818,978	3,866,045	-	284,128,023
NET SURPLUS (DEFICIT)	6,496,768	(2,400,986)	4,568,244	4,068,410	760,469	1,106,251	929,822	(2,886,771)	4,818,629	5,463,000	22,923,836

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Peterborough

Report on the Financial Statements

We have audited the accompanying financial statements of the Trust Funds of the Corporation of the City of Peterborough, which comprise the statement of financial position as at December 31, 2017, the statement of continuity 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 controls as management determines are 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Corporation of the City of Peterborough as at December 31, 2017 and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 9, 2018

Draft May 31, 2018

CORPORATION OF THE CITY OF PETERBOROUGH

TRUST FUNDS STATEMENT OF CONTINUITY For The Year Ended December 31, 2017

	City Parks \$	Special Holding \$	Safety Patrol \$	Cenotaph Trust \$	Library Trust Funds \$	Morrow Park Trust \$	Parks Hancock Trust \$	Parks Tollington Endowment \$	Fairhaven Special Purpose \$	Residents' Personal Trust \$	2017 \$	2016 \$
ACCUMULATED SURPLUS, beginning of year	122,611	18,926	26,412	21,971	20,350	6,715	33,632	173,489	3,574	60,443	488,123	394,251
REVENUES												
Deposits and grants	-	-	8,800	27,221	-	-	-	-	-	117,143	153,164	200,023
Transfer from Fairhaven	-	-	-	-	-	-	-	-	-	34,823	34,823	37,956
Interest earned	1,401	216	339	323	233	77	384	1,176	35	-	4,184	3,166
	1,401	216	9,139	27,544	233	77	384	1,176	35	151,966	192,171	241,145
EXPENSES												
Transfers to operations	-	-	-	-	229	-	-	-	-	-	229	191
Withdrawals, purchases	-	-	6,804	24,923	-	-	-	166,159	-	144,570	342,456	137,503
Residents maintenance	-	-	-	-	-	-	-	-	-	2,973	2,973	8,551
Donation	-	-	-	-	-	-	-	-	-	926	926	1,028
	-	-	6,804	24,923	229	-	-	166,159	-	148,469	346,584	147,273
ACCUMULATED SURPLUS, end of year	124,012	19,142	28,747	24,592	20,354	6,792	34,016	8,506	3,609	63,940	333,710	488,123

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2016

	City Parks \$	Special Holding \$	Safety Patrol \$	Cenotaph Trust \$	Library Trust Funds \$	Morrow Park Trust \$	Parks Hancock Trust \$	Parks Tollington Endowment \$	Fairhaven Special Purpose \$	Residents' Personal Trust \$	2017 \$	2016 \$
FINANCIAL ASSETS												
Cash	124,012	19,142	29,564	24,592	20,583	6,792	34,016	8,506	3,609	67,356	338,172	509,167
	124,012	19,142	29,564	24,592	20,583	6,792	34,016	8,506	3,609	67,356	338,172	509,167
LIABILITIES AND ACCUMULATED SURPLUS												
Accounts payable	-	-	817	-	229	-	-	-	-	-	1,046	1,151
Due to revenue fund	-	-	-	-	-	-	-	-	-	3,416	3,416	19,893
Accumulated surplus	124,012	19,142	28,747	24,592	20,354	6,792	34,016	8,506	3,609	63,940	333,710	488,123
LIABILITIES AND ACCUMULATED SURPLUS	124,012	19,142	29,564	24,592	20,583	6,792	34,016	8,506	3,609	67,356	338,172	509,167

Corporation of the City of Peterborough

Trust Funds - Note to the Financial Statements

For The Year Ended December 31, 2017

1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada (CPA Canada).

Basis of presentation

These trust fund statements reflect the assets, liabilities, sources of financing and expenditures combining trust funds of the City of Peterborough and the following local boards:

1. Peterborough Public Library Board
2. Fairhaven

Basis of Accounting

1. Sources of financing and expenses are reported on the accrual basis of accounting.
2. The accrual basis of accounting recognizes revenues as they become available and measureable. Expenses are recognized as they are incurred and measureable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Financial Instruments

The Trust Fund's financial instruments consist of cash, accounts receivable, accounts payable and due to revenue fund. It is management's opinion that the fair values of its financial instruments are not materially different from their carrying value due to their immediate or short term maturity. The Trust Funds do not have any significant concentration of currency, interest or credit risk.

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.