



City of  
**Peterborough**

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**To: Members of the Audit Committee**

**From: Sandra Clancy, Director of Corporate Services**

**Meeting Date: June 20, 2016**

**Subject: Report CPFS16-020  
Treasurer's Report, 2015 Consolidated Financial Report, 2015  
Trust Funds Financial Statement and Five-Year Review**

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## **Purpose**

A report to recommend the Treasurer's Report, 2015 Consolidated Financial Report, the 2015 Trust Funds Financial Statement and Five Year Review be received, that underlying accounting policies be approved, and the 2015 Financial Report be received and submitted to the Province of Ontario.

## **Recommendations**

That Council approve the recommendations outlined in report CPFS16-020 dated June 20, 2016, of the Director of Corporate Services as follows:

- a) That Report CPFS16-020, Treasurer's Report, 2015 Consolidated Financial Report, the 2015 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, 2015 Consolidated Financial Report and 2015 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,

Sandra Clancy  
Director of Corporate Services

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Attachments:

Appendix A - Treasurer’s Report on the 2015 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

**Treasurer's Report on the 2015 Financial Report for the  
City of Peterborough**



City of  
**Peterborough**

500 George Street North, Peterborough, ON K9H 3R9

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June 20, 2016

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

## **Treasurer's Report on the 2015 Financial Statements for the Corporation of the City of Peterborough**

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### **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, 2015. 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 2015 Capital and Operating Budget on February 2, 2015.

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

## External Audit

The financial statements have been audited by the City's external auditors, Collins Barrow Kawartha 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 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.

## **Municipal Performance Measurement Program**

As of 2015, The Municipal Performance Measurement Program (MPMP) has been discontinued by the Province. There is no longer a requirement for the City to report internally or publically the results of these measurements. The Province will still be collecting certain data-points that were once submitted as part of the MPMP process, through the annual Financial Information Return, but the requirement to produce a report is no longer applicable.

## **Contaminated Sites**

The City of Peterborough implemented Public Sector Accounting Handbook Section 3260 - Liability for Contaminated Sites during the 2015 fiscal year. Section 3260 requires governments to record a liability in their financial statements if they own or have taken responsibility for a contaminated site that meets the requirements set out in the standard. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities are included in the liability for remediation, establishes when to recognize and how to measure the liability and provides guidance on financial statement presentation and disclosure. As a result of the adoption of this section, the City is not required to value any specific environmental liabilities. The City is required to include a note to the financial statements in respect of this section.

## **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 2015, the City recorded consolidated revenues of \$297.2 million (2014 - \$283.0 million).

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

**Chart 2 - Consolidated Revenues**

	2015		2014		Variance Increase (decrease)
	\$	%	\$	%	\$
Property taxation	114,699,575	38.6	109,084,703	38.6	5,614,872
Taxation from other governments	3,069,998	1.0	2,899,741	1.0	170,257
User fees and service charges	65,078,391	21.9	65,537,694	23.2	(459,303)
Government grants & other municipalities	93,415,189	31.4	84,684,043	29.9	8,731,146
Development levies and contribution from developers	4,442,309	1.5	4,145,496	1.5	296,813
Licenses, permits royalties and rents	2,910,916	1.0	2,659,837	0.9	251,079
Fines and other charges	2,642,272	0.9	2,217,226	0.8	425,046
Penalties and interest on taxes	922,744	0.3	928,807	0.3	(6,063)
Investment income	2,504,151	0.8	4,276,743	1.5	(1,772,592)
Donations and contributed capital assets	1,152,836	0.4	2,902,850	1.0	(1,750,014)
Other	1,386,598	0.5	1,402,791	0.5	(16,193)
Income from government business enterprise	4,956,609	1.7	2,221,399	0.8	2,735,210
<b>Total Consolidated Revenues</b>	<b>297,181,588</b>	<b>100.0</b>	<b>282,961,330</b>	<b>100.0</b>	<b>14,220,258</b>

Revenues increased \$14.2 million due to several factors:

- The property taxation levy was \$5.6 million higher than the previous year.
- Government grants increased by \$8.7 million. Various programs within Social and Family Services accounted for \$3.3 million, the Investment in Affordable Housing Program accounted for \$1.2 million. There was \$1.2 million received for the Riverside Drive capital project along with \$0.5 million from the Eastern Ontario Development fund for the Airport Industrial Park. The City utilized almost \$1.0 million more in Federal Gas Tax funds than in the previous year on various capital projects. The various Local Boards and Agencies received \$1.3 million more in the form of grants in 2015.



- Investment income decreased \$1.8 million mainly due to the City of Peterborough Holdings restructuring that took place in 2015. Interest bearing notes payable of \$5,750,000 were converted to equity, resulting in a decrease of interest income for the City of \$1.7 million and an increase in dividends.
- Donations and contributed capital assets decreased \$1.8 million as a result of the City assuming a subdivision in 2014 with no similar comparable transaction in 2015.
- The income from government business enterprise figure increased \$2.7 million in 2015 based on the results of operations of the City of Peterborough Holdings Inc. and its subsidiary group of companies. The City received \$1.8 million more in dividends from City of Peterborough Holdings as a result of the conversion of the notes payable to equity mentioned above.

Consolidated expenses totaled \$275.6 million (2014 - \$262.1 million). During 2015, the City reviewed the methodology in how we allocate program support. As a result, the 2014 comparative figures have changed from the amounts previously reported, but are still the same in aggregate.

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

### Chart 3 - Consolidated Expenses

	2015		2014		Variance Increase (decrease)
	\$	%	\$	%	\$
General government	13,096,091	4.8	12,016,437	4.6	1,079,654
Protection services	48,666,755	17.7	46,842,713	17.9	1,824,042
Transportation	36,093,892	13.1	36,123,311	13.8	(29,419)
Environmental	38,893,791	14.1	32,981,699	12.6	5,912,092
Health	9,697,562	3.5	11,256,939	4.3	(1,559,377)
Social and family	75,497,700	27.4	71,754,205	27.4	3,743,495
Social housing	21,386,780	7.8	20,578,302	7.9	808,478
Recreation and cultural	27,592,338	10.0	25,502,487	9.7	2,089,851
Planning and development	4,713,640	1.6	5,044,105	1.8	(330,465)
Total Consolidated Expenses	<b>275,638,549</b>	<b>100.0</b>	<b>262,100,198</b>	<b>100.0</b>	<b>13,538,351</b>

Expenses increased \$13.5 million due to several factors:

- General government personnel costs increased \$0.6 million due to increased WSIB and benefit costs along with higher OMERS contributions as a result of the City's payroll being \$4.9 million higher in 2015. External transfers were \$0.3 million higher due to increased annexation payments, Brownfields and Central Area community improvement plan agreements.
- Protection services expenditures, specifically related to Fire and Police are mostly salaries, wages and employee benefits and account for \$1.4 million of the increase over 2014.
- Environmental Services costs were \$5.9 million higher in 2015. A post closure liability was recognized for the first time in 2015 for two closed landfill sites – Harper Road and the Nelson landfill amounting to \$2.0 million in total. Contractual services were higher by \$2.5 million as a result of the emergency digester clean out at the Treatment Plant, sewer relining and rehabilitation and non-capital expenditures incurred for the Treatment Plant capital project. Amortization increased \$1.0 million over 2014 also as a result of the large capital additions undertaken at the Plant.
- Health services spending remain relatively comparable with the previous year. The decrease relates to the Peterborough County-City Health Unit's sale of their facility on Hospital Drive resulting in a gain on disposal of \$2.0 million.
- Social and Family Services costs increased \$3.7 million. A contributing factor was higher personnel costs due to the Pay Equity settlement with CUPE Local 126 along with higher wages and salaries at Fairhaven. Transfers related to early learning and childhood development increased over the previous year as it is a new Social Services program. This program is fully funded by 100% Provincial grants.
- Recreation and cultural services saw higher wages as a result of the Pay Equity settlement with both CUPE Locals 126 and 1833.

The annual surplus amounts to \$21.5 million (2014 - \$20.9 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 \$29.8 million (2014 - \$28.1 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 \$65.0 million (2014 - \$62.9 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 \$81.9 million (2014 - \$95.7 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 \$13.8 million in the net financial asset position results primarily from revenues being in excess of operating expenses of \$21.5 million and amortization of tangible capital assets of \$29.8 million to finance the acquisition of tangible capital assets totaling \$65.0 million. For a more detailed accounting, refer to the Statement of Net Financial Assets on Page 6 of the Consolidated Financial Report.

The accumulated surplus of \$764.1 million (2014 - \$742.5 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. Traditionally, a municipal surplus was the operating surplus only, (shown in the first line in Chart 4) but with the current reporting model, the accumulated surplus 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**

	2015 \$	2014 \$
<b>Surplus/(Deficit)</b>		
<b>City of Peterborough</b>		
Operating surplus	145,542	180,081
Unexpended financing	6,487,012	4,702,893
	4,882,974	4,882,974
<b>Consolidated Entities</b>		
Peterborough County-City Health Unit	2,223,504	49,528
The Village Business Improvement Area	36,699	31,689
Greater Peterborough Area Economic Development Corp.	76,792	43,195
Peterborough Downtown Business Improvement Area	166,389	87,658
Peterborough Utilities Commission	4,490,915	8,461,472
Peterborough Public Library Board	-	47,190
	6,994,299	8,720,732
<b>Unfunded amounts</b>		
Employee benefits	(28,625,999)	(28,301,899)
Solid waste landfill closure and post-closure	(6,684,196)	(4,626,208)
Accrued interest on long term debt	(952,597)	(896,900)
	(36,262,792)	(33,825,007)
<b>Inventory for resale</b>	8,480,593	8,480,593
<b>Equity in government business enterprise (below)</b>	92,650,000	93,028,391
<b>Invested in Tangible Capital Assets</b>		
Tangible capital assets net book value	679,949,010	645,161,769
Unexpended capital financing	4,617,303	484,175
Long term debt	(107,533,626)	(95,490,781)
	577,032,687	550,155,163
<b>Reserve Funds and Reserves</b>		
Discretionary reserve funds	27,381,164	32,770,728
Reserves	81,159,470	78,311,362
	108,540,634	111,082,090
<b>ACCUMULATED SURPLUS</b>	<b>764,067,975</b>	<b>742,524,936</b>

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

Investment in government business enterprise	98,400,000	98,778,391
Short term cash advances converted to shares	(5,750,000)	(5,750,000)
Equity in government business enterprise	92,650,000	93,028,391

## Conclusion

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

The level of capital spending throughout 2015 remained high at \$65.0 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,

Sandra Clancy  
Director of Corporate Services

Appendix B

## **City of Peterborough – Five Year Review**

# CITY OF PETERBOROUGH

## FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2015	2014	2013	2012	2011
<b>CURRENT PROGRAM ACTIVITY</b>					
<b>Consolidated Revenues</b>					
Taxation	114,700	109,085	103,270	99,371	96,319
Taxation from other governments	3,070	2,900	2,714	2,752	2,666
Fees and service charges	65,078	65,538	62,397	65,448	60,515
Government grants and other Municipalities	93,415	84,684	78,557	80,512	85,434
Development levies	4,442	4,145	8,199	6,790	8,121
Investment and other revenue	16,477	16,609	22,051	20,593	18,655
	297,182	282,961	277,188	275,466	271,710
<b>Expenses</b>	275,639	262,100	252,556	248,616	244,818
<b>Growth in accumulated surplus</b>	21,543	20,861	24,632	26,850	26,892
<b>NET LONG TERM LIABILITIES</b>					
For general municipal activities	106,919	94,306	92,239	91,669	77,196
For municipal enterprises	615	1,185	1,715	2,347	2,938
	107,534	95,491	93,954	94,016	80,134
General municipal activities - net long term liabilities as % of CVA	1.3%	1.2%	1.2%	1.2%	1.1%
<b>CURRENT CHARGES FOR NET LONG TERM LIABILITIES</b>					
General municipal activities and for municipal enterprise	12,835	12,855	12,986	11,767	12,658
<b>CURRENT VALUE ASSESSMENT (CVA) - TAXABLE</b>					
Residential and farm	6,820,112	6,613,688	6,404,837	6,194,867	5,857,704
Commercial and industrial	1,246,702	1,215,601	1,189,123	1,155,969	1,061,768
	8,066,814	7,829,289	7,593,960	7,350,836	6,919,472
Percentage increase from previous year	3.03%	3.10%	3.31%	6.23%	6.78%
Commercial / industrial CVA as percentage of total	15.5%	15.5%	15.7%	15.7%	15.3%

# CITY OF PETERBOROUGH

## FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2015	2014	2013	2012	2011
<b>VALUE OF BUILDING PERMITS ISSUED</b>					
Residential	63,305	70,322	81,996	70,043	69,805
Commercial	17,126	31,356	20,287	29,336	35,992
Industrial	4,616	56,232	4,179	4,865	9,690
Institutional	23,907	11,164	13,512	38,818	6,368
	108,954	169,074	119,973	143,062	121,854
Percentage increase (decrease) from previous year	-35.6%	40.9%	-16.1%	17.4%	51.4%
<b>TAX LEVY AND ARREARS</b>					
<b>Tax levy</b>					
Current year's tax levy - municipal and education combined	147,859	139,655	134,635	129,836	125,701
Percentage increase over previous year	5.9%	3.7%	3.7%	3.3%	3.1%
<b>Tax arrears</b>					
Total arrears (excluding Allowance for Doubtful Accounts)	6,020	7,479	6,834	6,158	5,725
Percentage increase (decrease) over previous year	-19.5%	9.4%	11.0%	7.6%	-1.6%
Tax arrears as a percentage of current tax levy	4.1%	5.4%	5.1%	4.7%	4.6%
<b>POPULATION &amp; SIZE</b>					
Estimated Population (Updated for 2011 Census)	78,700	78,700	78,700	78,700	78,700
Area in acres	16,639	16,639	16,639	16,523	16,523
<b>PER CAPITA INFORMATION</b>					
CVA - Taxable	102,501	99,483	96,493	93,403	87,922
Expenses	3,502	3,330	3,209	3,159	3,111
Net long-term debt for general municipal activities and municipal enterprise	1,366	1,213	1,194	1,195	1,018
Tax arrears	76	95	87	78	73



# CITY OF PETERBOROUGH

## FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2015	2014	2013	2012	2011
<b>RATES OF TAXATION</b>					
<b>Municipal tax rates</b>					
Residential	1.2361920%	1.2132270%	1.1788420%	1.1558860%	1.1717390%
Multi-residential	2.4071250%	2.3624080%	2.2954530%	2.2507530%	2.2816220%
New Multi-residential	1.2361920%	1.2132270%	1.1788420%	1.1558860%	1.1717390%
Commercial	2.0028160%	1.9656100%	1.9571130%	1.9652950%	2.0391770%
Commercial Vacant	1.4019720%	1.3759270%	1.3699790%	1.3757120%	1.4274240%
Industrial	2.3631050%	2.3192050%	2.4152110%	2.5267670%	2.7221840%
Industrial Vacant	1.5360180%	1.5074830%	1.5698870%	1.6423980%	1.7694200%
Pipeline	1.5707060%	1.5415260%	1.4978370%	1.4686690%	1.4888120%
Farmlands	0.3090480%	0.3033070%	0.2947110%	0.2889720%	0.2929350%
<b>Education tax rates</b>					
Residential	0.1950000%	0.2030000%	0.2120000%	0.2210000%	0.2310000%
Multi-residential	0.1950000%	0.2030000%	0.2120000%	0.2210000%	0.2310000%
New Multi-residential	0.1950000%	0.2030000%	0.2120000%	0.2210000%	0.2310000%
Commercial	1.4163160%	1.4457340%	1.4772980%	1.4788620%	1.5733320%
Commercial Vacant	0.9914210%	1.0120140%	1.0341090%	1.0352034%	1.1013324%
Industrial	1.5300000%	1.5600000%	1.5900000%	1.5900000%	1.9300000%
Industrial Vacant	0.9945000%	1.0140000%	1.0335000%	1.0335000%	1.2545000%
Pipeline	1.1900000%	1.2200000%	1.2600000%	1.2600000%	1.3295430%
Farmlands	0.0487500%	0.0507500%	0.0530000%	0.0552500%	0.0577500%
<b>Combined municipal and education tax rates</b>					
Residential	1.4311920%	1.4162270%	1.3908420%	1.3768860%	1.4027390%
Multi-residential	2.6021250%	2.5654080%	2.5074530%	2.4717530%	2.5126220%
Commercial	3.4191320%	3.4113440%	3.4344110%	3.4441570%	3.6125090%
Commercial Vacant	2.3933930%	2.3879410%	2.4040880%	2.4109154%	2.5287564%
Industrial	3.8931050%	3.8792050%	4.0052110%	4.1167670%	4.6521840%
Industrial Vacant	2.5305180%	2.5214830%	2.6033870%	2.6758980%	3.0239200%
Pipeline	2.7607060%	2.7615260%	2.7578370%	2.7286690%	2.8183550%
Farmlands	0.3577980%	0.3540570%	0.3477110%	0.3442220%	0.3506850%

Appendix C

**Consolidated Financial Report Including Trust Funds  
Financial Statement**

**Corporation of the City of Peterborough**  
**Consolidated Financial Statements**  
**At December 31, 2015**

## Table of Contents

Management Report .....	1
Independent Auditors' Report for the Consolidated Financial Statements .....	2
Statement of Financial Position .....	4
Statement of Operations and Accumulated Surplus .....	5
Statement of Change in Net Financial Assets .....	6
Statement of Cash Flows .....	7
Notes to the Consolidated Financial Statements .....	8
Schedule of Tangible Capital Assets .....	37
Schedules of Segment Disclosure .....	38
Independent Auditors' Report for the Trust Fund Statements .....	40
Statement of Continuity and Statement of Financial Position .....	42
Note to the Trust Funds Financial Statements .....	43



## The Corporation of the City of Peterborough

For The Year Ended December 31, 2015

### 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 have full and free access to Council and the Audit Committee.

Mayor \_\_\_\_\_

Date \_\_\_\_\_

Chief Administrative Officer \_\_\_\_\_

Date \_\_\_\_\_

Director of Corporate  
Services/Treasurer \_\_\_\_\_

Date \_\_\_\_\_

## **Independent Auditors' 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, 2015, 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.

#### **Auditors' 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 auditors' 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, 2015 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

DRAFT

# CORPORATION OF THE CITY OF PETERBOROUGH

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2015

	2015 \$	2014 \$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 3)	48,504,452	49,522,931
Taxes receivable (Note 5)	4,686,189	5,306,110
Accounts receivable (Note 6)	25,303,760	20,457,303
Inventory held for resale	8,590,409	8,595,200
Investments (Note 7)	94,488,006	91,206,343
Other receivables (Note 8)	1,426,256	1,597,697
Investment in Government Business Enterprise (Note 9)	98,400,000	98,778,391
	281,399,072	275,463,975
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	35,734,928	30,222,504
Deferred revenue (Note 10)	3,402,844	2,909,363
Solid waste landfill closure and post-closure (Note 11)	6,684,196	4,626,208
Deferred revenue - obligatory reserve funds (Note 12)	15,157,533	16,035,520
Employee benefits (Note 13)	31,032,562	30,524,724
Long term debt (Note 14)	107,533,626	95,490,781
	199,545,689	179,809,100
<b>NET FINANCIAL ASSETS</b>	81,853,383	95,654,875
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 15)	679,949,010	645,161,769
Prepaid expenses	1,547,517	975,690
Inventory of supplies	718,065	732,602
	682,214,592	646,870,061
<b>ACCUMULATED SURPLUS (Note 16)</b>	<b>764,067,975</b>	<b>742,524,936</b>

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, 2015

	Budget 2015 \$ (Unaudited)	2015 \$	2014 \$
<b>REVENUES</b>			
Property taxation	114,243,242	114,699,575	109,084,703
Taxation from other governments	3,205,879	3,069,998	2,899,741
User fees and service charges	66,256,005	65,078,391	65,537,694
Government grants and other municipalities	87,866,597	93,415,189	84,684,043
Development levies and contributions from developers	5,553,034	4,442,309	4,145,496
Licenses, permits, royalties and rents	1,743,205	2,910,916	2,659,837
Fines and other charges	2,400,000	2,642,272	2,217,226
Penalties and interest on taxes	850,000	922,744	928,807
Investment income	1,893,489	2,504,151	4,276,743
Donations and contributed tangible capital assets	131,000	1,152,836	2,902,850
Other	1,175,522	1,386,598	1,402,791
Income from government business enterprise (Note 9)	-	4,956,609	2,221,399
<b>TOTAL REVENUES</b>	<b>285,317,973</b>	<b>297,181,588</b>	<b>282,961,330</b>
<b>EXPENSES</b>			
General government	16,579,542	13,096,091	12,016,437
Protection services	47,845,089	48,666,755	46,842,713
Transportation services	36,126,926	36,093,892	36,123,311
Environmental services	35,707,055	38,893,791	32,981,699
Health services	11,911,087	9,697,562	11,256,939
Social and family services	77,200,587	75,497,700	71,754,205
Social housing	22,159,548	21,386,780	20,578,302
Recreation and cultural services	26,129,105	27,592,338	25,502,487
Planning and development	3,906,248	4,713,640	5,044,105
<b>TOTAL EXPENSES</b>	<b>277,565,187</b>	<b>275,638,549</b>	<b>262,100,198</b>
<b>ANNUAL SURPLUS</b>	<b>7,752,786</b>	<b>21,543,039</b>	<b>20,861,132</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>742,524,936</b>	<b>742,524,936</b>	<b>721,663,804</b>
<b>ACCUMULATED SURPLUS, end of year (Note 16)</b>	<b>750,277,722</b>	<b>764,067,975</b>	<b>742,524,936</b>

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, 2015

	Budget 2015 \$ (Unaudited)	2015 \$	2014 \$
Annual Surplus	7,752,786	21,543,039	20,861,132
Amortization of tangible capital assets	29,115,061	29,750,948	28,091,974
Proceeds on disposal of tangible capital assets	-	2,312,461	163,502
Loss/(gain) on disposal of tangible capital assets	-	(1,883,995)	697,459
Acquisition of tangible capital assets	(79,452,645)	(64,966,655)	(62,925,203)
Change in prepaid expenses	-	(571,827)	(177,531)
Change in inventory of supplies	(5,000)	14,537	(7,756)
<b>DECREASE IN NET FINANCIAL ASSETS</b>	<b>(42,589,798)</b>	<b>(13,801,492)</b>	<b>(13,296,423)</b>
<b>NET FINANCIAL ASSETS, beginning of year</b>	<b>95,654,875</b>	<b>95,654,875</b>	<b>108,951,298</b>
<b>NET FINANCIAL ASSETS, end of year</b>	<b>53,065,077</b>	<b>81,853,383</b>	<b>95,654,875</b>

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, 2015

	2015 \$	2014 \$
<b>OPERATIONS</b>		
Annual Surplus	21,543,039	20,861,132
Non-cash charges to/(revenue from) operations:		
Amortization	29,750,948	28,091,974
(Gain)/loss on disposal of tangible capital assets	(1,883,995)	697,459
Income from government business enterprises	(4,956,609)	(2,221,399)
Solid waste landfill closure and post-closure	2,057,988	(23,381)
Employee benefits and other liabilities	507,838	178,428
Donated tangible capital assets	(983,019)	(2,637,075)
Change in non-cash working capital (Note 17)	520,324	(2,578,715)
Net increase in cash related to operations	46,556,514	42,368,423
<b>CAPITAL</b>		
Proceeds on disposal of tangible capital assets	2,312,461	163,502
Purchased tangible capital assets	(63,983,636)	(60,288,128)
Net decrease in cash related to capital	(61,671,175)	(60,124,626)
<b>INVESTING</b>		
Proceeds from portfolio investments	46,817,474	34,386,360
Purchase of portfolio investments	(50,099,137)	(52,061,864)
Dividends received from government business enterprise	5,335,000	3,482,000
Net increase/(decrease) in cash related to investing	2,053,337	(14,193,504)
<b>FINANCING</b>		
Long term debt issued	22,273,100	10,472,400
Long term debt principal repayment	(10,230,255)	(8,935,851)
Net increase in cash related to financing	12,042,845	1,536,549
<b>NET CHANGE IN CASH AND TEMPORARY INVESTMENTS</b>	(1,018,479)	(30,413,158)
<b>CASH AND TEMPORARY INVESTMENTS, beginning of year</b>	49,522,931	79,936,089
<b>CASH AND TEMPORARY INVESTMENTS, end of year</b>	48,504,452	49,522,931

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, 2015

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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 (2015 – 66%) (2014 – 66%)
2. Peterborough County-City Health Unit (2015 – 57%) (2014 – 57%)
3. Greater Peterborough Area Economic Development Corporation (2015 – 60%) (2014 – 60%)

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

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4. Peterborough County-City Waste Management Facility (2015 - 50%) (2014 – 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	3-60 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, 2015

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### 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.

### 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.

### 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.

### Deferred Revenue - 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. These funds by their nature are restricted in their use and until applied to applicable capital works are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are earned.

### 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.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

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### **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.

### **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.

### **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 contribution 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, 2015

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### 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 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, 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 policy.

#### 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, 2015

### 2. Change in Accounting Policy

The Corporation of the City of Peterborough implemented Public Sector Accounting Handbook section 3260 - Liability for Contaminated Sites during the 2015 fiscal year. Section 3260 requires governments to record a liability in their financial statements if they own or have taken responsibility for a contaminated site that meets the requirements set out in the standard. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities are included in the liability for remediation, establishes when to recognize and how to measure the liability and provides guidance on financial statement presentation and disclosure. This change has been applied prospectively without restatement of prior periods in accordance with Handbook requirements.

### 3. Cash and Temporary Investments

This figure is comprised of the following:

	2015 \$	2014 \$
Petty cash and cash floats	45,301	44,885
Temporary investments	18,924,412	4,000,000
Unrestricted cash	22,500,596	38,942,355
Restricted cash	7,034,143	6,535,691
	<b>48,504,452</b>	<b>49,522,931</b>

### 4. Transfers to the School Boards

During 2015, the City made property tax transfers to the School Boards. The amounts collected and remitted amounted to \$30,766,887 (2014 - \$30,808,617). These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### 5. Taxes Receivable

This figure is comprised of the following:

	2015 \$	2014 \$
Current year's levies	3,188,294	3,019,216
Previous year's levies	1,341,791	1,536,348
Prior year's levies	1,121,023	2,664,528
Penalties and interest	969,789	1,693,429
	6,620,897	8,913,521
Allowance for uncollectible taxes	(1,934,708)	(3,607,411)
	<b>4,686,189</b>	<b>5,306,110</b>

### 6. Accounts Receivable

This figure is comprised of the following:

	2015 \$	2014 \$
Government of Canada	3,796,031	3,255,853
Government of Ontario	5,135,857	4,158,973
Other municipalities and school boards	1,546,067	1,995,400
User charges and other receivables	14,825,805	11,047,077
	<b>25,303,760</b>	<b>20,457,303</b>

### 7. Investments

The investments have a cost value of \$94,488,006 (2014 - \$91,206,343) at the end of the year. Investments consist of bonds, banker's acceptances and other principal guaranteed marketable securities. Any discount or premium on the purchase price is amortized over the life of the investment.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### 8. Other Receivables

This figure is comprised of the following:

	2015 \$	2014 \$
Trent University – Woodland Acres Sanitary Sewer	82,187	106,079
Peterborough Lakers Lacrosse Association	24,000	36,000
Peterborough Lawn Bowling Club	395,000	445,000
Market Hall Performing Arts Incorporated	419,940	441,940
Peterborough Rugby Union Football Club	230,129	258,678
Peterborough Youth Soccer Club	240,000	270,000
Kinsmen Minor Football League Inc.	35,000	40,000
	<b>1,426,256</b>	<b>1,597,697</b>

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 \$299,000 (2014 - \$346,000) approved by Council to qualifying community groups have been made on an interest free basis.

### 9. Investment in Government Business Enterprise

#### City of Peterborough Holdings Inc.

City of Peterborough Holdings Inc. is the company 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 Solar Projects Corporation.

All of the above companies, with the exception of Peterborough Solar Projects Corporation, are wholly owned by the City of Peterborough Holdings Inc., which, in turn, is wholly owned by the Corporation of the City of Peterborough.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

### For The Year Ended December 31, 2015

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

	2015 \$	2014 \$
Investment in shares	60,098,410	60,098,410
<b>Retained earnings:</b>		
Beginning balance	38,679,981	39,940,582
Net earnings	4,956,609	2,221,399
Less dividends	(5,335,000)	(3,482,000)
	38,301,590	38,679,981
	<b>98,400,000</b>	<b>98,778,391</b>

The following table provides condensed financial information in respect of City of Peterborough Holdings Inc. for its fiscal years ending December 31. Figures for 2014 and 2015 have been rounded to the nearest \$1,000.

#### Financial Position:

	2015 \$	2014 \$
Current assets	34,976,000	35,980,000
Capital and intangible assets	233,547,000	210,016,000
Regulatory assets	4,212,000	5,388,000
Deferred tax assets	4,175,000	4,411,000
<b>Total Assets</b>	<b>276,910,000</b>	<b>255,795,000</b>
Current liabilities	27,041,000	26,436,000
Other long term liabilities	143,800,000	123,363,000
Deferred tax liabilities	7,552,000	7,217,000
<b>Total liabilities</b>	<b>178,393,000</b>	<b>157,016,000</b>
<b>Shareholder's Equity</b>		
Capital stock	60,098,000	60,098,000
Accumulated other comprehensive income	(2,905,000)	(2,362,000)
Retained earnings	41,207,000	41,043,000
	<b>98,400,000</b>	<b>98,779,000</b>
<b>Total liabilities and Shareholder's Equity</b>	<b>276,910,000</b>	<b>255,795,000</b>

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### Results of Operations:

	2015 \$	2014 \$
Revenues	142,917,000	139,417,000
Expenses	135,442,000	135,638,000
Net income before provision for corporate income taxes	7,475,000	3,779,000
Provision for corporate income taxes	1,976,000	668,000
Income of government business enterprise	<b>5,499,000</b>	<b>3,111,000</b>

During the year the City received dividends totalling \$5,335,000 (2014 - \$3,482,000) and interest totalling \$Nil (2014 - \$1,646,912) on the notes receivable. The notes receivable were paid off and converted to shares during 2014.

### 10. Deferred Revenue

This figure is comprised of the following:

	2015 \$	2014 \$
Rents, user fees and service charges	1,100,586	1,150,538
Tickets, events and site deposits	903,379	739,946
Social and family services related	331,399	563,792
Government funding	1,067,480	455,087
	<b>3,402,844</b>	<b>2,909,363</b>

### 11. Solid waste landfill closure and post closure

The solid waste landfill closure and post closure liability of \$6,684,196 (2014 - \$4,626,208) 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, 2015 is \$11,839,290 (2014 - \$11,920,720). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2014 - 2.25%),

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

### For The Year Ended December 31, 2015

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discounted at a rate of 5% (2014 - 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 is 100% (2014 - 100%) and at the NFA is 29% (2014 - 21%).

The net present value of estimated closure and post closure costs for the Harper Road closed landfill site as at December 31, 2015 is \$917,220 (2014 - \$0). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2014 - 0.00%), discounted at a rate of 5% (2014 - 0%). Estimated utilization of existing site capacity at December 31 is 100% (2014 - 0%). 2015 is the first year in which this closed landfill site was evaluated based on pronouncements received from the Ministry of the Environment and Climate Change.

The net present value of estimated closure and post closure costs for the Nelson closed landfill site as at December 31, 2015 is \$1,066,390 (2014 - \$0). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2014 - 0.00%), discounted at a rate of 5% (2014 - 0%). Estimated utilization of existing site capacity at December 31 is 100% (2014 - 0%). 2015 is the first year in which this closed landfill site was evaluated based on pronouncements received from the Ministry of the Environment and Climate Change.

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 applicable.

## **12. Deferred Revenue - Obligatory Reserve Funds**

A requirement of the public sector accounting board of Chartered Professional Accountants Canada (CPA Canada) 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.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

This figure is comprised of the following:

	2015 \$	2014 \$
Development Charges	8,205,578	6,287,402
Parkland	365,954	920,358
Building Code	161,315	277,739
Federal Gasoline Tax	6,147,905	8,301,465
Provincial Gasoline Tax	276,781	248,556
	<b>15,157,533</b>	<b>16,035,520</b>

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

	2015 \$	2014 \$
Balance – beginning of year	16,035,520	17,568,208
<b>Add amounts received:</b>		
Development charges received	5,361,191	3,173,178
Parkland fees and subdivider contributions	84,972	162,097
Building code permits and other revenues	1,325,218	1,426,004
Provincial gasoline tax	1,576,350	1,570,227
Federal gasoline tax	4,557,466	4,680,229
Investment income	162,501	238,386
	<b>13,067,698</b>	<b>11,250,121</b>
<b>Less amounts utilized:</b>		
Development charges earned	3,511,475	3,675,315
Parkland fees and subdivider contributions earned	645,400	262,000
Building code permits earned	1,441,642	1,403,463
Provincial and Federal gasoline tax earned	8,347,168	7,442,031
	<b>13,945,685</b>	<b>12,782,809</b>
Balance – end of year	<b>15,157,533</b>	<b>16,035,520</b>

### 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.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

This figure is comprised of the following:

	2015 \$	2014 \$
Accrued benefit obligation, beginning of year	27,310,204	26,764,463
Actuarial gain	949,287	-
	28,259,491	26,764,463
Current period benefit expense	1,774,135	1,262,862
Interest	1,033,921	943,209
Benefit payments	(2,045,665)	(1,660,330)
Accrued benefit obligation, end of year	29,021,882	27,310,204
Unamortized actuarial gain	2,010,680	3,214,520
<b>Employee benefits and other liabilities, end of year</b>	<b>31,032,562</b>	<b>30,524,724</b>

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 2014 to 2015 with the exception of the interest discount rate as noted. 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% (2014 - 4.25%)	4.5% (2014 - 4.25%)	4.25%	4.5% (2014 - 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 65<sup>th</sup> 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.



# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### 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, 2015, 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, 2015, that is updated annually.

### Vacation Pay Entitlements

Vacation pay entitlements are based on employees' years of service. Current obligations total \$3,000,386 (2014 - \$2,792,060) of which \$2,406,563 (2014 - \$2,222,825) does not need to be recovered in future 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 7.625% (2014 – 2.90% to 7.625%)

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

	2016 to 2020	2021 to 2025	2026 Onward	Total
	\$	\$	\$	\$
From general revenues	61,601,667	32,590,167	13,341,791	107,533,626

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 \$3,915,431 (2014 - \$3,928,790).

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### 15. Tangible Capital Assets

This figure is comprised of the following:

	Net Book Value	
	2015	2014
	\$	\$
<b>General</b>		
Land and land improvements	110,327,289	109,004,145
Buildings and leaseholds	118,059,133	110,605,215
Machinery and equipment	13,446,841	13,910,656
Vehicles	21,371,603	19,439,443
Books and materials	1,480,931	1,453,705
<b>Infrastructure</b>		
Land and land improvements	25,958,862	25,983,710
Buildings	29,027,767	21,360,750
Machinery & vehicles	898,749	1,201,840
Roadways and sidewalks	123,031,405	124,163,708
Storm sewer system	46,129,004	46,227,362
Wastewater system	68,052,248	64,221,652
Water system	84,575,443	82,991,965
	642,359,275	620,564,151
Assets under construction	37,589,735	24,597,618
<b>Total tangible capital assets</b>	<b>679,949,010</b>	<b>645,161,769</b>

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

During 2015 and 2014, there were no write-downs of assets and no interest capitalized. Assets contributed to the City were capitalized at their fair value and amounted to \$983,019 (2014 - \$2,637,075).

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

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Tangible capital assets by function are comprised of the following:

	Net Book Value	
	2015	2014
	\$	\$
General government	31,950,085	29,991,247
Protection to persons and property	17,273,982	17,868,894
Transportation services	188,038,145	187,870,574
Environmental services	252,704,611	230,713,699
Health services	173,703	409,386
Social and family services	9,606,700	10,341,461
Social housing	36,372,782	37,164,246
Recreation and cultural services	82,422,276	82,380,183
Planning and development	23,816,991	23,824,461
Assets under construction	37,589,735	24,597,618
Total tangible capital assets	<b>679,949,010</b>	<b>645,161,769</b>

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### 16. Accumulated Surplus

This figure is comprised of the following:

	2015 \$	2014 \$
<b>Surplus City of Peterborough</b>		
Operating surplus before consolidated entities	145,542	180,081
Unexpended financing	6,487,012	4,702,893
	6,632,554	4,882,974
<b>Consolidated Entities</b>		
Peterborough County-City Health Unit	2,223,504	49,528
The Village Business Improvement Area	36,699	31,689
Greater Peterborough Area Economic Development Corporation	76,792	43,195
Peterborough Downtown Business Improvement Area	166,389	87,658
Peterborough Utilities Commission	4,490,915	8,461,472
Peterborough Public Library Board	-	47,190
	6,994,299	8,720,732
<b>Unfunded amounts</b>		
Employee benefits	(28,625,999)	(28,301,899)
Solid waste landfill closure and post-closure	(6,684,196)	(4,626,208)
Accrued interest on long term debt	(952,597)	(896,900)
	(36,262,792)	(33,825,007)
<b>Inventory held for resale</b>	8,480,593	8,480,593
<b>Equity in government business enterprise (below)</b>	92,650,000	93,028,391
<b>Invested in Tangible Capital Assets</b>		
Tangible capital assets net book value	679,949,010	645,161,769
Unexpended capital financing	4,617,303	484,175
Long term debt	(107,533,626)	(95,490,781)
	577,032,687	550,155,163
<b>Reserve Funds and Reserves</b>		
Discretionary reserve funds	27,381,164	32,770,728
Reserves	81,159,470	78,311,362
	108,540,634	111,082,090
<b>Accumulated Surplus</b>	<b>764,067,975</b>	<b>742,524,936</b>

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

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

	2015 \$	2014 \$
Investment in government business enterprise (Note 9)	98,400,000	98,778,391
Short term advances due on demand converted to shares	(5,750,000)	(5,750,000)
Equity in government business enterprise	<b>92,650,000</b>	<b>93,028,391</b>

### 17. Change in Non-Cash Working Capital

The increase/(decrease) in this figure is comprised of the following:

	2015 \$	2014 \$
Taxes receivable	619,921	(457,077)
Accounts receivable	(4,846,457)	6,665,417
Inventory held for resale	4,791	2,075
Other receivables	171,441	198,127
Accounts payable and accrued liabilities	5,512,424	(7,248,277)
Deferred revenue	493,481	(21,005)
Deferred revenue – obligatory reserves	(877,987)	(1,532,688)
Prepaid expenses	(571,827)	(177,531)
Inventory of supplies	14,537	(7,756)
	<b>520,324</b>	<b>(2,578,715)</b>

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### 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:

	<b>Budget 2015</b> <b>\$</b> <b>(Unaudited)</b>	<b>2015</b> <b>\$</b>	<b>2014</b> <b>\$</b>
Salary, wages and employee benefits	105,325,288	108,002,831	102,096,492
Interest on long term debt	6,396,958	3,859,734	3,922,714
Materials	34,769,320	36,553,850	33,270,549
Contracted services	45,774,453	45,259,918	41,515,576
Rents and financial expenses	2,167,977	2,048,876	2,153,002
External transfers	54,016,130	52,046,387	50,352,432
Amortization	29,115,061	29,750,948	28,091,974
(Gain)/loss on disposal of tangible capital assets	-	(1,883,995)	697,459
	<b>277,565,187</b>	<b>275,638,549</b>	<b>262,100,198</b>

### 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, 2015

### Financial Position:

	2015		2014	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	2,851,298	1,900,865	2,603,661	1,719,000
Liabilities	14,612,374	9,741,583	15,240,044	10,160,029
Net financial liabilities	(11,761,076)	(7,840,718)	(12,661,544)	(8,441,029)
Non-financial assets	14,297,863	9,531,909	15,404,873	10,269,915
Accumulated surplus	<b>2,536,787</b>	<b>1,691,191</b>	<b>2,743,329</b>	<b>1,828,886</b>

### Results of Operations:

	2015		2014	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	20,305,958	13,537,305	19,574,213	13,049,475
Expenses	20,512,500	13,675,000	19,591,769	13,061,179
Annual deficit	<b>(206,542)</b>	<b>(137,695)</b>	<b>(17,556)</b>	<b>(11,704)</b>

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 \$342,702 respectively.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### Peterborough County-City Health Unit

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

### Financial Position:

	2015		2014	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	7,889,897	4,497,242	3,739,667	2,131,610
Liabilities	3,713,943	2,116,949	2,995,721	1,707,561
Net financial assets	4,175,954	2,380,293	743,946	424,049
Non-financial assets	1,777,967	1,013,441	760,849	433,684
Accumulated surplus	<b>5,953,921</b>	<b>3,393,734</b>	<b>1,504,795</b>	<b>857,733</b>

### Results of Operations:

	2015		2014	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	16,923,876	9,646,609	12,271,791	6,994,921
Expenses	12,474,750	7,110,608	12,389,871	7,062,226
Annual surplus/(deficit)	<b>4,449,126</b>	<b>2,536,001</b>	<b>(118,080)</b>	<b>(67,305)</b>



# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### Greater Peterborough Area Economic Development Corporation (GPAEDC)

The GPAEDC 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:

	2015		2014	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	490,861	294,517	522,921	313,753
Liabilities	322,112	193,267	407,092	244,255
Net financial assets	168,749	101,250	115,829	69,498
Non-financial assets	10,833	6,500	4,986	2,992
Accumulated surplus	<b>179,582</b>	<b>107,750</b>	<b>120,815</b>	<b>72,490</b>

#### Results of Operations:

	2015		2014	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	2,594,964	1,556,978	2,022,132	1,213,279
Expenses	2,536,197	1,521,718	1,967,377	1,180,426
Annual surplus	<b>58,767</b>	<b>35,260</b>	<b>54,755</b>	<b>32,853</b>

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### 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 \$(41,485) (2014 – \$425,076).

### Results of Operations:

	2015		2014	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	2,513,672	1,256,836	3,030,426	1,515,213
Expenses	3,391,504	1,695,752	3,323,104	1,661,552
Net expenses	(877,832)	(438,916)	(292,678)	(146,339)

## 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 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 2015, the current service cost amounted to \$8,219,217 (2014 - \$6,508,818).

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

### 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 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	167,775	109,775	2,850	280,440
Pearson Child Care	168,463	82,081	-	250,544
School Age Programs	40,478	24,818	-	65,296
	<b>376,716</b>	<b>216,674</b>	<b>2,850</b>	<b>596,280</b>

### 22. Trust Funds

Trust funds administered by the Corporation of the City of Peterborough amounting to \$394,251 (2014 - \$391,050) 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, 2015

### 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
2016	2,529,371	644,362	3,173,733
2017	2,570,929	644,362	3,215,291
2018	2,613,739	161,090	2,774,829
2019	2,657,801	-	2,657,801
2020	2,703,151	-	2,703,151
Thereafter	15,985,352	-	15,985,352
Total minimum lease payments	29,060,343	1,449,814	30,510,157
Less: payments assumed by sub-lessee	9,541,360	-	9,541,360
	<b>19,518,983</b>	<b>1,449,814</b>	<b>20,968,797</b>

- (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.

### 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

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

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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, 2015 is \$4,183,000 (2014 - \$4,355,000).

### **28. Provincial Offences Offices**

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, 2015, amounted to \$2,642,272 (2014 - \$2,217,226) and \$1,459,828 (2014 - \$1,110,754) 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 2015, the proportion based on weighted assessment for the City was 46.0% (2014 -

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

### For The Year Ended December 31, 2015

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46.3%). Based on this percentage, the City's portion of Net Revenues was \$671,521 (2014 - \$514,279).

Included in the Statement of Financial Position is an amount due from/(to) the County of Peterborough of \$162,531 (2014 – \$6,435).

#### **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 2015, the City reviewed its methodology for allocation of segmented information and determined an update was required. As a result, certain figures in both current and prior years have been reclassified to conform to the segmented presentation adopted in the current year. The annual surplus for either year was not affected by this reclassification.

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 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.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

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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 the Peterborough County-City Health Unit 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.

### **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.

# Corporation of the City of Peterborough

## Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2015

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### **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. 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, 2015

	General					Infrastructure								
	Land and land Improvements	Buildings and leaseholds	Machinery and equipment	Vehicles	Books and materials	Land and land Improvements	Buildings	Machinery & Vehicles	Roadways and sidewalks	Storm sewer system	Wastewater System	Water System	Assets under Construction	Total \$
<b>COST</b>														
Balance, beginning of year	132,208,941	209,113,832	24,860,880	32,419,236	3,206,366	26,070,678	44,735,277	4,263,870	224,357,209	66,309,454	92,004,520	152,631,719	24,597,618	1,036,779,600
Add: Additions	386,863	187,978	48,315	-	471,779	-	4,887,694	-	-	-	-	5,663,539	53,320,487	64,966,655
Less: disposals and retirements	6,924	501,262	171,448	441,023	330,380	-	-	93,148	1,376,377	3,192	23,544	-	-	2,947,298
Interfund transfers	3,779,595	13,723,033	2,002,318	4,281,232	-	-	3,950,382	-	4,914,789	869,520	6,526,873	280,628	(40,328,370)	-
<b>BALANCE, end of year</b>	<b>136,368,475</b>	<b>222,523,581</b>	<b>26,740,065</b>	<b>36,259,445</b>	<b>3,347,765</b>	<b>26,070,678</b>	<b>53,573,353</b>	<b>4,170,722</b>	<b>227,895,621</b>	<b>67,175,782</b>	<b>98,507,849</b>	<b>158,575,886</b>	<b>37,589,735</b>	<b>1,098,798,957</b>
<b>ACCUMULATED AMORTIZATION</b>														
Balance, beginning of year	23,204,796	98,508,617	10,950,224	12,979,793	1,752,661	86,968	23,374,527	3,062,030	100,193,501	20,082,092	27,782,868	69,639,754	-	391,617,831
Add: Amortization	2,836,390	6,282,078	2,536,136	2,259,005	444,553	24,848	1,171,059	303,091	5,880,058	965,998	2,687,043	4,360,689	-	29,750,948
Less: disposals and retirements	-	326,247	193,136	350,956	330,380	-	-	93,148	1,209,343	1,312	14,310	-	-	2,518,832
<b>BALANCE, end of year</b>	<b>26,041,186</b>	<b>104,464,448</b>	<b>13,293,224</b>	<b>14,887,842</b>	<b>1,866,834</b>	<b>111,816</b>	<b>24,545,586</b>	<b>3,271,973</b>	<b>104,864,216</b>	<b>21,046,778</b>	<b>30,455,601</b>	<b>74,000,443</b>	<b>-</b>	<b>418,849,947</b>
<b>NET BOOK VALUE</b>	<b>110,327,289</b>	<b>118,059,133</b>	<b>13,446,841</b>	<b>21,371,603</b>	<b>1,480,931</b>	<b>25,958,862</b>	<b>29,027,767</b>	<b>898,749</b>	<b>123,031,405</b>	<b>46,129,004</b>	<b>68,052,248</b>	<b>84,575,443</b>	<b>37,589,735</b>	<b>679,949,010</b>

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE  
For The Year Ended December 31, 2015

	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 \$
<b>REVENUES</b>											
Property taxation	12,661,723	38,623,396	21,342,494	8,075,918	5,262,998	8,709,375	4,259,378	12,125,949	3,638,344	-	114,699,575
Taxation from other governments	338,898	1,033,777	571,244	216,156	140,867	233,111	114,005	324,558	97,382	-	3,069,998
User fees and service charges	605,925	859,515	8,504,627	33,916,162	458,177	5,985,872	5,726,269	8,880,769	141,075	-	65,078,391
Government grants and other municipalities	491,338	2,234,891	8,945,556	2,148,363	6,010,845	60,504,578	10,906,418	279,291	1,893,909	-	93,415,189
Development levies and contributions from developers	1,153	231,780	1,686,938	897,574	-	-	-	624,604	1,000,260	-	4,442,309
Licences, permits, royalties and rents	819,605	1,475,964	30,386	80,637	-	-	-	504,324	-	-	2,910,916
Fines and other charges	-	2,642,272	-	-	-	-	-	-	-	-	2,642,272
Penalties and interest on taxes	922,744	-	-	-	-	-	-	-	-	-	922,744
Investment income	254,371	775,933	428,765	290,928	124,327	190,626	116,425	249,657	73,119	-	2,504,151
Donations and contributed tangible capital assets	-	-	32	447,072	-	-	-	612,932	92,800	-	1,152,836
Other	93,849	5,000	-	663,627	127,087	-	362,013	-	135,022	-	1,386,598
Income from government business enterprise (Note 9)	-	-	-	-	-	-	-	-	-	4,956,609	4,956,609
<b>TOTAL REVENUES</b>	<b>16,189,606</b>	<b>47,882,528</b>	<b>41,510,042</b>	<b>46,736,437</b>	<b>12,124,301</b>	<b>75,623,562</b>	<b>21,484,508</b>	<b>23,602,084</b>	<b>7,071,911</b>	<b>4,956,609</b>	<b>297,181,588</b>
<b>EXPENSES</b>											
Salaries, wages and employee benefits	5,698,391	39,860,879	16,067,910	4,411,075	5,468,546	20,823,940	2,672,638	10,687,606	2,311,846	-	108,002,831
Interest on net long term debt	70,127	200,112	1,191,325	777,288	-	409,239	706,267	479,493	25,883	-	3,859,734
Materials	4,223,112	2,631,988	8,101,015	5,194,960	1,336,625	3,900,239	5,981,046	3,966,783	1,218,082	-	36,553,850
Contracted services	2,201,868	872,038	4,047,379	16,493,638	4,380,989	1,576,646	10,138,637	4,500,430	1,048,293	-	45,259,918
Rents and financial expenses	216,832	52,115	24,300	602,564	76,679	660,018	109,942	251,785	54,641	-	2,048,876
External transfers	559,553	1,811,220	-	-	365,090	45,833,130	1,600,419	1,854,295	22,680	-	52,046,387
Amortization	1,780,744	1,469,381	10,175,402	10,155,352	54,682	758,795	994,530	4,350,137	11,925	-	29,750,948
Loss/(gain) on disposal of tangible capital assets	26,838	(55,700)	129,936	11,112	(1,984,999)	(7,584)	-	(3,602)	4	-	(1,883,995)
Interfunctional transfers	(1,681,374)	1,824,722	(3,643,375)	1,247,802	(50)	1,543,277	(816,699)	1,505,411	20,286	-	-
<b>TOTAL EXPENSES</b>	<b>13,096,091</b>	<b>48,666,755</b>	<b>36,093,892</b>	<b>38,893,791</b>	<b>9,697,562</b>	<b>75,497,700</b>	<b>21,386,780</b>	<b>27,592,338</b>	<b>4,713,640</b>	<b>-</b>	<b>275,638,549</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>3,093,515</b>	<b>(784,227)</b>	<b>5,416,150</b>	<b>7,842,646</b>	<b>2,426,739</b>	<b>125,862</b>	<b>97,728</b>	<b>(3,990,254)</b>	<b>2,358,271</b>	<b>4,956,609</b>	<b>21,543,039</b>

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

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE  
For The Year Ended December 31, 2014

	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	13,072,569	36,938,886	20,675,637	5,926,114	5,053,942	8,637,705	3,976,307	11,284,069	3,519,474	-	109,084,703
Taxation from other governments	347,501	981,927	549,610	157,531	134,346	229,612	105,700	299,958	93,556	-	2,899,741
User fees and service charges	520,677	1,017,136	8,293,108	34,524,581	433,816	5,668,717	5,607,117	9,193,951	278,591	-	65,537,694
Government grants and other municipalities	52,500	2,112,039	8,392,121	1,217,704	5,296,792	57,048,321	9,217,078	510,174	837,314	-	84,684,043
Development levies and contributions from developers	42,465	303	1,096,196	1,826,017	-	-	-	38,085	1,142,430	-	4,145,496
Licences, permits, royalties and rents	553,017	1,418,154	31,625	84,065	-	-	-	572,976	-	-	2,659,837
Fines and other charges	-	2,217,226	-	-	-	-	-	-	-	-	2,217,226
Penalties and interest on taxes	928,807	-	-	-	-	-	-	-	-	-	928,807
Investment income	469,059	1,325,412	741,867	447,864	205,546	330,194	219,162	411,344	126,295	-	4,276,743
Donations and contributed tangible capital assets	-	-	2,637,075	79,587	-	-	-	186,188	-	-	2,902,850
Other	77,401	-	-	751,502	127,148	-	344,196	-	102,544	-	1,402,791
Income from government business enterprise (Note 8)	-	-	-	-	-	-	-	-	-	2,221,399	2,221,399
TOTAL REVENUES	16,063,996	46,011,083	42,417,239	45,014,965	11,251,590	71,914,549	19,469,560	22,496,745	6,100,204	2,221,399	282,961,330
EXPENSES											
Salaries, wages and employee benefits	5,139,478	38,418,725	15,499,555	4,246,977	5,207,333	19,030,430	2,821,996	9,548,429	2,183,569	-	102,096,492
Interest on net long term debt	71,734	226,360	1,087,187	831,874	-	452,451	726,806	507,663	18,639	-	3,922,714
Materials	4,273,562	2,388,883	8,285,997	2,715,454	1,126,905	3,760,969	5,734,017	3,916,966	1,067,796	-	33,270,549
Contracted services	2,313,186	902,719	4,047,965	13,931,807	4,257,996	1,376,234	8,938,401	4,210,026	1,537,242	-	41,515,576
Rents and financial expenses	214,100	50,794	19,968	646,349	75,185	708,086	119,676	264,966	53,878	-	2,153,002
External transfers	344,615	1,581,510	-	-	526,882	44,578,335	1,624,915	1,682,732	13,443	-	50,352,432
Amortization	1,300,098	1,449,344	10,134,873	9,228,746	62,638	762,227	992,153	4,150,414	11,481	-	28,091,974
Loss/(gain) on disposal of tangible capital assets	-	(11,046)	310,790	251,215	-	-	-	-	146,500	-	697,459
Interfunctional transfers	(1,640,336)	1,835,424	(3,263,024)	1,129,277	-	1,085,473	(379,662)	1,221,291	11,557	-	-
TOTAL EXPENSES	12,016,437	46,842,713	36,123,311	32,981,699	11,256,939	71,754,205	20,578,302	25,502,487	5,044,105	-	262,100,198
NET SURPLUS (DEFICIT)	4,047,559	(831,630)	6,293,928	12,033,266	(5,349)	160,344	(1,108,742)	(3,005,742)	1,056,099	2,221,399	20,861,132

## **Independent Auditors' 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 Trust Funds of the Corporation of the City of Peterborough and its local boards, which comprise the statement of financial position as at December 31, 2015, 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.

#### **Auditors' 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 auditors' 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 and its local boards as at December 31, 2015 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

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# CORPORATION OF THE CITY OF PETERBOROUGH

## TRUST FUNDS STATEMENT OF CONTINUITY For The Year Ended December 31, 2015

	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 \$	2015 \$	2014 \$
<b>ACCUMULATED SURPLUS, beginning of year</b>	120,199	18,553	24,569	20,467	20,344	6,583	32,970	80,009	5,996	61,360	391,050	390,573
<b>REVENUES</b>												
Deposits and grants	-	-	11,457	-	-	-	-	80,532	-	99,968	191,957	329,080
Transfer from Fairhaven	-	-	-	-	-	-	-	-	-	42,333	42,333	39,014
Interest earned	1,254	194	243	213	212	69	344	451	48	-	3,028	3,544
	1,254	194	11,700	213	212	69	344	80,983	48	142,301	237,318	371,638
<b>EXPENSES</b>												
Transfers to operations	-	-	-	-	209	-	-	-	2,500	-	2,709	230
Withdrawals, purchases	-	-	10,495	1,435	-	-	-	73,898	-	144,583	230,411	214,010
Residents maintenance	-	-	-	-	-	-	-	-	-	610	610	155,829
Donation	-	-	-	-	-	-	-	-	-	387	387	1,092
	-	-	10,495	1,435	209	-	-	73,898	2,500	145,580	234,117	371,161
<b>ACCUMULATED SURPLUS, end of year</b>	121,453	18,747	25,774	19,245	20,347	6,652	33,314	87,094	3,544	58,081	394,251	391,050

## TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2015

	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 \$	2015 \$	2014 \$
<b>FINANCIAL ASSETS</b>												
Cash	121,453	18,747	29,040	19,245	20,556	6,652	33,314	6,562	3,544	63,279	322,392	397,034
Accounts receivable	-	-	-	-	-	-	-	80,532	-	-	80,532	-
	121,453	18,747	29,040	19,245	20,556	6,652	33,314	87,094	3,544	63,279	402,924	397,034
<b>LIABILITIES AND ACCUMULATED SURPLUS</b>												
Accounts payable	-	-	3,266	-	209	-	-	-	-	-	3,475	2,894
Due to revenue fund	-	-	-	-	-	-	-	-	-	5,198	5,198	3,090
Accumulated surplus	121,453	18,747	25,774	19,245	20,347	6,652	33,314	87,094	3,544	58,081	394,251	391,050
<b>LIABILITIES AND ACCUMULATED SURPLUS</b>	121,453	18,747	29,040	19,245	20,556	6,652	33,314	87,094	3,544	63,279	402,924	397,034

# Corporation of the City of Peterborough

## Trust Funds - Note to the Financial Statements

For The Year Ended December 31, 2015

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### 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.