



City of
Peterborough

To: **Members of the Audit Committee**

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

Meeting Date: **June 19, 2017**

Subject: **Report CPFS17-028**
Treasurer's Report, 2016 Consolidated Financial Report, 2016
Trust Funds Financial Statement and Five-Year Review

Purpose

A report to recommend the Treasurer's Report, 2016 Consolidated Financial Report, the 2016 Trust Funds Financial Statement and Five Year Review be received, that underlying accounting policies be approved, and the 2016 Financial Report be received and submitted to the Province of Ontario.

Recommendations

That Council approve the recommendations outlined in report CPFS17-028 dated June 19, 2017, of the Director of Corporate Services as follows:

- a) That Report CPFS17-028, Treasurer's Report, 2016 Consolidated Financial Report, the 2016 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, 2016 Consolidated Financial Report and 2016 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

Contact Person:

Darren Hancock
Chief Accountant
Phone: 705-742-7777 Ext 1624
Toll Free: 1-855-738-3755 Ext 1624
Fax: 705-876-4615
E-mail: dhancock@peterborough.ca

Attachments:

Appendix A - Treasurer's Report on the 2016 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 2016 Financial Report for the City of Peterborough



City of
Peterborough

500 George Street North, Peterborough, ON K9H 3R9

June 19, 2017

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

Treasurer's Report on the 2016 Financial Statements for the Corporation of the City of Peterborough

Introduction

I am pleased to present the Financial Statements for the Corporation of the City of Peterborough (the City) for the period ending December 31, 2016. 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 2016 Capital and Operating Budget on December 7, 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"> • City of Peterborough • Peterborough Public Library • Peterborough Downtown Business Improvement Area • The Village Business Improvement Area • Peterborough Housing Corporation • Peterborough Utilities Commission 	<ul style="list-style-type: none"> • Fairhaven (66%) • Peterborough Public Health (57%) • Peterborough Economic Development (60%) • Peterborough County-City Waste Management Facility (50%) 	<ul style="list-style-type: none"> • City of Peterborough Holdings Inc.

External Audit

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

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 2016, the City recorded consolidated revenues of \$307.1 million (2015 - \$297.2 million).

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

Chart 2 - Consolidated Revenues

	2016		2015		Variance Increase (decrease)
	\$	%	\$	%	\$
Property taxation	118,905,323	38.7	114,699,575	38.6	4,205,748
Taxation from other governments	3,090,187	1.0	3,069,998	1.0	20,189
User fees and service charges	67,294,760	21.9	64,095,404	21.6	3,199,356
Government grants & other municipalities	97,290,068	31.7	93,415,189	31.4	3,874,879
Development levies and contribution from developers	3,979,303	1.3	4,442,309	1.5	(463,006)
Licenses, permits royalties and rents	2,966,553	1.0	2,910,916	1.0	55,637
Fines and other charges	2,082,146	0.7	2,642,272	0.9	(560,126)
Penalties and interest on taxes	829,825	0.3	922,744	0.3	(92,919)
Investment income	2,835,608	0.9	2,504,151	0.8	331,457
Donations and contributed capital assets	804,243	0.3	2,135,823	0.7	(1,331,580)
Other	1,510,843	0.5	1,386,598	0.5	124,245
Income from government business enterprise	5,463,000	1.7	4,956,609	1.7	506,391
Total Consolidated Revenues	307,051,859	100.0	297,181,588	100.0	9,870,271

Revenues increased \$9.9 million due to several factors:

- The property taxation levy was \$4.2 million higher than the previous year.
- User fees and service charges were \$3.2 million higher as a result of higher fire dispatch revenues (\$0.4 million), increased water charges at the Peterborough Utilities Commission (\$1.1 million) and higher sewer surcharge collections (\$1.0 million) as a result of higher water rates and usage due to the drought-like conditions in the summer of 2016.
- Government grants increased by \$3.9 million. Various programs within Social and Family Services accounted for \$2.3 million. Social Housing programs accounted for \$0.7 million of the increase. The City utilized almost \$1.0 million more in Federal Gas Tax funds than in the previous year on various capital projects. Various Local Boards and Agencies received \$1.0 million more in the form of grants in 2016.
- Donations and contributed capital assets decreased \$1.3 million as a result of the Peterborough Utilities Commission (PUC) assuming fewer developer constructed assets in 2016 than in 2015. In 2015, the PUC received a sizable donation for the Riverview Park and Zoo for which there was no corresponding donation in 2016.

Consolidated expenses totaled \$284.1 million (2015 - \$275.6 million).

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

Chart 3 - Consolidated Expenses

	2016		2015		Variance Increase (decrease)
	\$	%	\$	%	\$
General government	14,587,999	5.1	13,096,091	4.8	1,491,908
Protection services	51,287,016	18.1	48,666,755	17.7	2,620,261
Transportation	37,934,048	13.4	36,093,892	13.1	1,840,156
Environmental	36,870,707	13.0	38,893,791	14.1	(2,023,084)
Health	11,957,285	4.2	9,697,562	3.5	2,259,723
Social and family	77,469,485	27.3	75,497,700	27.4	1,971,785
Social housing	22,336,460	7.9	21,386,780	7.8	949,680
Recreation and cultural	27,818,978	9.8	27,592,338	10.0	226,640
Planning and development	3,866,045	1.2	4,713,640	1.6	(847,595)
Total Consolidated Expenses	284,128,023	100.0	275,638,549	100.0	8,489,474

Expenses increased \$8.5 million due to several factors:

- General government contractual services increased \$1.5 million in part from budgeted 2016 projects for Hospice Peterborough (\$0.5 million) and the phase-in of development charges (\$0.7 million).
- Protection services expenditures, specifically related to Fire and Police are mostly salaries, wages and employee benefits and account for \$2.2 million of the increase over 2015. These expenditures are budgeted in accordance with the provisions of the applicable Collective Agreements.
- Transportation services related costs increased by \$1.8 million. Variances included \$0.2 million more for energy related costs for streetlighting and \$0.2 million related to higher winter control cost due to the number of freeze/thaw events. \$0.2 million more was spent on wages to meet conditions negotiated in the collective bargaining process. Tangible capital asset related costs including amortization and disposals of vehicles contributed \$0.8 million to the increase.
- Environmental Services costs were \$2.0 million lower in 2016. 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. There was no comparative expenditure in 2016.

- Health services spending remain relatively comparable with the previous year. The increase relates to Peterborough Public Health's sale of their facility on Hospital Drive resulting in a gain on disposal of \$2.0 million in 2015.
- Social and Family Services costs increased \$2.0 million. Transfers related to early learning and childhood development increased \$0.9 million over the previous year. The program is fully funded by 100% Provincial grants. Expenses for the Brock Mission Renovation were \$0.3 million higher. Wage costs saw an increase of \$0.3 million to meet negotiated settlements.

The annual surplus amounts to \$22.9 million (2015 - \$21.5 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 \$30.1 million (2015 - \$29.8 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 \$62.3 million (2015 - \$65.0 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 \$74.2 million (2015 - \$81.9 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 \$7.7 million in the net financial asset position results primarily from revenues being in excess of operating expenses of \$22.9 million and amortization of tangible capital assets of \$30.1 million to finance the acquisition of tangible capital assets totaling \$62.4 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 \$787.0 million (2015 - \$764.1 million) represents the sum of the net financial assets of the City plus the City's capital assets at historic depreciated values and is shown on Chart 4. The accumulated surplus under the current reporting model represents the net resources (both financial and physical) that the City can use to provide future services.

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

Chart 4 - Analysis of Accumulated Surplus

	2016 \$	2015 \$
Surplus/(Deficit)		
City of Peterborough		
Operating surplus	121,539	145,542
Unexpended financing	6,144,628	6,487,012
	6,266,167	4,882,974
Consolidated Entities		
Peterborough Public Health	72,592	2,223,504
The Village Business Improvement Area	37,760	36,699
Peterborough Economic Development	43,515	76,792
Peterborough Downtown Business Improvement Area	175,395	166,389
Peterborough Utilities Commission	7,393,534	4,490,915
Peterborough Public Library Board	-	-
	7,722,796	6,994,299
Unfunded amounts		
Employee benefits	(29,518,458)	(28,625,999)
Solid waste landfill closure and post-closure	(6,872,707)	(6,684,196)
Accrued interest on long term debt	(914,357)	(952,597)
	(37,305,522)	(36,262,792)
Inventory for resale	8,243,416	8,480,593
Equity in government business enterprise (below)	92,670,000	92,650,000
Invested in Tangible Capital Assets		
Tangible capital assets net book value	710,973,293	679,949,010
Unexpended capital financing	4,386,238	4,617,303
Long term debt	(124,386,415)	(107,533,626)
	590,973,116	577,032,687
Reserve Funds and Reserves		
Discretionary reserve funds	32,497,329	27,381,164
Reserves	85,924,509	81,159,470
	118,421,838	108,540,634
Accumulated Surplus	786,991,811	764,067,975

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

Investment in government business enterprise	98,420,000	98,400,000
Short term cash advances converted to shares	(5,750,000)	(5,750,000)
Equity in government business enterprise	92,670,000	92,650,000

Conclusion

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

The level of capital spending throughout 2016 remained high at \$62.4 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)

	2016	2015	2014	2013	2012
CURRENT PROGRAM ACTIVITY					
Consolidated Revenues					
Taxation	118,905	114,700	109,085	103,270	99,371
Taxation from other governments	3,090	3,070	2,900	2,714	2,752
Fees and service charges	67,295	65,078	65,538	62,397	65,448
Government grants and other Municipalities	97,290	93,415	84,684	78,557	80,512
Development levies	3,979	4,442	4,145	8,199	6,790
Investment and other revenue	16,493	16,477	16,609	22,051	20,593
	307,052	297,182	282,961	277,188	275,466
Expenses	284,128	275,639	262,100	252,556	248,616
Growth in accumulated surplus	22,924	21,543	20,861	24,632	26,850
NET LONG TERM LIABILITIES					
For general municipal activities	118,310	106,919	94,306	92,239	91,669
For municipal enterprises	2,738	615	1,185	1,715	2,347
	121,048	107,534	95,491	93,954	94,016
General municipal activities - net long term liabilities as % of CVA	1.4%	1.3%	1.2%	1.2%	1.2%
CURRENT CHARGES FOR NET LONG TERM LIABILITIES					
General municipal activities and for municipal enterprise	17,304	12,835	12,855	12,986	11,767
CURRENT VALUE ASSESSMENT (CVA) - TAXABLE					
Residential and farm	7,050,785	6,820,112	6,613,688	6,404,837	6,194,867
Commercial and industrial	1,267,350	1,246,702	1,215,601	1,189,123	1,155,969
	8,318,135	8,066,814	7,829,289	7,593,960	7,350,836
Percentage increase from previous year	3.12%	3.03%	3.10%	3.31%	6.23%
Commercial / industrial CVA as percentage of total	15.2%	15.5%	15.5%	15.7%	15.7%

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2016	2015	2014	2013	2012
VALUE OF BUILDING PERMITS ISSUED					
Residential	75,583	63,305	70,322	81,996	70,043
Commercial	14,732	17,126	31,356	20,287	29,336
Industrial	25,758	4,616	56,232	4,179	4,865
Institutional	29,431	23,907	11,164	13,512	38,818
	145,503	108,954	169,074	119,973	143,062
Percentage increase (decrease) from previous year	33.5%	-35.6%	40.9%	-16.1%	17.4%
TAX LEVY AND ARREARS					
Tax levy					
Current year's tax levy - municipal and education combined	152,661	147,859	139,655	134,635	129,836
Percentage increase over previous year	3.2%	5.9%	3.7%	3.7%	3.3%
Tax arrears					
Total arrears (excluding Allowance for Doubtful Accounts)	5,037	6,020	7,479	6,834	6,158
Percentage increase (decrease) over previous year	-16.3%	-19.5%	9.4%	11.0%	7.6%
Tax arrears as a percentage of current tax levy	3.3%	4.1%	5.4%	5.1%	4.7%
POPULATION & SIZE					
Estimated Population (Updated for 2016 Census)	82,094	78,700	78,700	78,700	78,700
Area in acres	16,639	16,639	16,639	16,639	16,523
PER CAPITA INFORMATION					
CVA - Taxable	101,325	102,501	99,483	96,493	93,403
Expenses	3,461	3,502	3,330	3,209	3,159
Net long-term debt for general municipal activities and municipal enterprise	1,475	1,366	1,213	1,194	1,195
Tax arrears	61	76	95	87	78

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2016	2015	2014	2013	2012
RATES OF TAXATION					
Municipal tax rates					
Residential	1.2544830%	1.2361920%	1.2132270%	1.1788420%	1.1558860%
Multi-residential	2.4427420%	2.4071250%	2.3624080%	2.2954530%	2.2507530%
New Multi-residential	1.2544830%	1.2361920%	1.2132270%	1.1788420%	1.1558860%
Commercial	2.0073300%	2.0028160%	1.9656100%	1.9571130%	1.9652950%
Commercial Vacant	1.4051340%	1.4019720%	1.3759270%	1.3699790%	1.3757120%
Industrial	2.3120120%	2.3631050%	2.3192050%	2.4152110%	2.5267670%
Industrial Vacant	1.5028080%	1.5360180%	1.5074830%	1.5698870%	1.6423980%
Pipeline	1.5939460%	1.5707060%	1.5415260%	1.4978370%	1.4686690%
Farmlands	0.3136210%	0.3090480%	0.3033070%	0.2947110%	0.2889720%
Education tax rates					
Residential	0.1880000%	0.1950000%	0.2030000%	0.2120000%	0.2210000%
Multi-residential	0.1880000%	0.1950000%	0.2030000%	0.2120000%	0.2210000%
New Multi-residential	0.1880000%	0.1950000%	0.2030000%	0.2120000%	0.2210000%
Commercial	1.3884420%	1.4163160%	1.4457340%	1.4772980%	1.4788620%
Commercial Vacant	0.9719094%	0.9914210%	1.0120140%	1.0341090%	1.0352034%
Industrial	1.5000000%	1.5300000%	1.5600000%	1.5900000%	1.5900000%
Industrial Vacant	0.9750000%	0.9945000%	1.0140000%	1.0335000%	1.0335000%
Pipeline	1.1800000%	1.1900000%	1.2200000%	1.2600000%	1.2600000%
Farmlands	0.0470000%	0.0487500%	0.0507500%	0.0530000%	0.0552500%
Combined municipal and education tax rates					
Residential	1.4424830%	1.4311920%	1.4162270%	1.3908420%	1.3768860%
Multi-residential	2.6307420%	2.6021250%	2.5654080%	2.5074530%	2.4717530%
Commercial	3.3957720%	3.4191320%	3.4113440%	3.4344110%	3.4441570%
Commercial Vacant	2.3770434%	2.3933930%	2.3879410%	2.4040880%	2.4109154%
Industrial	3.8120120%	3.8931050%	3.8792050%	4.0052110%	4.1167670%
Industrial Vacant	2.4778080%	2.5305180%	2.5214830%	2.6033870%	2.6758980%
Pipeline	2.7739460%	2.7607060%	2.7615260%	2.7578370%	2.7286690%
Farmlands	0.3606210%	0.3577980%	0.3540570%	0.3477110%	0.3442220%

Appendix C

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

Corporation of the City of Peterborough
Consolidated Financial Statements
At December 31, 2016

Table of Contents

Management Report	1
Independent Auditor's 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 Auditor's 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, 2016

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 Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the City of Peterborough and its local boards, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Peterborough and its local boards as at December 31, 2016 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
June 26, 2017

DRAFT

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	59,228,121	48,504,452
Taxes receivable (Note 4)	3,447,264	4,686,189
Accounts receivable (Note 5)	24,640,555	25,303,760
Inventory held for resale	8,340,375	8,590,409
Investments (Note 6)	95,642,492	94,488,006
Other receivables (Note 7)	1,249,726	1,426,256
Investment in Government Business Enterprise (Note 8)	98,420,000	98,400,000
	290,968,533	281,399,072
LIABILITIES		
Short term debt (Note 9)	600,000	-
Accounts payable and accrued liabilities	32,395,733	35,734,928
Deferred revenue (Note 10)	2,704,086	3,402,844
Solid waste landfill closure and post-closure (Note 11)	6,872,707	6,684,196
Deferred revenue - obligatory reserve funds (Note 12)	18,450,226	15,157,533
Employee benefits (Note 13)	32,002,296	31,032,562
Long term debt (Note 14)	123,786,415	107,533,626
	216,811,463	199,545,689
NET FINANCIAL ASSETS	74,157,070	81,853,383
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15)	710,973,293	679,949,010
Prepaid expenses	1,186,964	1,547,517
Inventory of supplies	674,484	718,065
	712,834,741	682,214,592
ACCUMULATED SURPLUS (Note 16)	786,991,811	764,067,975

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, 2016

	Budget 2016 \$ (Unaudited)	2016 \$	2015 \$
REVENUES			
Property taxation	118,930,338	118,905,323	114,699,575
Taxation from other governments	3,197,256	3,090,187	3,069,998
User fees and service charges	70,779,026	67,294,760	64,095,404
Government grants and other municipalities	107,384,494	97,290,068	93,415,189
Development levies and contributions from developers	5,856,090	3,979,303	4,442,309
Licenses, permits, royalties and rents	1,482,514	2,966,553	2,910,916
Fines and other charges	2,574,000	2,082,146	2,642,272
Penalties and interest on taxes	850,000	829,825	922,744
Investment income	2,125,155	2,835,608	2,504,151
Donations and contributed tangible capital assets	362,900	804,243	2,135,823
Other	1,296,640	1,510,843	1,386,598
Income from government business enterprise (Note 8)	-	5,463,000	4,956,609
TOTAL REVENUES	314,838,413	307,051,859	297,181,588
EXPENSES			
General government	17,943,413	14,587,999	13,096,091
Protection services	50,281,936	51,287,016	48,666,755
Transportation services	38,698,823	37,934,048	36,093,892
Environmental services	37,312,689	36,870,707	38,893,791
Health services	12,706,508	11,957,285	9,697,562
Social and family services	79,890,982	77,469,485	75,497,700
Social housing	22,886,542	22,336,460	21,386,780
Recreation and cultural services	26,482,087	27,818,978	27,592,338
Planning and development	4,044,471	3,866,045	4,713,640
TOTAL EXPENSES	290,247,451	284,128,023	275,638,549
ANNUAL SURPLUS	24,590,962	22,923,836	21,543,039
ACCUMULATED SURPLUS, beginning of year	764,067,975	764,067,975	742,524,936
ACCUMULATED SURPLUS, end of year (Note 16)	788,658,937	786,991,811	764,067,975

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, 2016

	Budget 2016 \$ (Unaudited)	2016 \$	2015 \$
Annual Surplus	24,590,962	22,923,836	21,543,039
Amortization of tangible capital assets	29,809,905	30,095,271	29,750,948
Proceeds on disposal of tangible capital assets	-	1,086,273	2,312,461
Loss/(gain) on disposal of tangible capital assets	-	159,315	(1,883,995)
Acquisition of tangible capital assets	(80,980,015)	(62,365,142)	(64,966,655)
Change in prepaid expenses	-	360,553	(571,827)
Change in inventory of supplies	(6,000)	43,581	14,537
DECREASE IN NET FINANCIAL ASSETS	(26,585,148)	(7,696,313)	(13,801,492)
NET FINANCIAL ASSETS, beginning of year	81,853,383	81,853,383	95,654,875
NET FINANCIAL ASSETS, end of year	55,268,235	74,157,070	81,853,383

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, 2016

	2016 \$	2015 \$
OPERATIONS		
Annual Surplus	22,923,836	21,543,039
Non-cash charges to/(revenue from) operations:		
Amortization	30,095,271	29,750,948
Loss/(gain) on disposal of tangible capital assets	159,315	(1,883,995)
Income from government business enterprise	(5,463,000)	(4,956,609)
Change in solid waste landfill closure and post-closure	188,511	2,057,988
Employee benefits and other liabilities	969,734	507,838
Contributed tangible capital assets	(468,867)	(983,019)
Change in non-cash working capital (Note 17)	1,987,568	520,324
Net increase in cash related to operations	50,392,368	46,556,514
CAPITAL		
Proceeds on disposal of tangible capital assets	1,086,273	2,312,461
Purchased tangible capital assets	(61,896,275)	(63,983,636)
Net decrease in cash related to capital	(60,810,002)	(61,671,175)
INVESTING		
Proceeds from portfolio investments	73,962,705	46,817,474
Purchase of portfolio investments	(75,117,191)	(50,099,137)
Dividends received from government business enterprise	5,443,000	5,335,000
Net increase in cash related to investing	4,288,514	2,053,337
FINANCING		
Short term debt issued	600,000	-
Long term debt issued	29,549,798	22,273,100
Long term debt principal repayment	(13,297,009)	(10,230,255)
Net increase in cash related to financing	16,852,789	12,042,845
NET CHANGE IN CASH AND TEMPORARY INVESTMENTS	10,723,669	(1,018,479)
CASH AND TEMPORARY INVESTMENTS, beginning of year	48,504,452	49,522,931
CASH AND TEMPORARY INVESTMENTS, end of year	59,228,121	48,504,452

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, 2016

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 2016 – 66% (2015 – 66%)
2. Peterborough Public Health 2016 – 57% (2015 – 57%)
3. Peterborough Economic Development 2016 – 60% (2015 – 60%)
4. Peterborough County-City Waste Management Facility 2016 - 50% (2015 – 50%)

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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

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

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

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

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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, 2016

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, 2016

Use of Management Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

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

Financial Instruments

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

a. Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The City holds bonds, other marketable securities, loans and other receivables and has issued long term debt that may be impacted by interest rate risk. Management attempts to mitigate this risk through its investment 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, 2016

2. Cash and Temporary Investments

This figure is comprised of the following:

	2016 \$	2015 \$
Petty cash and cash floats	50,401	45,301
Temporary investments	6,000,000	18,924,412
Unrestricted cash	44,094,537	22,500,596
Restricted cash	9,083,183	7,034,143
	59,228,121	48,504,452

3. Transfers to the School Boards

During 2016, the City made property tax transfers to the School Boards. The amounts collected and remitted amounted to \$30,612,767 (2015 - \$30,766,887). These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

4. Taxes Receivable

This figure is comprised of the following:

	2016 \$	2015 \$
Current year's levies	2,640,539	3,188,294
Previous year's levies	1,068,361	1,341,791
Prior year's levies	1,109,387	1,121,023
Penalties and interest	852,218	969,789
	5,670,505	6,620,897
Allowance for uncollectible taxes	(2,223,241)	(1,934,708)
	3,447,264	4,686,189

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

5. Accounts Receivable

This figure is comprised of the following:

	2016 \$	2015 \$
Government of Canada	3,005,835	3,796,031
Government of Ontario	5,545,912	5,135,857
Other municipalities and school boards	1,524,202	1,546,067
User charges and other receivables	14,564,606	14,825,805
	24,640,555	25,303,760

6. Investments

The investments have a value of \$95,642,492 (2015 - \$94,488,006) 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. The figure approximates market value.

7. Other Receivables

This figure is comprised of the following:

	2016 \$	2015 \$
Trent University – Woodland Acres Sanitary Sewer	62,640	82,187
Peterborough Lakers Lacrosse Association	18,000	24,000
Peterborough Lawn Bowling Club	320,000	395,000
Market Hall Performing Arts Incorporated	409,940	419,940
Peterborough Rugby Union Football Club	199,149	230,129
Peterborough Youth Soccer Club	210,000	240,000
Kinsmen Minor Football League Inc.	30,000	35,000
	1,249,726	1,426,256

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 \$258,000 (2015 - \$299,000) approved by Council to qualifying community groups have been made on an interest free basis.

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

8. 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, Peterborough Utilities Hydro 24 Inc.

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.

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

	2016 \$	2015 \$
Investment in shares	60,098,410	60,098,410
Retained earnings:		
Beginning balance	38,301,590	38,679,981
Net earnings	5,463,000	4,956,609
Less dividends	(5,443,000)	(5,335,000)
	38,321,590	38,301,590
	98,420,000	98,400,000

At its meeting dated December 12, 2016, Council of the City of Peterborough confirmed their intention to sell substantially all of the assets of Peterborough Distribution Inc. to Hydro One Inc. This sale will impact the investment in Government Business Enterprise, dividends and income in future fiscal periods.

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

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

Financial Position:

	2016 \$	2015 \$
Current assets	118,408,000	116,272,000
Capital and intangible assets	163,638,000	158,792,000
Deferred tax assets	8,515,000	1,846,000
Total Assets	290,561,000	276,910,000
Current liabilities	86,446,000	84,995,000
Other long term liabilities	90,666,000	85,963,000
Deferred tax liabilities	15,029,000	7,552,000
Total liabilities	192,141,000	178,510,000
Shareholder's Equity		
Share capital	60,098,000	60,098,000
Accumulated other comprehensive income	(2,390,000)	(2,905,000)
Retained earnings	40,712,000	41,207,000
	98,420,000	98,400,000
Total liabilities and Shareholder's Equity	290,561,000	276,910,000

Results of Operations:

	2016 \$	2015 \$
Revenues	32,601,000	31,598,000
Expenses	26,649,000	24,918,000
Net income before provision for corporate income taxes	5,952,000	6,680,000
Provision for corporate income taxes	1,004,000	1,181,000
Income of government business enterprise	4,948,000	5,499,000

During the year the City received dividends totalling \$5,443,000 (2015 - \$5,335,000).

9. Short term debt

In 2016, Peterborough Housing Corporation obtained from the seller an interest free, first mortgage on the purchase of the McRae Property. This mortgage was repaid on March 15, 2017. The balance outstanding as at December 31, 2016 is \$600,000 (2015 - \$Nil).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

10. Deferred Revenue

This figure is comprised of the following:

	2016 \$	2015 \$
Rents, user fees and service charges	1,216,789	1,100,586
Tickets, events and site deposits	1,042,822	903,379
Social and family services related	191,591	331,399
Government funding	252,884	1,067,480
	2,704,086	3,402,844

11. Solid waste landfill closure and post closure

The solid waste landfill closure and post closure liability of \$6,872,707 (2015 - \$6,684,196) 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, 2016 is \$12,021,080 (2015 - \$11,839,290). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2015 - 2.25%), discounted at a rate of 5% (2015 - 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% (2015 - 100%) and at the NFA is 35% (2015 - 29%).

The net present value of estimated closure and post closure costs for the Harper Road closed landfill site as at December 31, 2016 is \$964,650 (2015 - \$917,220). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2015 - 2.25%), discounted at a rate of 5% (2015 - 5%). Estimated utilization of existing site capacity at December 31 is 100% (2015 - 100%).

The net present value of estimated closure and post closure costs for the Nelson closed landfill site as at December 31, 2016 is \$1,063,990 (2015 - \$1,066,390). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2015 - 2.25%), discounted at a rate of 5% (2015 - 5%). Estimated utilization of existing site capacity at December 31, 2016 is 100% (2015 - 100%).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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

12. Deferred Revenue - Obligatory Reserve Funds

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

This figure is comprised of the following:

	2016	2015
	\$	\$
Development Charges	11,869,803	8,205,578
Parkland	405,444	365,954
Building Code	242,950	161,315
Federal Gasoline Tax	5,882,073	6,147,905
Provincial Gasoline Tax	49,956	276,781
	18,450,226	15,157,533

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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

	2016 \$	2015 \$
Balance – beginning of year	15,157,533	16,035,520
Add amounts received:		
Development charges received	7,161,987	5,361,191
Parkland fees and subdivider contributions	114,380	84,972
Building code permits and other revenues	1,480,520	1,325,218
Provincial gasoline tax	1,597,434	1,576,350
Federal gasoline tax	4,785,340	4,557,466
Investment income	154,545	162,501
	15,294,206	13,067,698
Less amounts utilized:		
Development charges earned	3,580,491	3,511,475
Parkland fees and subdivider contributions earned	78,934	645,400
Building code permits earned	1,398,885	1,441,642
Provincial and Federal gasoline tax earned	6,943,203	8,347,168
	12,001,513	13,945,685
Balance – end of year	18,450,226	15,157,533

13. Employee Benefits

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

This figure is comprised of the following:

	2016 \$	2015 \$
Accrued benefit obligation, beginning of year	29,021,882	27,310,204
Actuarial loss	-	949,287
	29,021,882	28,259,491
Current period benefit expense	2,246,353	1,774,135
Interest	1,078,719	1,033,921
Benefit payments	(2,125,654)	(2,045,665)
Accrued benefit obligation, end of year	30,221,300	29,021,882
Unamortized actuarial gain	1,780,996	2,010,680
Employee benefits and other liabilities, end of year	32,002,296	31,032,562

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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 2015 to 2016. The following represents the more significant assumptions made:

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

Retirement Benefits

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

Life Insurance

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

Workers' Compensation

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

Liability for Vested Sick Leave

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

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

Vacation Pay Entitlements

Vacation pay entitlements are based on employees' years of service. Current obligations total \$3,105,210 (2015 - \$3,000,386) of which \$2,483,838 (2015 - \$2,406,563) does not need to be recovered in future periods or has been funded in the current or previous periods.

14. Long Term Debt

The long term debt reported on the Consolidated Statement of Financial Position has been approved by the Ontario Municipal Board or the Council of the City of Peterborough. Interest rates on outstanding debt range from 1.8% to 6.45% (2015 – 2.25% to 7.625%)

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

	2017 to 2021	2022 to 2026	2027 Onward	Total
	\$	\$	\$	\$
From general revenues	69,225,892	35,099,724	19,460,799	123,786,415

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

Interest on long-term debt in the year amounted to \$4,007,471 (2015 - \$3,859,734).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

15. Tangible Capital Assets

This figure is comprised of the following:

	Net Book Value	
	2016	2015
	\$	\$
General		
Land and land improvements	117,702,927	110,327,289
Buildings and leaseholds	123,862,400	118,059,133
Machinery and equipment	13,279,345	13,446,841
Vehicles	22,695,706	21,371,603
Books and materials	1,545,539	1,480,931
Infrastructure		
Land and land improvements	26,479,881	25,958,862
Buildings	31,455,406	29,027,767
Machinery and vehicles	614,892	898,749
Roadways and sidewalks	122,070,261	123,031,405
Storm sewer system	46,416,507	46,129,004
Wastewater system	66,856,696	68,052,248
Water system	85,322,254	84,575,443
	658,301,814	642,359,275
Assets under construction	52,671,479	37,589,735
Total tangible capital assets	710,973,293	679,949,010

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

During 2016 and 2015, there were no write-downs of assets and no interest capitalized. Assets contributed to the City were capitalized at their fair value on the date of acquisition and amounted to \$468,867 (2015 - \$983,019).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

Tangible capital assets by function are comprised of the following:

	Net Book Value	
	2016	2015
	\$	\$
General government	35,729,210	31,950,085
Protection to persons and property	17,174,140	17,273,982
Transportation services	189,203,371	188,038,145
Environmental services	256,242,848	252,704,611
Health services	5,372,512	173,703
Social and family services	8,946,722	9,606,700
Social housing	37,322,737	36,372,782
Recreation and cultural services	83,871,501	82,422,276
Planning and development	24,438,773	23,816,991
Assets under construction	52,671,479	37,589,735
Total tangible capital assets	710,973,293	679,949,010

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

16. Accumulated Surplus

This figure is comprised of the following:

	2016 \$	2015 \$
Surplus City of Peterborough		
Operating surplus before consolidated entities	121,539	145,542
Unexpended financing	6,144,628	6,487,012
	6,266,167	6,632,554
Consolidated Entities		
Peterborough Public Health	72,592	2,223,504
The Village Business Improvement Area	37,760	36,699
Peterborough Economic Development	43,515	76,792
Peterborough Downtown Business Improvement Area	175,395	166,389
Peterborough Utilities Commission	7,393,534	4,490,915
Peterborough Public Library Board	-	-
	7,722,796	6,994,299
Unfunded amounts		
Employee benefits	(29,518,458)	(28,625,999)
Solid waste landfill closure and post-closure	(6,872,707)	(6,684,196)
Accrued interest on long term debt	(914,357)	(952,597)
	(37,305,522)	(36,262,792)
Inventory held for resale	8,243,416	8,480,593
Equity in government business enterprise (below)	92,670,000	92,650,000
Invested in Tangible Capital Assets		
Tangible capital assets net book value	710,973,293	679,949,010
Unexpended capital financing	4,386,238	4,617,303
Short and long term debt	(124,386,415)	(107,533,626)
	590,973,116	577,032,687
Reserve Funds and Reserves		
Discretionary reserve funds	32,497,329	27,381,164
Reserves	85,924,509	81,159,470
	118,421,838	108,540,634
Accumulated Surplus	786,991,811	764,067,975

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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

	2016 \$	2015 \$
Investment in government business enterprise (Note 8)	98,420,000	98,400,000
Short term advances due on demand converted to shares	(5,750,000)	(5,750,000)
Equity in government business enterprise	92,670,000	92,650,000

17. Change in Non-Cash Working Capital

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

	2016 \$	2015 \$
Taxes receivable	1,238,925	619,921
Accounts receivable	663,205	(4,846,457)
Inventory held for resale	250,034	4,791
Other receivables	176,530	171,441
Accounts payable and accrued liabilities	(3,339,195)	5,512,424
Deferred revenue	(698,758)	493,481
Deferred revenue – obligatory reserves	3,292,693	(877,987)
Prepaid expenses	360,553	(571,827)
Inventory of supplies	43,581	14,537
	1,987,568	520,324

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

18. Expenses by Object

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

	Budget 2016 \$ (Unaudited)	2016 \$	2015 \$
Salary, wages and employee benefits	111,041,867	111,099,194	108,002,831
Interest on long term debt	7,656,773	4,007,471	3,859,734
Materials	37,309,406	36,893,188	36,553,850
Contracted services	47,174,811	47,203,514	45,259,918
Rents and financial expenses	2,450,333	2,112,367	2,048,876
External transfers	54,804,356	52,557,703	52,046,387
Amortization	29,809,905	30,095,271	29,750,948
Loss/(gain) on disposal of tangible capital assets	-	159,315	(1,883,995)
	290,247,451	284,128,023	275,638,549

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, 2016

Financial Position:

	2016		2015	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	2,821,941	1,881,294	2,851,298	1,900,865
Liabilities	12,996,671	8,664,447	14,612,374	9,741,583
Net financial liabilities	(10,174,730)	(6,783,153)	(11,761,076)	(7,840,718)
Non-financial assets	13,351,680	8,901,120	14,297,863	9,531,909
Accumulated surplus	3,176,950	2,117,967	2,536,787	1,691,191

Results of Operations:

	2016		2015	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	21,740,479	14,493,653	20,305,958	13,537,305
Expenses	21,100,316	14,066,877	20,512,500	13,675,000
Annual surplus/(deficit)	640,163	426,776	(206,542)	(137,695)

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, 2016

Peterborough Public Health

The Peterborough Public Health 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:

	2016		2015	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	3,632,236	2,070,375	7,889,897	4,497,242
Liabilities	5,887,616	3,355,941	3,713,943	2,116,949
Net financial (liabilities)/assets	(2,255,380)	(1,285,566)	4,175,954	2,380,293
Non-financial assets	9,448,064	5,385,396	1,777,967	1,013,441
Accumulated surplus	7,192,684	4,099,830	5,953,921	3,393,734

Results of Operations:

	2016		2015	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	13,567,679	7,733,577	16,923,876	9,646,609
Expenses	12,328,916	7,027,482	12,474,750	7,110,608
Annual surplus	1,238,763	706,095	4,449,126	2,536,001

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

Peterborough Economic Development (PED)

PED 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:

	2016		2015	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Financial assets	594,085	356,451	490,861	294,517
Liabilities	305,655	183,393	322,112	193,267
Net financial assets	288,430	173,058	168,749	101,250
Non-financial assets	40,266	24,160	10,833	6,500
Accumulated surplus	328,696	197,218	179,582	107,750

Results of Operations:

	2016		2015	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	2,507,051	1,504,231	2,594,964	1,556,978
Expenses	2,357,937	1,414,762	2,536,197	1,521,718
Annual surplus	149,114	89,469	58,767	35,260

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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 \$(56,319) (2015 – \$(41,485)).

Results of Operations:

	2016		2015	
	Total	City Portion	Total	City Portion
	\$	\$	\$	\$
Revenues	2,491,454	1,245,727	2,513,672	1,256,836
Expenses	3,380,498	1,690,249	3,391,504	1,695,752
Net expenses	(889,044)	(444,522)	(877,832)	(438,916)

20. Pension Agreements

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

The Actuarial Opinion contained in the 2016 Annual Report disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficit are a joint responsibility of Ontario Municipal Organizations and their employees. As a result, the Corporation of the City of Peterborough does not recognize any share of the OMERS pension surplus or deficit.

The City's share of the annual contribution to the pension plan for current service is charged to operations in the year in which the contribution is made. For 2016, the current service cost amounted to \$8,657,844 (2015 - \$8,219,217).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

21. Municipal Child Care Grants and Subsidies

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

	Fee Subsidy	General Operating Grant	Repairs and Maintenance	Total
	\$	\$	\$	\$
Peterborough Child Care	178,089	94,932	10,958	283,979
Pearson Child Care	142,298	74,040	9,275	225,613
School Age Programs	48,233	20,892	-	69,125
	368,620	189,864	20,233	578,717

22. Trust Funds

Trust funds administered by the Corporation of the City of Peterborough amounting to \$488,123 (2015 - \$394,251) 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, 2016

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
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
2021	2,749,880	-	2,749,880
Thereafter	13,235,472	-	13,235,472
Total minimum lease payments	26,530,972	805,452	27,336,424
Less: payments assumed by sub-lessee	7,214,848	-	7,214,848
	19,316,124	805,452	20,121,576

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

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

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

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

25. Contingent Liabilities

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

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

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

26. Contaminated Sites

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

27. Loan Guarantee

In August 2005, the City of Peterborough entered into an agreement with the Peterborough Family Y.M.C.A. to guarantee the mortgage for the new Y.M.C.A. building to an amount not to exceed \$7,250,000. The balance outstanding on the loan at December 31, 2016 is \$2,976,972 (2015 - \$4,183,000).

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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, 2016, amounted to \$2,082,146 (2015 - \$2,642,272) and \$941,953 (2015 - \$1,459,828) 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 2016, the proportion based on weighted assessment for the City was 45.8% (2015 - 46.0%). Based on this percentage, the City's portion of Net Revenues was \$431,414 (2015 - \$671,521).

Included in the Statement of Financial Position is an amount due from/(to) the County of Peterborough of \$31,776 (2015 - \$162,531).

29. Segment Information

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

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

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

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

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

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

Functions disclosed separately in the segment information are as follows:

General Government

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

Protection to Persons and Property

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

Transportation Services

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

Environmental Services

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

Health Services

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

Social and Family Services

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

Social Housing Services

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

Corporation of the City of Peterborough

Notes to the Consolidated Financial Statements

For The Year Ended December 31, 2016

Recreation and Cultural Services

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

Planning and Development Services

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

Electric Utility

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

30. 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, 2016

	General					Infrastructure							Assets under Construction	Total \$	
	Land and land Improvements	Buildings and leaseholds	Machinery and equipment	Vehicles	Books and materials	Land and land Improvements	Buildings	Machinery and Vehicles	Roadways and sidewalks	Storm sewer system	Wastewater System	Water System			
COST															
Balance, beginning of year	136,368,475	222,523,581	26,740,065	36,259,445	3,347,765	26,070,678	53,573,353	4,170,722	227,895,621	67,175,782	98,507,849	158,575,886	37,589,735	1,098,798,957	
Add: Additions	913,187	5,993,741	220,177	-	495,109	-	3,867,450	-	-	-	-	5,062,931	45,812,547	62,365,142	
Less: disposals and retirements	471,800	31,222	2,097	456,703	381,434	-	-	835,735	2,103,319	46,382	49,052	-	-	4,377,744	
Interfund transfers	9,903,928	5,666,157	2,119,252	4,116,455	-	545,867	-	9,942	5,262,917	1,295,943	1,681,367	128,975	(30,730,803)	-	
BALANCE, end of year	146,713,790	234,152,257	29,077,397	39,919,197	3,461,440	26,616,545	57,440,803	3,344,929	231,055,219	68,425,343	100,140,164	163,767,792	52,671,479	1,156,786,355	
ACCUMULATED AMORTIZATION															
Balance, beginning of year	26,041,186	104,464,448	13,293,224	14,887,842	1,866,834	111,816	24,545,586	3,271,973	104,864,216	21,046,778	30,455,601	74,000,443	-	418,849,947	
Add: Amortization	2,990,324	5,825,409	2,506,028	2,638,455	430,501	24,848	1,439,811	239,683	5,749,286	967,318	2,838,513	4,445,095	-	30,095,271	
Less: disposals and retirements	20,647	-	1,200	302,806	381,434	-	-	781,619	1,628,544	5,260	10,646	-	-	3,132,156	
BALANCE, end of year	29,010,863	110,289,857	15,798,052	17,223,491	1,915,901	136,664	25,985,397	2,730,037	108,984,958	22,008,836	33,283,468	78,445,538	-	445,813,062	
NET BOOK VALUE	117,702,927	123,862,400	13,279,345	22,695,706	1,545,539	26,479,881	31,455,406	614,892	122,070,261	46,416,507	66,856,696	85,322,254	52,671,479	710,973,293	

CORPORATION OF THE CITY OF PETERBOROUGH

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

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

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, 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 \$
REVENUES											
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	32,933,175	458,177	5,985,872	5,726,269	8,880,769	141,075	-	64,095,404
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	1,430,059	-	-	-	612,932	92,800	-	2,135,823
Other	93,849	5,000	-	663,627	127,087	-	362,013	-	135,022	-	1,386,598
Income from government business enterprise (Note 8)	-	-	-	-	-	-	-	-	-	4,956,609	4,956,609
TOTAL REVENUES	16,189,606	47,882,528	41,510,042	46,736,437	12,124,301	75,623,562	21,484,508	23,602,084	7,071,911	4,956,609	297,181,588
EXPENSES											
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	-	-
TOTAL EXPENSES	13,096,091	48,666,755	36,093,892	38,893,791	9,697,562	75,497,700	21,386,780	27,592,338	4,713,640	-	275,638,549
NET SURPLUS (DEFICIT)	3,093,515	(784,227)	5,416,150	7,842,646	2,426,739	125,862	97,728	(3,990,254)	2,358,271	4,956,609	21,543,039

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements 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, 2016, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Corporation of the City of Peterborough and its local boards as at December 31, 2016 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
June 26, 2017

DRAFT

CORPORATION OF THE CITY OF PETERBOROUGH

TRUST FUNDS STATEMENT OF CONTINUITY For The Year Ended December 31, 2016

	City Parks \$	Special Holding \$	Safety Patrol \$	Cenotaph Trust \$	Library Trust Funds \$	Morrow Park Trust \$	Parks Hancock Trust \$	Parks Tollington Endowment \$	Fairhaven Special Purpose \$	Residents' Personal Trust \$	2016 \$	2015 \$
ACCUMULATED SURPLUS, beginning of year	121,453	18,747	25,774	19,245	20,347	6,652	33,314	87,094	3,544	58,081	394,251	391,050
REVENUES												
Deposits and grants	-	-	9,838	2,747	-	-	-	85,627	-	101,811	200,023	191,957
Transfer from Fairhaven	-	-	-	-	-	-	-	-	-	37,956	37,956	42,333
Interest earned	1,158	179	273	183	194	63	318	768	30	-	3,166	3,028
	1,158	179	10,111	2,930	194	63	318	86,395	30	139,767	241,145	237,318
EXPENSES												
Transfers to operations	-	-	-	-	191	-	-	-	-	-	191	2,709
Withdrawals, purchases	-	-	9,473	204	-	-	-	-	-	137,405	147,082	230,411
Residents maintenance	-	-	-	-	-	-	-	-	-	-	-	610
Donation	-	-	-	-	-	-	-	-	-	-	-	387
	-	-	9,473	204	191	-	-	-	-	137,405	147,273	234,117
ACCUMULATED SURPLUS, end of year	122,611	18,926	26,412	21,971	20,350	6,715	33,632	173,489	3,574	60,443	488,123	394,251

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2016

	City Parks \$	Special Holding \$	Safety Patrol \$	Cenotaph Trust \$	Library Trust Funds \$	Morrow Park Trust \$	Parks Hancock Trust \$	Parks Tollington Endowment \$	Fairhaven Special Purpose \$	Residents' Personal Trust \$	2016 \$	2015 \$
FINANCIAL ASSETS												
Cash	122,611	18,926	27,372	21,971	20,541	6,715	33,632	173,489	3,574	80,336	509,167	322,392
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	80,532
	122,611	18,926	27,372	21,971	20,541	6,715	33,632	173,489	3,574	80,336	509,167	402,924
LIABILITIES AND ACCUMULATED SURPLUS												
Accounts payable	-	-	960	-	191	-	-	-	-	-	1,151	3,475
Due to revenue fund	-	-	-	-	-	-	-	-	-	19,893	19,893	5,198
Accumulated surplus	122,611	18,926	26,412	21,971	20,350	6,715	33,632	173,489	3,574	60,443	488,123	394,251
LIABILITIES AND ACCUMULATED SURPLUS	122,611	18,926	27,372	21,971	20,541	6,715	33,632	173,489	3,574	80,336	509,167	402,924

Corporation of the City of Peterborough

Trust Funds - Note to the Financial Statements

For The Year Ended December 31, 2016

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.