



City of
Peterborough

TO: Members of the Audit Committee

FROM: Sandra Clancy, Director of Corporate Services

MEETING DATE: June 20, 2011

**SUBJECT: Report CPFS11-008
Treasurer's Report, 2010 Consolidated Financial Report, 2010
Trust Funds Financial Statement and Five-Year Review**

PURPOSE

A report to recommend the "Treasurer's Report, 2010 Consolidated Financial Report, the 2010 Trust Funds Financial Statement and Five Year Review" be received, that underlying accounting policies be approved, and the 2010 Financial Report be received and submitted to the Province.

RECOMMENDATIONS

That Council approve the recommendations outlined in report CPFS11-008 dated June 20, 2011, of the Director of Corporate Services as follows:

- a) That Report CPFS11-008, "Treasurer's Report, 2010 Consolidated Financial Report, 2010 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, 2010 Consolidated Financial Report and 2010 Trust Funds Financial Statement, as presented and received, be submitted to the Province of Ontario.

BUDGET AND FINANCIAL IMPLICATIONS

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

BACKGROUND

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

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

Submitted by,

Sandra Clancy
Director of Corporate Services

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Appendix A - Treasurer’s Report on the 2010 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



June 20, 2011

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

Treasurer's Report on the 2010 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, 2010. 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 budget process is an accountability process. It shows what the City plans to do with its financial resources over the coming year. Council approved the 2010 budget on December 14, 2009. Two key documents are prepared: an operating budget and a capital budget.

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.

The operating budget presented in the 2010 audited financial statements has been restated 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 principals and guidelines of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

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 County-City Health Unit (57%) - Greater Peterborough Area Economic Development Corporation (60%) - Peterborough County-City Waste Management Facility (50%) 	<ul style="list-style-type: none"> - City of Peterborough Holdings Inc.

EXTERNAL AUDIT

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

FINANCIAL HIGHLIGHTS

A New Reporting Model

In 2009, the City of Peterborough, like all local governments in Ontario adopted a new financial statement reporting model. The new model supports a full accrual accounting format and reflects changes in Public Sector Accounting Standards that became effective January 1, 2009. Tangible capital assets are included on the Statement of Financial Position. Capital fund expenditures are removed from the Statement of Operations and replaced by amortization expense. In addition, financial impacts resulting from adjustments to employee future benefits, interest accruals and closure and post-closure costs associated with the landfill site are no longer negated and impact current year and accumulated surplus.

Since the adoption of Public Sector Accounting Standards in 2000, there have been three (3) statements: a consolidated Statement of Changes in Financial Position, a consolidated Statement of Operations and a consolidated Statement of Cash Flow. A fourth statement, called a Statement of Change in Net Financial Assets has been added. This statement provides important accountability information regarding the extent to which expenditures (i.e. goods and services acquired during the year) are met by the revenues recognized in the fiscal period. The statement answers the question... "did revenues raised in the year cover the City's spending in the year?"

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 fund, capital fund 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 31st, 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 2010, the City recorded consolidated revenues of \$287.6 million (2009 - \$252.1 million).

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

Chart 2 - Consolidated Revenues

	2010		2009		Variance Increase (decrease)
	\$	%	\$	%	\$
Property taxation	93,047,935	32.4	87,625,324	34.6	5,422,611
Taxation from other governments	2,433,720	0.8	2,528,124	1.0	(94,404)
User fees and service charges	60,202,516	20.9	60,374,022	24.0	(171,506)
Government grants & other municipalities	111,840,058	38.9	85,961,396	34.1	25,878,662
Development levies and contribution from developers	5,144,946	1.8	1,981,005	0.8	3,163,941
Licenses, permits and rents	2,516,882	0.9	2,734,132	1.1	(217,250)
Fines and other charges	1,892,985	0.7	2,021,032	0.8	(128,047)
Penalties and interest on taxes	733,531	0.3	713,286	0.3	20,245
Investment income	2,863,293	1.0	2,653,428	1.1	209,865
Donations and contributed capital assets	1,733,894	0.6	2,308,651	0.9	(574,757)
Loss of disposal of tangible capital assets	(771,594)	-0.3	(761,880)	-0.3	(9,714)
Other	630,420	0.2	454,154	0.2	176,266
Income from government business enterprise	5,316,527	1.8	3,479,705	1.4	1,836,822
Total Consolidated Revenues	287,585,113	100.0	252,072,379	100.0	35,512,734

Revenues increased \$35.5 million due to several factors:

- The property taxation levy was \$3.6 million higher than the previous year and supplementary taxes were \$0.8 million higher. Taxation write offs decreased by \$0.9 million.
- Government grants were significantly higher by \$27.8 million due to a number of factors. Social services and Housing grants were higher by \$3.9 million, the City was able to utilize \$1.4 million more in federal gas tax revenue, consolidated entities contributed approximately \$4.0 million to the variance and the City received significant funding from our Federal and Provincial governments related to 4 major capital projects, The Highway 115/Parkway interchange, the Hunter Street Bridge, the Airport ISF project and the Market Hall project.
- Development levies and contributions from developers – in 2010 there was more activity in capital projects funded by development charges such as the Clonsilla Fire Hall project, the previously mentioned Highway 115/Parkway interchange and significant work on the Water St. sanitary sewer upgrade.
- Income from government business enterprise – the income returned to 2008 levels after a 1.5 million reduction in 2009 related to a one-time charge for an accounting policy change.

Consolidated expenses totaled \$238.0 million (2009 - \$224.2 million).

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

Chart 3 - Consolidated Expenses

	2010		2009		Variance Increase (decrease)
	\$	%	\$	%	\$
General government	6,147,787	2.6	6,295,930	2.8	(148,143)
Protection services	39,937,874	16.8	38,406,239	17.1	1,531,635
Transportation	28,576,275	12.0	25,589,772	11.4	2,986,503
Environmental	31,496,737	13.2	27,196,825	12.1	4,299,912
Health	11,041,774	4.6	10,612,850	4.7	428,924
Social and family	70,197,992	29.6	70,293,387	31.4	(95,935)
Social housing	21,696,397	9.1	20,741,018	9.3	955,379
Recreation and cultural	24,293,990	10.2	21,282,703	9.5	3,011,287
Planning and development	4,564,833	1.9	3,801,419	1.7	763,414
Total Consolidated Expenses	237,953,659	100.0	224,220,143	100.0	13,733,516

Expenses increased \$13.7 million due to several factors:

- Protection services - wages increased \$1.5 million due to negotiated and anticipated settlements.
- Transportation - expenses were higher due to increased airport debt interest costs and materials of \$0.7 million, hydro costs increased \$0.6 million and amortization was \$0.5 million higher. Materials costs were \$0.5 million higher related to specific projects.
- Environmental Services – debt interest costs are \$0.4 million higher due to the 2010 debt issue for the wastewater treatment plant and Peterborough Utilities Commission. Landfill closure and post closure costs increased \$0.4 million. Amortization of tangible capital assets was \$0.7 million higher.
- Social Housing – the Peterborough Housing Corporation issued a significant amount of new long term debt resulting in higher interest costs of \$0.25 million. Due to new social housing initiatives, amortization was \$0.25 million higher.
- Recreation and Cultural –The expense activity related to the Wall of Honour contributed \$1.0 million to the increase and community grants and other transfers were \$0.5 million higher.

The annual surplus amounts to \$49.6 million and is equal to the annual excess of revenues over expenses for the year. 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. The increase in the surplus number over the prior year is a direct result of the level of capital activity undertaken in the current year. All of the revenues associated with capital works such as the Airport project, Market Hall, the Hunter Street Bridge and the Highway 115/Parkway interchange among many others are recognized in the current year. The expenses associated with those projects are included as an increase in the tangible capital asset balance and are not reflected as an expense in the year incurred.

Under the current reporting standards, the City has an annual amortization charge of \$22.2 million (2009 - \$20.4 million) that is much less than our annual capital spending of \$71.8 million (2009 - \$44.0 million). The format of the Statement of Operations reflects the annual amortization and the surplus that results are used to finance the capital acquisition.

Financial Position

The reporting model highlights a number of important messages about the City's financial results.

Net financial assets of \$90.2 million (2009 - \$89.7 million), the difference between the City's financial assets and its financial liabilities is a measure of the resources that the City has to finance future operations.

The net financial asset position is an indicator that the revenues raised during the year were sufficient to cover both the operating and capital spending that took place during the year. The positive increase in net financial asset position results primarily from raising revenues in excess of operating expenses of \$49.6 million and amortization of tangible capital assets of \$22.2 million, to finance the acquisition of tangible capital assets totaling \$71.8 million. For a more detailed accounting, refer to the Statement of Net Financial Assets on Pg. 5 of the Consolidated Financial Statement.

The accumulated surplus of \$635.7 million (2009 - \$586.0 million) represents the sum of the net financial assets of the City plus the City's capital assets at historic depreciated values. Traditionally, a municipal surplus was the operating surplus only, (shown in the first line in Chart 4) but with the new reporting model, the accumulated surplus represents the net resources (both financial and physical) that the City can use to provide future services.

This figure 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

	2010 \$	2009 \$
Surplus/(Deficit)		
City of Peterborough		
Operating surplus	279,781	235,201
Unexpended financing	2,516,249	2,763,137
	2,796,030	2,998,338

Chart 4 - Analysis of Accumulated Surplus - continued

Consolidated Entities		
Peterborough County-City Health Unit	8,809	9,713
The Village Business Improvement Area	15,085	10,082
G.P.A.E.D.C.	(88,406)	(1,339)
Peterborough Downtown Business Improvement Area	97,033	81,653
Peterborough Utilities Commission	10,715,680	5,338,066
Peterborough Housing Corporation	2,870,534	(11,105,913)
Peterborough Public Library Board	-	181,067
	13,618,735	(5,486,671)
Unfunded amounts		
Employee benefits	(27,167,823)	(27,052,727)
Solid waste landfill closure and post-closure	(3,919,468)	(3,576,737)
Accrued interest on long term debt	(923,202)	(720,708)
	(32,010,493)	(31,350,172)
Inventory for resale	8,677,619	9,008,811
Equity in government business enterprise	77,404,738	75,055,899
Invested in Tangible Capital Assets		
Tangible capital assets (net)	543,772,161	495,123,793
Unexpended capital financing	12,739,757	765,487
Long term debt	(87,863,461)	(53,612,441)
	468,648,457	442,276,839
Reserve Funds and Reserves		
Discretionary reserve funds	34,427,668	32,046,365
Reserves	62,100,706	61,482,597
	96,528,373	93,528,962
ACCUMULATED SURPLUS	635,663,460	586,032,006

CONCLUSION

The City of Peterborough had several financial highlights during 2010. Capital activity, because of an influx of government grants was at an all time high. Additional revenues, such as the 2009 OMPF reconciliation funding and supplement tax revenue were pleasant surprises that allowed the City to contribute additional funds into the Capital Levy Reserve. Each was very helpful as, like many other municipalities, the City faces a number of financial challenges such as its pressing infrastructure requirements. Available methods of financing such as capital levy, government grants and reserves and reserve funds will be extremely important as the City's infrastructure continues to grow, but must be maintained and replaced and the financing available will dictate the balance between debt financing or a "pay-as-you-go" approach.

The City of Peterborough continues to struggle to provide a reasonable level of service to its constituents while also keeping the tax rate increases at a reasonable level.

Submitted by,

Sandra Clancy
Director of Corporate Services

APPENDIX B

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2010	2009	2008	2007	2006
CURRENT PROGRAM ACTIVITY					
Consolidated Revenues					
Taxation	93,048	87,625	83,870	81,512	77,733
Taxation from other governments	2,434	2,528	2,429	2,472	2,357
Fees and service charges	60,203	60,374	57,374	47,208	44,952
Government grants and other Municipalities	111,840	85,961	88,828	76,004	70,704
Development levies	5,145	1,981	6,518	1,367	1,695
Investment and other revenue	14,915	13,603	22,451	16,393	16,951
	287,585	252,072	261,470	224,956	214,392
Expenses	237,954	224,220	218,889	168,358	168,358
Growth in accumulated surplus	49,631	27,852	42,581	56,598	46,034

(Note: For 2006 and 2007, the expenses have not been restated to reflect the change in accounting policy concerning tangible capital assets.)

NET LONG TERM LIABILITIES

For general municipal activities	84,371	49,601	54,794	51,686	52,136
For municipal enterprises	3,492	4,011	4,497	4,954	5,384
	87,863	53,612	59,291	56,640	57,520

General municipal activities - net long term liabilities as % of CVA	1.3%	0.8%	1.0%	0.9%	1.0%
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CHARGES FOR NET LONG TERM LIABILITIES

General municipal activities and for municipal enterprise	9,876	8,693	8,533	8,389	8,733
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CURRENT VALUE ASSESSMENT (CVA) - TAXABLE

Residential and farm	5,504,263	5,202,852	4,878,393	4,747,002	4,667,684
Commercial and industrial	975,658	896,233	811,357	804,513	775,595
	6,479,921	6,099,085	5,689,750	5,551,515	5,443,279

Percentage increase from previous year	6.24%	7.19%	2.49%	1.99%	20.39%
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(Note: Market value re-assessments took place in both 2006 and 2009. For 2009, the re-assessment is being phased in over 4 years.)

Commercial / industrial CVA as percentage of total	15.1%	14.7%	14.3%	14.5%	14.2%
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CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2010	2009	2008	2007	2006
VALUE OF BUILDING PERMITS ISSUED					
Residential	51,568	61,706	71,028	91,550	39,805
Commercial	26,271	16,474	39,598	26,084	16,714
Industrial	613	1,419	8,068	6,310	4,188
Institutional	2,038	48,326	26,172	719	3,251
	<u>80,490</u>	<u>127,924</u>	<u>144,866</u>	<u>124,663</u>	<u>63,958</u>
Percentage increase (decrease) from previous year	-37.1%	-11.7%	16.2%	94.9%	-44.8%
TAX LEVY AND ARREARS					
Tax levy					
Current year's tax levy - municipal and education combined	121,905	117,699	114,472	110,907	106,938
Percentage increase over previous year	3.6%	2.8%	3.2%	3.7%	5.0%
Tax arrears					
Total arrears (excluding Allowance for Doubtful Accounts)	5,819	5,358	5,430	4,918	4,807
Percentage increase (decrease) over previous year	8.6%	-1.3%	10.4%	2.3%	-11.4%
Tax arrears as a percentage of current tax levy	4.8%	4.6%	4.7%	4.4%	4.5%
POPULATION & SIZE					
Estimated Population (Maintained at 2006 Census level)	74,900	74,900	74,900	74,900	74,900
Area in acres	16,523	16,523	16,523	15,164	15,164
PER CAPITA INFORMATION					
CVA - Taxable	86,514	81,430	75,965	74,119	72,674
Expenses	3,177	2,994	2,922	2,248	2,248
(Note: For 2006 and 2007, the expenses have not been restated to reflect the change in accounting policy concerning tangible capital assets.)					
Net long-term debt for general municipal activities and municipal enterprise	1,173	716	792	756	768
Tax arrears	78	72	72	66	64

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2010	2009	2008	2007	2006
RATES OF TAXATION					
Municipal tax rates					
Residential	1.1970150%	1.2128320%	1.2413430%	1.2153940%	1.1763500%
Multi-residential	2.3308400%	2.4391260%	2.5139680%	2.4842650%	2.4044590%
New Multi-residential	1.1970150%	1.2128320%	1.2413430%	1.2153940%	N/A
Commercial	2.1311060%	2.2078390%	2.2864300%	2.2985530%	2.2247130%
Commercial Vacant	1.4917800%	1.5454880%	1.6005010%	1.6089870%	1.5572990%
Industrial	2.9451360%	3.1504520%	3.2245130%	3.1964860%	3.0938010%
Industrial Vacant	1.9143380%	2.0477940%	2.0959330%	2.0777160%	2.0109700%
Pipeline	1.5209270%	1.5410240%	1.5772500%	1.5442800%	1.4946700%
Farmlands	0.2992540%	0.3032080%	0.3103360%	0.3038490%	0.2940880%
Education tax rates					
Residential	0.2410000%	0.2520000%	0.2640000%	0.2640000%	0.2640000%
Multi-residential	0.2410000%	0.2520000%	0.2640000%	0.2640000%	0.2640000%
New Multi-residential	0.2410000%	0.2520000%	0.2640000%	0.2640000%	N/A
Commercial	1.6809920%	1.8035900%	1.9527950%	1.9599950%	1.9599950%
Commercial Vacant	1.1766944%	1.2625130%	1.3669570%	1.3719970%	1.3719970%
Industrial	2.4500000%	2.6598900%	2.8631850%	2.8889640%	2.8889640%
Industrial Vacant	1.5925000%	1.7289290%	1.8610700%	1.8778270%	1.8778270%
Pipeline	1.3618190%	1.3957010%	1.4310350%	1.4310350%	1.4310350%
Farmlands	0.0602500%	0.0630000%	0.0660000%	0.0660000%	0.0660000%
Combined municipal and education tax rates					
Residential	1.4380150%	1.4648320%	1.5053430%	1.4793940%	1.4403500%
Multi-residential	2.5718400%	2.6911260%	2.7779680%	2.7482650%	2.6684590%
Commercial	3.8120980%	4.0114290%	4.2392250%	4.2585480%	4.1847080%
Commercial Vacant	2.6684744%	2.8080010%	2.9674580%	2.9809840%	2.9292960%
Industrial	5.3951360%	5.8103420%	6.0876980%	6.0854500%	5.9827650%
Industrial Vacant	3.5068380%	3.7767230%	3.9570030%	3.9554300%	3.8887970%
Pipeline	2.8827460%	2.9367250%	3.0082850%	2.9753150%	2.9257050%
Farmlands	0.3595040%	0.3662080%	0.3763360%	0.3698490%	0.3600880%

APPENDIX C

**CORPORATION OF THE
CITY OF PETERBOROUGH
CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2010**

**CORPORATION OF THE
CITY OF PETERBOROUGH
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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THE CORPORATION OF THE CITY OF PETERBOROUGH

For The Year Ended December 31, 2010

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 generally accepted accounting principles. 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 auditor's 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 the Council.

Mayor _____ Date _____

Chief Administrative Officer _____ Date _____

Director of Corporate Services/Treasurer _____ Date _____

INDEPENDENT AUDITORS' REPORT**To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the City of Peterborough**T. 705.742.3418
F. 705.742.9775www.collinsbarrow.com*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, 2010, the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Accountants
Licensed Public AccountantsPeterborough, Ontario
June 27, 2011

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2010

	2010	2009
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments	122,140,730	96,873,646
Taxes receivable (Note 4)	4,361,939	3,905,055
Accounts receivable (Note 5)	36,028,366	22,003,399
Inventory for resale	8,804,938	9,130,505
Investments (Note 6)	8,844,363	11,185,412
Other receivables (Note 7)	418,023	455,076
Investment in Government Business Enterprise (Note 8)	83,154,738	80,805,899
	263,753,097	224,358,992
LIABILITIES		
Accounts payable and accrued liabilities	29,923,384	24,647,230
Deferred revenue (Note 9)	3,470,620	2,735,798
Solid waste landfill closure and post-closure (Note 10)	3,919,468	3,576,737
Deferred revenue - obligatory reserve funds (Note 11)	19,147,292	21,183,603
Employee benefits and other liabilities (Note 12)	29,180,258	28,923,789
Long term debt (Note 13)	87,863,461	53,612,441
	173,504,483	134,679,598
NET FINANCIAL ASSETS	90,248,614	89,679,394
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	543,772,161	495,123,793
Prepaid expenses	931,370	516,640
Inventory of supplies	711,315	712,179
	545,414,846	496,352,612
ACCUMULATED SURPLUS (NOTE 15)	635,663,460	586,032,006

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, 2010

	Budget 2010 \$	2010 \$	2009 \$
REVENUES			
Property taxation	91,390,182	93,047,935	87,625,324
Taxation from other governments	2,609,840	2,433,720	2,528,124
User fees and service charges	59,969,267	60,202,516	60,374,022
Government grants and other municipalities	81,320,285	111,840,058	85,961,396
Development levies and contributions from developers	10,625,929	5,144,946	1,981,005
Licenses, permits and rents	2,834,418	2,516,882	2,734,132
Fines and other charges	2,207,000	1,892,985	2,021,032
Penalties and interest on taxes	700,000	733,531	713,286
Investment income	5,893,681	2,863,293	2,653,428
Donations and contributed tangible capital assets	44,900	1,733,894	2,308,651
Loss on disposal of tangible capital assets	-	(771,594)	(761,880)
Other	470,324	630,420	454,154
Income from government business enterprise (Note 8)	-	5,316,527	3,479,705
TOTAL REVENUES	258,065,826	287,585,113	252,072,379
EXPENSES			
General government	6,154,506	6,147,787	6,295,930
Protection services	39,380,855	39,937,874	38,406,239
Transportation services	33,271,888	28,576,275	25,589,772
Environmental services	31,194,186	31,496,737	27,196,825
Health services	11,229,860	11,041,774	10,612,850
Social and family services	72,496,757	70,197,992	70,293,387
Social housing	19,313,108	21,696,397	20,741,018
Recreation and cultural services	22,795,349	24,293,990	21,282,703
Planning and development	4,120,453	4,564,833	3,801,419
TOTAL EXPENSES	239,956,962	237,953,659	224,220,143
ANNUAL SURPLUS	18,108,864	49,631,454	27,852,236
ACCUMULATED SURPLUS, beginning of year	586,032,006	586,032,006	558,179,770
ACCUMULATED SURPLUS, end of year (NOTE 15)	604,140,870	635,663,460	586,032,006

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, 2010

	Budget 2010 \$	2010 \$	2009 \$
Annual Surplus	18,108,864	49,631,454	27,852,236
Amortization of tangible capital assets	22,071,884	22,240,832	20,391,912
Proceeds on disposal of tangible capital assets	-	130,903	453,408
Loss on disposal of tangible capital assets	-	771,594	761,880
Acquisition of tangible capital assets	(55,052,638)	(71,791,697)	(44,012,868)
Change in prepaid expenses	-	(414,730)	(222,665)
Change in inventory of supplies	-	864	(42,344)
INCREASE IN NET FINANCIAL ASSETS	(14,871,890)	569,220	5,181,559
NET FINANCIAL ASSETS, beginning of year	89,679,394	89,679,394	84,497,835
NET FINANCIAL ASSETS, end of year	74,807,504	90,248,614	89,679,394

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, 2010

	2010 \$	2009 \$
OPERATIONS		
Annual Surplus	49,631,454	27,852,236
Non-cash charges to operations:		
Amortization	22,240,832	20,391,912
Loss on disposal of tangible capital assets	771,594	761,880
Income from government business enterprises	(5,316,527)	(3,479,705)
Sources (uses) of cash:		
Taxes receivable	(456,884)	1,133,980
Accounts receivable	(14,024,967)	(3,998,951)
Inventory for resale	325,567	(85,304)
Other receivables	37,053	85,954
Accounts payable and accrued liabilities	5,276,154	(1,163,264)
Deferred revenue	734,822	402,590
Deferred revenue - obligatory reserves	(2,036,311)	2,620,850
Solid waste landfill closure and post-closure	342,731	(88,798)
Employee benefits and other liabilities	256,469	827,258
Prepaid expenses	(414,730)	(222,665)
Inventory of supplies	864	(42,344)
Net increase in cash related to operations	57,368,121	44,995,629
CAPITAL		
Proceeds on disposal of tangible capital assets	130,903	453,408
Acquisition of tangible capital assets	(71,791,697)	(44,012,868)
Net decrease in cash related to capital	(71,660,794)	(43,559,460)
INVESTING		
Decrease in investments	2,341,049	2,782,174
Dividends received from government business enterprise	2,967,688	2,856,728
Net increase/(decrease) in cash related to investing	5,308,737	5,638,902
FINANCING		
Long term debt issued	40,294,577	-
Long term debt principal repayment	(6,043,557)	(5,678,737)
Net increase/(decrease) in cash related to financing	34,251,020	(5,678,737)
NET CHANGE IN CASH AND CASH EQUIVALENTS	25,267,084	1,396,334
CASH AND CASH EQUIVALENTS, beginning of year	96,873,646	95,477,312
CASH AND CASH EQUIVALENTS, end of year	122,140,730	96,873,646

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, 2010

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 the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of the Municipality. Financial assets are those assets that could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the Municipality'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 (2010 – 66%) (2009 – 66%)
2. Peterborough County-City Health Unit (2010 – 57%) (2009 – 57%)
3. Greater Peterborough Area Economic Development Corporation (2010 – 60%) (2009 – 60%)
4. Peterborough County-City Waste Management Facility (2010- 50%) (2009 – 50%)

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

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

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

1. Significant Accounting Policies - continued

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 Funds 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. 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, with the exception of the Peterborough Utilities Commission that uses the declining balance basis at a rate of 5% per annum, as follows:

Land improvements	10-50 years
Buildings	3-60 years
Vehicles, machinery and equipment	2-30 years
Books and materials	7 years
Roads and sidewalks	10-100 years
Water, storm and waste water systems	5-100 years

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

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

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.

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.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

1. Significant Accounting Policies - continued

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, Federal Gas Tax Revenues, Federal Public Transit Funds under Municipal Funding Agreements with the Association of Municipalities of Ontario and Provincial Gas 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.

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 Province of Ontario 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. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. 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 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 balances.

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, 2010

1. Significant Accounting Policies – continued

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, useful lives of capital assets and amortization. Actual results may differ from these and other estimates, the impact of which would be recorded in future periods.

Financial Instruments

The City's financial instruments consist of cash and temporary investments, taxes receivable, accounts receivable, investments, other receivables, accounts payable and accrued liabilities and long term debt. It is management's opinion that the fair value of its financial instruments is not materially different from their carrying value unless otherwise noted. The City does not have any significant concentration of currency, interest or credit risks.

(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 Corporation does not hold any financial instruments that are influenced by fluctuations in market interest rates.

(b) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation 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 Corporation holds bank accounts in U.S. dollars and does not use derivative instruments to reduce exposure to foreign currency risk.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

2. Restatement For Change In Accounting Policy

During the year, The Peterborough Housing Corporation, a fully consolidated local entity, adopted Public Sector Accounting Principles effective January 1, 2009 for their December 31, 2009 fiscal year end. At that time, the Corporation elected to follow section PS3800 of the Public Sector Accounting Principles Handbook. That section was later withdrawn from the Handbook. The accounting policies have changed as a result and have been applied retroactively. The result of this change in accounting policy was an increase in 2009 Accumulated Surplus, beginning of year of \$3,493,343, and increase in Government Grants revenue in the Social Housing Segment of \$2,693,646 and a decrease in deferred revenue of \$6,187,289.

Adjustment - 2009 Accumulated Surplus:

Amount previously reported	554,686,127
Increase related to change in accounting policy	3,493,343
<hr/>	
Closing 2009 and opening 2010 accumulated surplus as restated	558,179,770

Adjustment - 2009 Government grants and other municipalities:

Amount previously reported, social housing segment	83,267,750
Increase related to change in accounting policy	2,693,646
<hr/>	
2009 Government grants and other municipalities as restated	85,961,396

Adjustment - 2009 Deferred revenue:

Amount previously reported	8,923,087
Decrease related to change in accounting policy	(6,187,289)
<hr/>	
2009 Deferred revenue as restated	2,735,798

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

3. Transfers To The School Boards

During 2010, the City made property tax transfers to the School Boards. The amounts collected and remitted amounted to \$31,073,457 (2009 - \$30,517,798). 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:

	2010 \$	2009 \$
Current year's levies	2,864,499	2,425,197
Previous year's levies	1,220,948	1,000,528
Prior year's levies	1,847,374	1,799,276
Penalties and interest	1,432,940	1,344,676
	7,365,761	6,569,677
Allowance for uncollectible taxes	(3,003,822)	(2,664,622)
	4,361,939	3,905,055

5. Accounts Receivable

This figure is comprised of the following:

	2010 \$	2009 \$
Government of Canada	6,515,240	1,375,979
Government of Ontario	11,188,460	2,239,263
Other Municipalities and school boards	2,851,240	2,013,474
User Charges and other receivables	15,473,426	16,374,683
	36,028,366	22,003,399

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

6. Investments

The investments have a market value of \$8,844,363 (2009 - \$11,185,412) at the end of the year. Any discount on the purchase price is amortized over the life of the investment.

7. Other Receivables

This figure is comprised of the following:

	2010	2009
	\$	\$
Employee Computer Purchase Plan Loans	117,937	106,636
Trent University – Woodland Acres Sanitary Sewer	187,006	204,040
Loan – Peterborough Lakers Lacrosse Association	84,000	96,000
Other loans receivable	29,080	48,400
	418,023	455,076

The interest rate on employee Computer Purchase loans is prime less 1%. The Woodland Acres Loan bears interest at a fixed rate of 7%. Loans with a value of \$103,080 (2009 - \$124,400) 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, 2010

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:

Peterborough Utilities Services Inc.
Peterborough Distribution Inc. and
Peterborough Utilities Inc., and its wholly owned subsidiaries;
Campbellford-Seymour Electricity Generation Inc. and
Lily Lake Solar Inc.

All of the above companies are wholly owned by the City of Peterborough Holdings Inc., which, in turn, is wholly owned by the Corporation of the City of Peterborough. The equity method is used to account for Peterborough Utilities Inc. investment in Trent Rapids Power Corporation.

This figure is comprised of the following investment in City of Peterborough Holdings Inc.:

	2010 \$	2009 \$
Notes receivable 6.25% (2009 – 6.15%)	23,440,528	23,440,528
Notes receivable 7.25%	2,508,677	2,508,677
Shares	28,399,205	28,399,205
	54,348,410	54,348,410
Retained earnings:		
Beginning balance	20,707,489	20,084,512
Net earnings	5,316,527	3,479,705
Less dividends	(2,967,688)	(2,856,728)
	23,056,328	20,707,489
Equity in government business enterprises	77,404,738	75,055,899
Short term advances due on demand with interest at prime less 1.25%	5,750,000	5,750,000
	83,154,738	80,805,899

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

8. Investment in Government Business Enterprise - continued

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

Financial Position:

	2010 \$	2009 \$
Current assets	28,897,359	36,402,230
Capital and intangible assets	99,791,507	65,121,860
Regulatory assets	7,874,360	7,878,770
Investment	5,060,471	4,690,710
Future income taxes	4,255,000	4,331,000
Total assets	145,878,697	118,424,570
Current liabilities	40,874,109	15,410,014
Notes payable	31,699,205	31,699,205
Other long term liabilities	21,485,350	21,799,157
Future income taxes	364,500	409,500
Total liabilities	94,423,164	69,317,876
Shareholder's Equity		
Capital stock	28,399,205	28,399,205
Retained earnings	23,056,328	20,707,489
	51,455,533	49,106,694
Total liabilities and shareholder's equity	145,878,697	118,424,570

Results of Operations:

	2010 \$	2009 \$
Revenues	98,586,227	92,260,264
Expenses	90,770,163	87,073,059
Net income before provision for corporate income taxes	7,816,064	5,187,205
Provision for corporate income taxes	2,499,537	1,707,500
Income from government business enterprise	5,316,527	3,479,705

During the year the City received dividends totalling \$2,967,688 (2009 - \$2,856,728) and interest totalling \$1,646,912 (2009 - \$1,623,472) on the notes receivable.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

9. Deferred Revenue

This figure is comprised of the following:

	2010	2009
	\$	\$
Rents, user fees and service charges	1,243,944	1,282,512
Tickets, events and site deposits	500,939	597,796
Social and family services related	410,975	417,099
Government Funding	1,314,762	438,391
	3,470,620	2,735,798

10. Solid waste landfill closure and post closure

The solid waste landfill closure and post closure liability of \$3,919,468 (2009 - \$3,576,737) is for closure and post closure costs of the Peterborough County-City Waste Management Facility. During 2010, the site currently referred to as the North Fill Area received waste for the first time. The site referred to as the South Fill Area (SFA) is expected to reach capacity in 2012 at which time the North Fill Area (NFA) will begin to receive the balance of waste and continue for at least 15 years.

The net present value of estimated closure and post closure costs as at December 31, 2010 is \$11,594,220 (2009 - \$7,771,490). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.1% (2009 - 2.1%), discounted at a rate of 5% (2009 - 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 97% (2009 - 92%) and at the NFA is 1% (2009 - 0%).

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. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity. The estimated change in liability would be recognized prospectively, when applicable.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

11. Deferred Revenue - Obligatory Reserve Funds

A requirement of public sector accounting principles of The Canadian Institute of Chartered Accountants 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:

	2010 \$	2009 \$
Development Charges	13,550,812	14,681,960
Parkland	1,535,877	1,464,809
Building Code Act	48,093	355,823
Federal Gasoline Tax	3,586,411	4,141,348
Provincial Gasoline Tax	426,099	539,663
	19,147,292	21,183,603

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

	2010 \$	2009 \$
Balance – beginning of year	21,183,603	18,562,753
Add amounts received:		
Development charges received	3,438,547	3,016,167
Parkland fees and subdivider contributions	63,197	124,365
Provincial gas tax	1,482,340	1,501,931
Federal gas tax	4,609,886	4,643,009
Investment income	185,295	165,705
	9,779,265	9,451,177
Less amounts utilized:		
Development charges earned	4,719,673	1,197,534
Parkland fees and subdivider contributions utilized	-	39,200
Building Code Act levies utilized	307,730	132,614
Provincial and federal gas tax earned	6,788,173	5,460,979
	11,815,576	6,830,327
Balance – end of year	19,147,292	21,183,603

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

12. Employee Benefits And Other Liabilities

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:

	2010 \$	2009 \$
Accrued benefit liability, beginning of year	28,923,789	28,096,531
Actuarial loss	724,837	781,879
	29,648,626	28,878,410
Current period benefit expense	1,067,594	1,843,020
Plan amendment	-	246,191
Interest	1,248,222	1,220,314
Benefit payments	(2,116,389)	(2,539,309)
Accrued benefit liability, end of year	29,848,053	29,648,626
Unamortized actuarial loss	(667,795)	(724,837)
	29,180,258	28,923,789

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

12. Employee Benefits And Other Liabilities – continued

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimate. The following represents the more significant assumptions made:

	Benefits Payable for Early Retirees	Life Insurance	Worker's Compensation	Sick Leave
Expected inflation rate	2%	2%	2%	2%
Expected level of salary increases	3%	3%	3%	3%
Interest discount rate	5%	5%	5%	5%

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 as long as the member pays the blended premium rate for the coverage.

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 an actuarial review update completed as of December 31, 2009.

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 an actuarial review completed as of December 31, 2009.

Vacation Pay Entitlements

Vacation pay entitlements are based on employee's years of service. Current obligations total \$2,451,532 (2009 - \$2,323,144) of which \$2,012,435 (2009 - \$1,871,062) does not need to be recovered in future periods.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

13. 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 1.00% to 7.25% (2009 - 2.34% to 8.125%)

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

	2011 to 2015 \$	2016 to 2020 \$	2021 Onwards \$	Total \$
From general revenues	38,823,690	36,402,171	12,598,689	87,824,550
From benefiting landowners	38,911	-	-	38,911
	38,862,601	36,402,171	12,598,689	87,863,461

The long term debt is 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 liabilities in 2010 amounted to \$3,831,542 (2009 - \$3,013,667).

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

14. Tangible Capital Assets

This figure is comprised of the following:

	Net Book Value	
	2010	2009
	\$	\$
General		
Land and land improvements	67,975,273	62,924,722
Buildings	93,379,436	84,325,994
Machinery and equipment	8,248,791	6,844,700
Vehicles	16,163,369	16,911,360
Books and materials	1,309,922	1,204,632
Infrastructure		
Land	24,510,029	24,009,651
Buildings	23,742,466	24,637,323
Machinery & vehicles	2,476,325	2,084,976
Roadways and sidewalks	90,535,378	85,765,512
Storm sewer system	40,996,113	39,960,602
Wastewater system	47,859,058	48,301,467
Water system	68,280,001	58,307,888
	485,476,161	455,278,827
Assets under construction	58,295,000	39,844,966
Total tangible capital assets	543,771,161	495,123,793

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

During 2010 and 2009, there were no write-downs of assets and no interest capitalized. Assets contributed to the City were capitalized at their fair value and amounted to \$993,284 (2009 - \$2,051,312).

Historical treasures and works of art held by the City are not included in the balances above.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

14. Tangible Capital Assets – continued

Tangible capital assets by function are comprised of the following:

	Net Book Value	
	2010 \$	2009 \$
General government	23,566,618	21,296,729
Protection to persons and property	10,825,952	4,314,250
Transportation services	119,374,167	116,363,488
Environmental services	196,833,915	183,669,212
Health services	236,915	261,992
Social and family services	12,310,816	12,954,523
Social housing	36,535,910	32,036,351
Recreation and cultural services	64,072,642	62,477,358
Planning and development	21,719,226	21,904,924
Assets under construction	58,295,000	39,844,966
Total tangible capital assets	543,771,161	495,123,793

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

15. Accumulated Surplus

This figure is comprised of the following:

	2010	2009
	\$	\$
Surplus/(Deficit)		
City of Peterborough		
Operating surplus	279,781	235,201
Unexpended financing	2,516,249	2,763,137
	2,796,030	2,998,338
Consolidated Entities		
Peterborough County-City Health Unit	8,809	9,713
The Village Business Improvement Area	15,085	10,082
Greater Peterborough Area Economic Development Corporation	(88,406)	(1,339)
Peterborough Downtown Business Improvement Area	97,033	81,653
Peterborough Utilities Commission	10,715,680	5,338,066
Peterborough Housing Corporation	2,870,534	(11,105,913)
Peterborough Public Library Board	-	181,067
	13,618,735	(5,486,671)
Unfunded amounts		
Employee benefits	(27,167,823)	(27,052,727)
Solid waste landfill closure and post-closure	(3,919,468)	(3,576,737)
Accrued interest on long term debt	(923,202)	(720,708)
	(32,010,493)	(31,350,172)
Inventory for resale	8,677,619	9,008,811
Equity in government business enterprise	77,404,738	75,055,899
Invested in Tangible Capital Assets		
Tangible capital assets (net)	543,772,161	495,123,793
Unexpended capital financing	12,739,757	765,487
Long term debt	(87,863,461)	(53,612,441)
	468,648,457	442,276,839
Reserve Funds and Reserves		
Discretionary reserve funds	34,427,668	32,046,365
Reserves	62,100,706	61,482,597
	96,528,373	93,528,962
ACCUMULATED SURPLUS	635,663,460	586,032,006

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

16. 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 2010 \$	2010 \$	2009 \$
Salary, wages and employee benefits	87,140,240	87,241,455	84,484,477
Interest on long term debt	3,816,076	3,831,542	3,013,667
Materials	29,147,292	27,698,035	24,971,667
Contracted services	45,854,787	46,663,567	45,114,736
Rents and financial expenses	1,939,919	1,819,865	1,688,086
External transfers	49,986,764	48,458,363	44,555,598
Amortization	22,071,884	22,240,832	20,391,912
	239,956,962	237,953,659	224,220,143

17. 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.

Financial Position:

	2010		2009	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	4,088,010	2,725,340	3,944,684	2,629,789
Liabilities	19,815,430	13,210,287	21,224,359	14,149,573
Net debt	(15,727,420)	(10,484,947)	(17,279,675)	(11,519,784)
Non-financial assets	18,682,867	12,455,245	19,431,449	12,954,299
Accumulated surplus	2,955,447	1,970,298	2,151,774	1,434,515

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

17. Partnerships With The County of Peterborough - continued

Results of Operations:

	2010		2009	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	17,431,113	11,620,742	16,937,432	11,291,621
Expenses	16,627,440	11,084,960	17,624,721	11,749,814
Annual (deficit) surplus	803,673	535,782	(687,289)	(458,193)

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.

Peterborough County-City Health Unit

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

Financial Position:

	2010		2009	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	3,310,303	1,886,874	2,566,722	1,463,032
Liabilities	3,213,125	1,831,482	2,096,156	1,194,809
Net financial assets	97,178	55,392	470,566	268,223
Non-financial assets	821,172	468,068	515,049	293,578
Accumulated surplus	918,350	523,460	985,615	561,801

Results of Operations:

	2010		2009	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	11,473,701	6,540,009	11,309,862	6,446,621
Expenses	11,540,966	6,578,350	11,327,536	6,456,696
Annual deficit	(67,265)	(38,341)	(17,674)	(10,075)

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

17. Partnerships With The County of Peterborough - continued

Greater Peterborough Area Economic Development Corporation (GPAEDC)

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

Financial Position:

	2010		2009	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	616,833	370,100	234,715	140,829
Liabilities	831,482	498,888	272,238	163,343
Net debt	(214,649)	(128,788)	(37,523)	(22,514)
Non-financial assets	30,846	18,508	6,173	3,704
Accumulated deficit	(183,803)	(110,280)	(31,350)	(18,810)

Results of Operations:

	2010		2009	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	2,854,229	1,712,538	2,144,249	1,286,550
Expenses	3,006,681	1,804,008	2,131,101	1,278,661
Annual surplus (deficit)	(152,452)	(91,470)	13,148	7,889

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

17. Partnerships With The County of Peterborough - continued

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 from the County of \$153,823 (2009 - \$80,693).

Results of Operations:

	2010		2009	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	3,682,586	1,841,293	4,044,292	2,022,146
Expenses	2,521,216	1,260,608	2,474,845	1,237,422
Net revenues	1,161,370	580,685	1,569,447	784,724

18. Pension Agreements

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

The City's share of the annual contribution to the pension plan for current service is charged to operations in the year in which the contribution is made. For 2010, the current service cost amounted to \$4,684,001 (2009 - \$4,485,814).

19. Trust Funds

Trust funds administered by the Corporation of the City of Peterborough amounting to \$686,467 (2009 - \$674,126) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities. 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.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

20. Budget Figures

The budget approved by the Corporation for the year is reflected on the Statement of Operations and Accumulated Surplus and the 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.

21. 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
2011	2,789,732	552,506	3,342,238
2012	2,375,036	552,506	2,927,542
2013	2,411,960	138,126	2,550,086
2014	2,449,957	-	2,449,957
2015	2,489,064	-	2,489,064
Thereafter	27,320,528	-	27,320,528
Total minimum lease payments	39,836,277	1,243,138	41,079,415
Less: payments assumed by sub-lessee	21,161,147	-	21,161,147
	18,675,130	1,243,138	19,918,268

(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, 2010

22. Other Commitments

The Peterborough Housing Corporation entered into contracts totaling \$3,138,757 including HST for various design, construction and renovation activities during 2010.

The Peterborough County-City Health Unit committed to purchase dental equipment and mobile clinic for the Healthy Smiles Dental Program during 2010. Subsequent to the year end, the organization also entered into a contract to build a dental clinic in the amount of \$257,828.

The Peterborough Utilities Commission has committed to purchasing and installing water meters. The estimated future expenditure is \$9,600,000.

23. Contingent Liabilities

The City of Peterborough, in the course of its 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.

24. 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, 2010 is \$5,094,000 (2009 - \$5,220,000).

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

25. 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, 2010, amounted to \$1,892,985 (2009 - \$1,915,141) and \$1,008,646 (2009 - \$1,023,641) 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 2010, the proportion based on weighted assessment for the City was 47.3% (2009 - 47.7%). Based on this percentage, the City's portion of Net Revenues was \$477,090 (2009 - \$488,277).

26. Segmented 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 segmented 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 segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

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 Segmented Disclosure.

Functions disclosed separately in the segmented 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.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2010

26. Segmented Information - continued

Environmental Services

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

Health Services

The health services function consists of external transfers to the Peterborough City-County Health Unit, the Peterborough Regional Health Centre 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 and assistance to aged persons provided by Fairhaven and childcare services.

Social Housing Services

The social housing function provides access and administration related to affordable housing in the City.

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 Municipality.

Electric Utility

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

27. 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, 2010

	Infrastructure											Total \$		
	General					Infrastructure								
	Land and land Improvements	Buildings	Machinery and equipment	Vehicles	Books and materials	Land	Buildings	Machinery & Vehicles	Roadways and sidewalks	Storm sewer system	Wastewater System	Water System	Assets under Construction	
COST														
Balance, beginning of year	81,768,756	156,785,945	18,039,367	25,959,925	2,432,391	24,009,651	42,880,819	5,306,311	165,145,028	56,463,883	76,455,886	108,022,106	39,844,966	803,115,034
Add: Additions	232,167	1,029,899	221,108	-	425,313	-	186,325	-	-	-	-	6,787,136	62,909,749	71,791,697
Less: disposals and retirements	54,086	515,019	15,766	405,597	-	52,723	-	237,479	1,216,992	120,384	127,281	-	-	2,745,327
Interfund transfers	6,212,705	13,070,168	2,655,386	723,602	8,690	553,101	-	844,652	9,971,422	1,931,177	1,710,152	6,778,660	(44,459,715)	-
BALANCE, end of year	88,159,542	170,370,993	20,900,095	26,277,930	2,866,394	24,510,029	43,067,144	5,913,484	173,889,458	58,274,676	78,038,757	121,587,902	58,295,000	872,161,404
ACCUMULATED AMORTIZATION														
Balance, beginning of year	18,844,034	72,459,951	11,194,667	9,048,565	1,227,759	-	18,243,496	3,221,335	79,379,516	16,503,281	28,154,419	49,714,218	-	307,991,241
Add: Amortization	1,394,321	4,621,967	1,471,403	1,466,738	328,713	-	1,081,182	446,078	4,889,181	829,248	2,118,318	3,593,683	-	22,240,832
Less: disposals and retirements	54,086	90,361	15,766	400,742	-	-	-	230,254	904,617	53,966	93,038	-	-	1,842,830
BALANCE, end of year	20,184,269	76,991,557	12,650,304	10,114,561	1,556,472	-	19,324,678	3,437,159	83,364,080	17,278,563	30,179,699	53,307,901	-	328,389,243
NET BOOK VALUE	67,975,273	93,379,436	8,249,791	16,163,369	1,309,922	24,510,029	23,742,466	2,476,325	90,535,378	40,996,113	47,859,058	68,280,001	58,295,000	543,772,161

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For The Year Ended December 31, 2010

	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	14,617,832	29,012,346	13,370,988	3,414,859	4,131,328	13,612,913	3,591,650	8,644,153	2,651,866	-	93,047,935
Taxation from other governments	382,336	758,834	349,726	89,318	108,057	356,053	93,942	226,093	69,361	-	2,433,720
User fees and service charges	433,199	680,408	7,781,044	31,237,858	248,913	5,368,910	5,205,326	9,072,344	174,514	-	60,202,516
Government grants and other municipalities	1,088,980	3,216,360	23,580,986	2,408,131	5,867,708	52,122,688	17,374,856	4,779,962	1,400,387	-	111,840,058
Development levies and contributions from developers	-	1,093,114	1,743,326	2,083,307	-	-	-	14,400	210,799	-	5,144,946
Licences, permits and rents	937,664	917,984	56,927	46,918	-	-	-	557,389	-	-	2,516,882
Fines and other charges	-	1,892,985	-	-	-	-	-	-	-	-	1,892,985
Penalties and interest on taxes	733,531	-	-	-	-	-	-	-	-	-	733,531
Investment income	413,121	819,931	377,884	236,171	125,524	426,085	143,167	246,443	74,967	-	2,863,293
Donations and contributed tangible capital assets	5,575	-	634,921	-	-	1,175	-	689,688	422,555	-	1,733,894
(Loss) gain on disposal of tangible capital assets	(194,780)	1,620	(325,554)	(205,299)	-	-	-	18,810	(66,391)	-	(771,594)
Other	42,823	-	-	218,679	60,374	-	-	-	308,544	-	630,420
Income from government business enterprises	-	-	-	-	-	-	-	-	-	5,316,527	5,316,527
TOTAL REVENUES	18,460,281	38,393,582	47,570,248	39,529,942	10,541,904	71,887,824	26,408,941	24,229,262	5,246,602	5,316,527	287,585,113
EXPENSES											
Salaries, wages and employee benefits	5,345,077	32,474,225	12,547,444	3,484,036	4,771,477	15,912,457	2,372,030	8,338,909	1,995,800	-	87,241,455
Interest on net long term debt	94,867	247,446	1,161,662	479,707	-	689,017	516,025	577,929	84,889	-	3,831,542
Materials	3,858,837	1,992,821	6,348,687	2,701,272	1,423,359	2,158,449	4,146,809	3,680,970	1,386,831	-	27,698,035
Contracted services	2,834,526	609,248	2,785,828	14,134,952	3,761,207	5,972,138	11,308,629	4,653,740	603,299	-	46,663,567
Rents and financial expenses	63,925	38,861	29,964	651,583	50,380	698,121	34,263	226,221	26,547	-	1,819,865
External transfers	126,754	1,405,338	-	-	648,201	42,688,545	1,623,690	1,664,430	321,405	-	48,458,363
Amortization	725,644	685,753	7,486,062	8,286,250	25,077	739,394	1,007,677	3,284,101	874	-	22,240,832
Interfunctional transfers	(6,901,843)	2,484,182	(1,783,372)	1,758,937	362,073	1,379,871	687,274	1,867,690	145,188	-	-
TOTAL EXPENSES	6,147,787	39,937,874	28,576,275	31,496,737	11,041,774	70,197,992	21,696,397	24,293,990	4,564,833	-	237,953,659
NET SURPLUS (DEFICIT)	12,312,494	(1,544,292)	18,993,973	8,033,205	(499,870)	1,689,832	4,712,544	(64,728)	681,769	5,316,527	49,631,454

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For The Year Ended December 31, 2009

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural	Planning and Development	Electric Utility	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES											
Property taxation	13,345,336	26,918,500	12,039,720	4,687,955	3,671,501	13,906,139	3,329,762	7,509,490	2,216,921	-	87,625,324
Taxation from other governments	385,033	776,640	347,364	135,255	105,928	401,213	96,069	216,660	63,962	-	2,528,124
User fees and service charges	510,293	660,884	8,399,585	32,430,791	227,579	5,245,312	4,856,463	7,597,753	445,362	-	60,374,022
Government grants and other municipalities	1,052,453	3,719,394	5,352,285	3,540,455	5,891,454	48,106,859	14,382,147	1,695,342	2,221,007	-	85,961,396
Development levies and contributions from developers	42,705	237,849	370,043	911,458	-	-	-	320,250	98,700	-	1,981,005
Licences, permits and rents	947,185	1,058,281	73,131	49,653	-	-	2,349	556,591	46,942	-	2,734,132
Fines and other charges	105,891	1,915,141	-	-	-	-	-	-	-	-	2,021,032
Penalties and interest on taxes	713,286	-	-	-	-	-	-	-	-	-	713,286
Investment income	368,755	815,133	364,581	141,958	111,179	421,099	100,830	262,761	67,132	-	2,653,428
Donations and contributed tangible capital assets	54,475	-	-	18,177	-	-	-	165,581	2,070,418	-	2,308,651
(Loss) gain on disposal of tangible capital assets	(1,079)	(37,673)	(335,274)	(387,854)	-	-	-	-	-	-	(761,880)
Other	44,929	-	-	158,154	65,430	-	-	-	185,641	-	454,154
Income from government business enterprises	-	-	-	-	-	-	-	-	-	3,479,705	3,479,705
TOTAL REVENUES	17,569,262	36,064,149	26,611,435	41,686,002	10,073,071	68,080,622	22,767,620	18,324,428	7,416,085	3,479,705	252,072,379
EXPENSES											
Salaries, wages and employee benefits	4,396,484	30,966,795	12,689,317	3,475,317	4,738,874	16,574,281	2,024,497	7,655,062	1,963,850	-	84,484,477
Interest on net long term debt	106,525	280,227	738,200	135,202	-	729,540	290,883	628,138	104,952	-	3,013,667
Materials	3,427,145	2,072,216	5,252,263	2,249,097	1,093,607	2,005,249	4,230,005	3,492,852	1,149,233	-	24,971,667
Contracted services	2,367,245	509,086	2,254,392	12,030,031	3,545,207	9,417,186	11,221,158	3,601,480	168,951	-	45,114,736
Rents and financial expenses	60,778	44,186	26,735	642,583	47,771	614,348	69,204	182,481	-	-	1,688,086
External transfers	247,532	1,397,206	-	-	905,354	38,941,508	1,593,053	1,151,242	319,703	-	44,555,598
Amortization	686,231	543,441	6,978,834	7,579,079	25,077	745,777	773,646	3,054,572	5,255	-	20,391,912
Interfunctional transfers	(4,996,010)	2,593,082	(2,349,969)	1,085,516	256,960	1,265,498	538,572	1,516,876	89,475	-	-
TOTAL EXPENSES	6,295,930	38,406,239	25,589,772	27,196,825	10,612,850	70,293,387	20,741,018	21,282,703	3,801,419	-	224,220,143
NET SURPLUS (DEFICIT)	11,273,332	(2,342,090)	1,021,663	14,489,177	(539,779)	(2,212,765)	2,026,602	(2,958,275)	3,614,666	3,479,705	27,852,236

INDEPENDENT AUDITORS' REPORT**To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the City of Peterborough**T. 705.742.3418
F. 705.742.9775www.collinsbarrow.com*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, 2010, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Corporation of the City of Peterborough and its local boards as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Accountants
Licensed Public AccountantsPeterborough, Ontario
June 27, 2011

CORPORATION OF THE CITY OF PETERBOROUGH

TRUST FUNDS STATEMENT OF CONTINUITY
For The Year Ended December 31, 2010

	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 \$	2010 \$	2009 \$
ACCUMULATED SURPLUS, beginning of year	114,446	17,664	25,261	49,973	20,337	2,094	31,391	294,241	6,096	101,767	663,269	587,512
REVENUES												
Deposits	-	-	5,500	-	-	-	-	66,222	-	129,603	201,325	232,783
Transfer from Fairhaven	-	-	-	-	-	-	-	-	-	38,979	38,979	46,172
Donations & Fundraising	-	-	10,914	-	-	4,198	-	-	-	200	4,398	222
Interest earned	604	93	134	230	108	11	166	1,552	38	130	3,064	2,738
	604	93	5,634	230	108	4,209	166	67,774	38	168,912	247,766	281,915
EXPENSES												
Transfers to operations	-	-	-	-	105	-	-	-	187	-	292	239
Withdrawals, purchases	-	-	10,914	14,207	-	-	-	-	-	185,363	210,484	195,168
Residents maintenance	-	-	-	-	-	-	-	-	-	16,860	16,860	9,152
Donation	-	-	-	-	-	-	-	-	-	658	658	1,600
	-	-	10,914	14,207	105	-	-	-	187	202,881	228,294	206,159
ACCUMULATED SURPLUS, end of year	115,049	17,757	19,981	35,995	20,339	6,303	31,557	362,015	5,947	67,798	682,742	663,268
TRUST FUNDS STATEMENT OF FINANCIAL POSITION												
At December 31, 2010												
	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 \$	2010 \$	2009 \$
FINANCIAL ASSETS												
Cash	114,958	17,743	19,981	35,966	20,428	6,301	31,532	362,015	5,947	71,418	686,289	673,901
Interest receivable	92	14	-	29	16	2	25	-	-	-	178	38
HST receivable	-	-	-	-	-	-	-	-	-	-	-	187
	115,049	17,757	19,981	35,995	20,444	6,303	31,557	362,015	5,947	71,418	686,467	674,126
LIABILITIES AND ACCUMULATED SURPLUS												
Due to revenue fund	-	-	-	-	105	-	-	-	-	3,620	3,725	10,858
Accumulated surplus	115,049	17,757	19,981	35,995	20,339	6,303	31,557	362,015	5,947	67,798	682,742	663,268
	115,049	17,757	19,981	35,995	20,444	6,303	31,557	362,015	5,947	71,418	686,467	674,126

CORPORATION OF THE CITY OF PETERBOROUGH

TRUST FUNDS - NOTE TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2010

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 the Canadian Institute of Chartered Accountants.

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

- (i) Sources of financing and expenses are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable 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, interest receivable, HST receivable and due to revenue fund. It is management's opinion that the fair value 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.