



City of
Peterborough

TO: **Members of the Audit Committee**

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

MEETING DATE: **June 25, 2012**

SUBJECT: **Report CPFS12-040**
Treasurer's Report, 2011 Consolidated Financial Report, 2011
Trust Funds Financial Statement and Five-Year Review

PURPOSE

A report to recommend the Treasurer's Report, 2011 Consolidated Financial Report, the 2011 Trust Funds Financial Statement and Five Year Review be received, that underlying accounting policies be approved, and the 2011 Financial Report be received and submitted to the Province.

RECOMMENDATIONS

That Council approve the recommendations outlined in report CPFS12-040 dated June 25, 2012, of the Director of Corporate Services as follows:

- a) That Report CPFS12-040, Treasurer's Report, 2011 Consolidated Financial Report, 2011 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, 2011 Consolidated Financial Report and 2011 Trust Funds Financial Statement, as presented and received, be submitted to the Province of Ontario.

BUDGET AND FINANCIAL IMPLICATIONS

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

BACKGROUND

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

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

Submitted by,

Sandra Clancy
Director of Corporate Services

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Attachments:

Appendix A - Treasurer's Report on the 2011 Financial Report for the City of
Peterborough

Appendix B - City of Peterborough – Five Year Review

Appendix C - Consolidated Financial Report Including Trust Funds Financial Statement

Appendix A –
Treasurer's Report on the 2011 Financial Report for the City
of Peterborough



June 25, 2012

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

Treasurer's Report on the 2011 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, 2011. 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 2011 budget on January 31, 2011. 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 2011 audited financial statements has been re-stated into a format that conforms to Public Sector Accounting Standards. Those standards require that all Inter-fund transfers be eliminated, debt principal be removed and the effects of unfunded liabilities such as employee future benefits and landfill closure and post closure costs be included.

FINANCIAL STATEMENTS

The accompanying consolidated financial statements are the responsibility of the management of the City. As with all Ontario municipalities, they have been prepared in accordance with the accounting 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 Kawarthas LLP in accordance with Generally Accepted Auditing Standards. The auditors have expressed an unqualified opinion that these statements present fairly the financial position of the City. In addition, separate audit examinations have been completed for all 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

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 2011, the City recorded consolidated revenues of \$271.7 million (2010 - \$288.4 million).

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

Chart 2 - Consolidated Revenues

	2011		2010		Variance Increase (decrease)
	\$	%	\$	%	\$
Property taxation	96,318,833	35.4	93,047,935	32.3	3,270,898
Taxation from other governments	2,665,816	1.0	2,433,720	0.8	232,096
User fees and service charges	60,514,770	22.3	60,202,516	20.9	312,254
Government grants & other municipalities	85,468,316	31.5	111,840,058	38.7	(26,371,742)
Development levies and contribution from developers	8,121,198	3.0	5,144,946	1.8	2,976,252
Licenses, permits and rents	2,806,626	1.0	2,516,882	0.9	289,744
Fines and other charges	2,228,185	0.8	1,892,985	0.7	335,200
Penalties and interest on taxes	775,103	0.3	733,531	0.3	41,572
Investment income	3,577,487	1.3	2,863,293	1.0	714,194
Donations and contributed capital assets	2,083,668	0.8	1,733,894	0.6	349,774
Other	851,414	0.3	630,420	0.2	220,994
Income from government business enterprise	6,298,365	2.3	5,316,527	1.8	981,838
Total Consolidated Revenues	271,709,781	100.0	288,356,707	100.0	(16,646,926)

Revenues decreased \$16.6 million due to several factors:

- The property taxation levy was \$3.6 million higher than the previous year and supplementary taxes were up by \$0.2 million. Taxation write offs increased \$0.6 million.
- Government grants were significantly lower by \$26.4 million, due to a number of factors. In 2010, significant funding was received for various capital projects such as the Airport Infrastructure Stimulus Fund project, the Highway 115/Parkway Interchange, the Hunter Street Bridge, and the Market Hall. During 2011, funding was also received for those same projects, but not to the extent as in the previous year. In addition, Peterborough Housing Corporation received Provincial Funding in excess of \$4.0 million for various property acquisition initiatives during 2010, with no comparative receipts in 2011.
- Development levies and contributions from developers – in 2011 there was more activity in capital projects funded by development charges such as the Lansdowne Street West reconstruction.
- Income from government business enterprise – the income figure is \$1.0 million higher in 2011 based on the results of operations of the City of Peterborough Holdings Inc. and its subsidiary group of companies.

Consolidated expenses totaled \$244.8 million (2010 - \$238.7 million).

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

Chart 3 - Consolidated Expenses

	2011		2010		Variance Increase (decrease)
	\$	%	\$	%	\$
General government	5,829,721	2.4	6,342,567	2.7	(512,846)
Protection services	41,989,478	17.2	39,936,254	16.7	2,053,224
Transportation	32,977,890	13.5	28,901,829	12.1	4,076,061
Environmental	32,157,644	13.1	31,702,036	13.3	455,608
Health	11,432,344	4.7	11,041,774	4.6	390,570
Social and family	67,370,952	27.4	70,197,992	29.4	(2,827,040)
Social housing	23,103,720	9.4	21,696,397	9.1	1,407,323
Recreation and cultural	24,669,426	10.1	24,275,180	10.2	394,246
Planning and development	5,286,774	2.2	4,631,224	1.9	655,550
Total Consolidated Expenses	244,817,949	100.0	238,725,253	100.0	6,092,696

Expenses increased \$6.1 million due to several factors:

- General Government – expenses related to “other” capital projects were lower than in the previous year as more repair and building condition assessment activity took place during 2010.
- Protection services – personnel costs increased \$1.3 million due to negotiated and anticipated settlements as well as higher materials costs for both Fire Services (\$0.1 million) and Police Services (\$0.3 million). Approximately \$0.1 million of the increase in Police Services materials was directly offset by grant funding. External transfers to the County of Peterborough increased by \$0.2 million due to higher net revenues in the Provincial Offenses Administration activity.
- Transportation - expenses increased due to personnel costs of \$0.9 million, higher materials costs of \$0.9 million and amortization of \$0.6 million. Expenses related to the reconstruction of roadways and other transportation related assets were up by \$1.5 million as the assets being replaced were not fully amortized. Wages related to winter control events increased by \$0.2 and were reflective of the amount of sanding, salting and plowing activity that occurred during the year

as crews from Public Works responded to inclement weather. This also led to higher materials costs for sand and salt. The cost of fuel was also a factor and was up by an amount of \$0.4 million over the previous year.

- Environmental Services – amortization of tangible capital assets was \$0.3 million higher.
- Social and Family Services – the decrease in this area is a direct result of the upload of the Ontario Disability Support Program activities to the Province.
- Social Housing – in both 2010 and 2011, Peterborough Housing Corporation issued a significant amount of new long term debt resulting in higher interest costs of \$0.3 million. Due to new social housing initiatives, amortization also increased by \$0.1 million.
- Recreation and Cultural – amortization increased by \$0.4 million and is a direct result of the capital investment in Market Hall.
- Planning and Development – expenses at the Greater Peterborough Area Economic Development Corporation was \$0.8 million higher than in 2010, but was offset by government grants.

The annual surplus amounts to \$26.9 million (2010 - \$49.6 million). This surplus indicates that the revenues raised during the year covered the cost of services provided – including the annual cost of using capital assets to provide those services. The decrease in surplus from 2010 of \$22.7 million and is a direct result of the revenues received from both federal and provincial levels of government associated with capital works such as the Airport project, Market Hall, the Hunter Street Bridge and the Highway 115/Parkway interchange being more significant in the prior 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 \$23.9 million (2010 - \$22.2 million). This amortization charge represents the cost of using the capital asset over their useful life. The amortization charge is much less than the City's current level of capital spending of \$50.0 million (2010 - \$71.8 million). The format of the Statement of Operations reflects the annual amortization and the surplus that results which is used to help finance the cost capital acquisition.

Financial Position

Net financial assets of \$93.2 million (2010 - \$90.2 million), the difference between the City's financial assets and its financial liabilities is a measure of the resources that the City has to finance future operations.

The net financial asset position is an indicator that the revenues raised during the year were sufficient to cover both the operating and capital spending that took place during the year. The positive increase in net financial asset position results primarily from revenues being in excess of operating expenses of \$26.9 million and amortization of tangible capital assets of \$23.9 million, to finance the acquisition of tangible capital assets totaling \$50.0 million. For a more detailed accounting, refer to the Statement of Net Financial Assets on Pg. 5 of the Consolidated Financial Report.

The accumulated surplus of \$662.6 million (2010 - \$635.7 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 current 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

	2011 \$	2010 \$
Surplus/(Deficit)		
City of Peterborough		
Operating surplus	250,482	279,781
Unexpended financing	2,809,389	2,516,249
	3,059,871	2,796,030

Chart 4 - Analysis of Accumulated Surplus - continued

Consolidated Entities		
Peterborough County-City Health Unit	8,897	8,809
The Village Business Improvement Area	18,743	15,085
Greater Peterborough Area Economic Development Corp.	(72,271)	(88,406)
Peterborough Downtown Business Improvement Area	91,125	97,033
Peterborough Utilities Commission	9,206,399	10,715,680
Peterborough Housing Corporation	2,840,417	2,870,534
Peterborough Public Library Board	79,603	-
	12,172,913	13,618,735
Unfunded amounts		
Employee benefits	(27,876,970)	(27,167,823)
Solid waste landfill closure and post-closure	(4,142,106)	(3,919,468)
Accrued interest on long term debt	(907,542)	(923,202)
	(32,926,618)	(32,010,493)
Inventory for resale	8,970,878	8,677,619
Equity in government business enterprise	80,312,103	77,404,738
Invested in Tangible Capital Assets		
Tangible capital assets (net)	567,032,840	543,772,161
Unexpended capital financing	275,369	12,739,757
Long term debt	(80,134,343)	(87,863,461)
	487,173,866	468,648,457
Reserve Funds and Reserves		
Discretionary reserve funds	38,010,366	34,427,668
Reserves	65,781,914	62,100,706
	103,792,280	96,528,373
ACCUMULATED SURPLUS	662,555,293	635,663,460

CONCLUSION

The City of Peterborough is well positioned financially for the future. Its challenge, if there is one, is that the capital program cannot keep pace with the existing need to repair, restore, or replace aging capital infrastructure. The recent influx of stimulus funding in the past two years has moved the City forward with some critical projects, however, the City requires a new long-term capital financing strategy to ensure its capital assets are being preserved.

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

Submitted by,

Sandra Clancy
Director of Corporate Services

Appendix B –
City of Peterborough – Five Year Review

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2011	2010	2009	2008	2007
CURRENT PROGRAM ACTIVITY					
Consolidated Revenues					
Taxation	96,319	93,048	87,625	83,870	81,512
Taxation from other governments	2,666	2,434	2,528	2,429	2,472
Fees and service charges	60,515	60,203	60,374	57,374	47,208
Government grants and other Municipalities	85,434	111,840	85,961	88,828	76,004
Development levies	8,121	5,145	1,981	6,518	1,367
Investment and other revenue	18,655	15,687	13,603	22,451	16,393
	271,710	288,357	252,072	261,470	224,956
Expenses	244,818	238,725	224,220	218,889	168,358
Growth in accumulated surplus	26,892	49,632	27,852	42,581	56,598

(Note: For 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	77,196	84,371	49,601	54,794	51,686
For municipal enterprises	2,938	3,492	4,011	4,497	4,954
	80,134	87,863	53,612	59,291	56,640

General municipal activities - net long term liabilities as % of CVA	1.1%	1.3%	0.8%	1.0%	0.9%
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CHARGES FOR NET LONG TERM LIABILITIES

General municipal activities and for municipal enterprise	12,658	9,876	8,693	8,533	8,389
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CURRENT VALUE ASSESSMENT (CVA) - TAXABLE

Residential and farm	5,857,704	5,504,263	5,202,852	4,878,393	4,747,002
Commercial and industrial	1,061,768	975,658	896,233	811,357	804,513
	6,919,472	6,479,921	6,099,085	5,689,750	5,551,515

Percentage increase from previous year	6.78%	6.24%	7.19%	2.49%	1.99%
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(Note: Market value re-assessments took place in 2009. The re-assessment is being phased in over 4 years.)

Commercial / industrial CVA as percentage of total	15.3%	15.1%	14.7%	14.3%	14.5%
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CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2011	2010	2009	2008	2007
VALUE OF BUILDING PERMITS ISSUED					
Residential	69,805	51,568	61,706	71,028	91,550
Commercial	35,992	26,271	16,474	39,598	26,084
Industrial	9,690	613	1,419	8,068	6,310
Institutional	6,368	2,038	48,326	26,172	719
	121,854	80,490	127,924	144,866	124,663
Percentage increase (decrease) from previous year	51.4%	-37.1%	-11.7%	16.2%	94.9%
TAX LEVY AND ARREARS					
Tax levy					
Current year's tax levy - municipal and education combined	125,701	121,905	117,699	114,472	110,907
Percentage increase over previous year	3.1%	3.6%	2.8%	3.2%	3.7%
Tax arrears					
Total arrears (excluding Allowance for Doubtful Accounts)	5,725	5,819	5,358	5,430	4,918
Percentage increase (decrease) over previous year	-1.6%	8.6%	-1.3%	10.4%	2.3%
Tax arrears as a percentage of current tax levy	4.6%	4.8%	4.6%	4.7%	4.4%
POPULATION & SIZE					
Estimated Population (Updated for 2011 Census)	78,700	74,900	74,900	74,900	74,900
Area in acres	16,523	16,523	16,523	16,523	15,164
PER CAPITA INFORMATION					
CVA - Taxable	87,922	86,514	81,430	75,965	74,119
Expenses	3,111	3,187	2,994	2,922	2,248
(Note: For 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	1,018	1,173	716	792	756
Tax arrears	73	78	72	72	66

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2011	2010	2009	2008	2007
RATES OF TAXATION					
Municipal tax rates					
Residential	1.1717390%	1.1970150%	1.2128320%	1.2413430%	1.2153940%
Multi-residential	2.2816220%	2.3308400%	2.4391260%	2.5139680%	2.4842650%
New Multi-residential	1.1717390%	1.1970150%	1.2128320%	1.2413430%	1.2153940%
Commercial	2.0391770%	2.1311060%	2.2078390%	2.2864300%	2.2985530%
Commercial Vacant	1.4274240%	1.4917800%	1.5454880%	1.6005010%	1.6089870%
Industrial	2.7221840%	2.9451360%	3.1504520%	3.2245130%	3.1964860%
Industrial Vacant	1.7694200%	1.9143380%	2.0477940%	2.0959330%	2.0777160%
Pipeline	1.4888120%	1.5209270%	1.5410240%	1.5772500%	1.5442800%
Farmlands	0.2929350%	0.2992540%	0.3032080%	0.3103360%	0.3038490%
Education tax rates					
Residential	0.2310000%	0.2410000%	0.2520000%	0.2640000%	0.2640000%
Multi-residential	0.2310000%	0.2410000%	0.2520000%	0.2640000%	0.2640000%
New Multi-residential	0.2310000%	0.2410000%	0.2520000%	0.2640000%	0.2640000%
Commercial	1.5733320%	1.6809920%	1.8035900%	1.9527950%	1.9599950%
Commercial Vacant	1.1013324%	1.1766944%	1.2625130%	1.3669570%	1.3719970%
Industrial	1.9300000%	2.4500000%	2.6598900%	2.8631850%	2.8889640%
Industrial Vacant	1.2545000%	1.5925000%	1.7289290%	1.8610700%	1.8778270%
Pipeline	1.3295430%	1.3618190%	1.3957010%	1.4310350%	1.4310350%
Farmlands	0.0577500%	0.0602500%	0.0630000%	0.0660000%	0.0660000%
Combined municipal and education tax rates					
Residential	1.4027390%	1.4380150%	1.4648320%	1.5053430%	1.4793940%
Multi-residential	2.5126220%	2.5718400%	2.6911260%	2.7779680%	2.7482650%
Commercial	3.6125090%	3.8120980%	4.0114290%	4.2392250%	4.2585480%
Commercial Vacant	2.5287564%	2.6684744%	2.8080010%	2.9674580%	2.9809840%
Industrial	4.6521840%	5.3951360%	5.8103420%	6.0876980%	6.0854500%
Industrial Vacant	3.0239200%	3.5068380%	3.7767230%	3.9570030%	3.9555430%
Pipeline	2.8183550%	2.8827460%	2.9367250%	3.0082850%	2.9753150%
Farmlands	0.3506850%	0.3595040%	0.3662080%	0.3763360%	0.3698490%

Appendix C –
Consolidated Financial Report Including Trust Funds
Financial Statement

**CORPORATION OF THE
CITY OF PETERBOROUGH
CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2011**

**CORPORATION OF THE
CITY OF PETERBOROUGH
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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THE CORPORATION OF THE CITY OF PETERBOROUGH

For The Year Ended December 31, 2011

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 independent auditors' report.

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

Mayor _____ Date _____

Chief Administrative Officer _____ Date _____

Director of Corporate
Services/Treasurer _____ Date _____

INDEPENDENT AUDITORS' REPORT

www.collinsbarrowkawarthas.com

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the City of Peterborough and its local boards, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 City of Peterborough and its local boards as at December 31, 2011 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 Accountants

Peterborough, Ontario
July 30, 2012

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2011

	2011 \$	2010 \$
FINANCIAL ASSETS		
Cash and temporary investments	85,380,083	122,140,730
Taxes receivable (Note 3)	3,931,328	4,361,939
Accounts receivable (Note 4)	28,021,822	36,028,366
Inventory held for resale	9,099,437	8,804,938
Investments (Note 5)	43,925,418	8,844,363
Other receivables (Note 6)	1,576,466	418,023
Investment in Government Business Enterprise (Note 7)	86,062,103	83,154,738
	257,996,657	263,753,097
LIABILITIES		
Accounts payable and accrued liabilities	31,271,335	29,923,384
Deferred revenue (Note 8)	2,539,935	3,470,620
Solid waste landfill closure and post-closure (Note 9)	4,142,106	3,919,468
Deferred revenue - obligatory reserve funds (Note 10)	16,662,201	19,147,292
Employee benefits and other liabilities (Note 11)	30,090,902	29,180,258
Long term debt (Note 12)	80,134,343	87,863,461
	164,840,822	173,504,483
NET FINANCIAL ASSETS	93,155,835	90,248,614
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	567,032,840	543,772,161
Prepaid expenses	1,650,803	931,370
Inventory of supplies	715,815	711,315
	569,399,458	545,414,846
ACCUMULATED SURPLUS (NOTE 14)	662,555,293	635,663,460

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, 2011

	Budget 2011 \$	2011 \$	2010 \$
REVENUES			
Property taxation	95,250,188	96,318,833	93,047,935
Taxation from other governments	2,739,741	2,665,816	2,433,720
User fees and service charges	60,587,347	60,514,770	60,202,516
Government grants and other municipalities	83,240,469	85,468,316	111,840,058
Development levies and contributions from developers	5,771,031	8,121,198	5,144,946
Licenses, permits and rents	2,958,850	2,806,626	2,516,882
Fines and other charges	2,010,000	2,228,185	1,892,985
Penalties and interest on taxes	680,000	775,103	733,531
Investment income	3,083,919	3,577,488	2,863,293
Donations and contributed tangible capital assets	197,110	2,083,668	1,733,894
Other	524,677	851,414	630,420
Income from government business enterprise (Note 7)	-	6,298,365	5,316,527
TOTAL REVENUES	257,043,332	271,709,782	288,356,707
EXPENSES			
General government	5,701,258	5,829,721	6,342,567
Protection services	41,375,713	41,989,478	39,936,254
Transportation services	31,530,363	32,977,890	28,901,829
Environmental services	38,446,713	32,157,644	31,702,036
Health services	12,296,249	11,432,344	11,041,774
Social and family services	70,239,379	67,370,952	70,197,992
Social housing	20,010,196	23,103,720	21,696,397
Recreation and cultural services	21,841,550	24,669,426	24,275,180
Planning and development	5,532,003	5,286,774	4,631,224
TOTAL EXPENSES	246,973,424	244,817,949	238,725,253
ANNUAL SURPLUS	10,069,908	26,891,833	49,631,454
ACCUMULATED SURPLUS, beginning of year	635,663,460	635,663,460	586,032,006
ACCUMULATED SURPLUS, end of year (NOTE 14)	645,733,368	662,555,293	635,663,460

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, 2011

	Budget 2011 \$	2011 \$	2010 \$
Annual Surplus	10,069,908	26,891,833	49,631,454
Amortization of tangible capital assets	23,782,736	23,948,740	22,240,832
Proceeds on disposal of tangible capital assets	-	166,075	130,903
Loss on disposal of tangible capital assets	-	2,173,228	771,594
Acquisition of tangible capital assets	(55,384,575)	(49,950,770)	(71,791,697)
Transfer of capital asset to inventory held for resale	-	402,048	-
Change in prepaid expenses	-	(719,433)	(414,730)
Change in inventory of supplies	-	(4,500)	864
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(21,531,931)	2,907,221	569,220
NET FINANCIAL ASSETS, beginning of year	90,248,614	90,248,614	89,679,394
NET FINANCIAL ASSETS, end of year	68,716,683	93,155,835	90,248,614

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, 2011

	2011 \$	2010 \$
OPERATIONS		
Annual Surplus	26,891,833	49,631,454
Non-cash charges to operations:		
Amortization	23,948,740	22,240,832
Loss on disposal of tangible capital assets	2,173,228	771,594
Income from government business enterprises	(6,298,365)	(5,316,527)
Transfer of capital asset to inventory held for resale	402,048	-
Sources (uses) of cash:		
Taxes receivable	430,611	(456,884)
Accounts receivable	8,006,544	(14,024,967)
Inventory held for resale	(294,499)	325,567
Other receivables	(1,158,443)	37,053
Accounts payable and accrued liabilities	1,347,951	5,276,154
Deferred revenue	(930,685)	734,822
Deferred revenue - obligatory reserves	(2,485,091)	(2,036,311)
Solid waste landfill closure and post-closure	222,638	342,731
Employee benefits and other liabilities	910,644	256,469
Prepaid expenses	(719,433)	(414,730)
Inventory of supplies	(4,500)	864
Net increase in cash related to operations	52,443,221	57,368,121
CAPITAL		
Proceeds on disposal of tangible capital assets	166,075	130,903
Acquisition of tangible capital assets	(49,950,770)	(71,791,697)
Net decrease in cash related to capital	(49,784,695)	(71,660,794)
INVESTING		
(Increase) decrease in investments	(35,081,055)	2,341,049
Dividends received from government business enterprise	3,391,000	2,967,688
Net (decrease) increase in cash related to investing	(31,690,055)	5,308,737
FINANCING		
Long term debt issued	2,015,788	40,294,577
Long term debt principal repayment	(9,744,906)	(6,043,557)
Net increase/(decrease) in cash related to financing	(7,729,118)	34,251,020
NET CHANGE IN CASH AND CASH EQUIVALENTS	(36,760,647)	25,267,084
CASH AND CASH EQUIVALENTS, beginning of year	122,140,730	96,873,646
CASH AND CASH EQUIVALENTS, end of year	85,380,083	122,140,730

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, 2011

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 (2011 – 66%) (2010 – 66%)
2. Peterborough County-City Health Unit (2011 – 57%) (2010 – 57%)
3. Greater Peterborough Area Economic Development Corporation (2011 – 60%) (2010 – 60%)
4. Peterborough County-City Waste Management Facility (2011- 50%) (2010 – 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, 2011

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, 2011

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 Gasoline Tax Revenues, Federal Public Transit Funds under Municipal Funding Agreements with the Association of Municipalities of Ontario and Provincial Gasoline Tax Revenues. These funds by their nature are restricted in their use and until applied to applicable capital works are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are earned.

Government Transfers

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

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, 2011

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, solid waste landfill closure and post-closure liability, employee future benefits and other liabilities, useful lives of capital assets and amortization. Actual results may differ from these and other estimates, the impact of which would be recorded in future periods.

Financial Instruments

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

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The 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, 2011

2. Transfers To The School Boards

During 2011, the City made property tax transfers to the School Boards. The amounts collected and remitted amounted to \$31,201,512 (2010 - \$31,073,457). These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. Taxes Receivable

This figure is comprised of the following:

	2011 \$	2010 \$
Current year's levies	2,634,125	2,864,499
Previous year's levies	1,237,450	1,220,948
Prior year's levies	1,855,556	1,847,374
Penalties and interest	1,458,828	1,432,940
	7,185,959	7,365,761
Allowance for uncollectible taxes	(3,254,631)	(3,003,822)
	3,931,328	4,361,939

4. Accounts Receivable

This figure is comprised of the following:

	2011 \$	2010 \$
Government of Canada	4,354,940	6,515,240
Government of Ontario	8,152,826	11,188,460
Other Municipalities and school boards	406,847	2,851,240
User Charges and other receivables	15,107,209	15,473,426
	28,021,822	36,028,366

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

5. Investments

The investments have a market value of \$43,925,418 (2010 - \$8,844,363) at the end of the year. Investments consist of bonds, banker's acceptances and other principal guaranteed marketable securities. Any discount or premium on the purchase price is amortized over the life of the investment.

6. Other Receivables

This figure is comprised of the following:

	2011 \$	2010 \$
Employee Computer Purchase Plan Loans	115,687	117,937
Trent University – Woodland Acres Sanitary Sewer	168,779	187,006
Loan – Peterborough Lakers Lacrosse Association	72,000	84,000
Peterborough Lawn Bowling Club	600,000	-
Market Hall Performing Arts Incorporated	600,000	-
Other loans receivable	20,000	29,080
	1,576,466	418,023

The interest rate on employee Computer Purchase loans is prime less 1%. The Woodland Acres Loan bears interest at a fixed rate of 7%. The interest rate on the Peterborough Lawn Bowling Club and Market Hall Performing Arts Incorporated loans are prime less 0.25%. Loans with a value of \$92,000 (2010 - \$103,080) 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, 2011

7. 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.:

	2011 \$	2010 \$
Demand loan, bearing interest at 6.25%	23,440,528	23,440,528
Demand loan, bearing interest at 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	23,056,328	20,707,489
Net earnings	6,298,365	5,316,527
Less dividends	(3,391,000)	(2,967,688)
	25,963,693	23,056,328
Equity in government business enterprises	80,312,103	77,404,738
Short term advances due on demand bearing interest at prime less 1.25%	5,750,000	5,750,000
	86,062,103	83,154,738

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

7. 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:

	2011 \$	2010 \$
Current assets	36,176,125	28,897,359
Capital and intangible assets	113,957,922	99,791,507
Regulatory assets	7,308,411	7,874,360
Investment	5,280,782	5,060,471
Future income taxes	3,233,000	4,255,000
Total assets	165,956,240	145,878,697
Current liabilities	57,801,342	40,874,109
Notes payable	31,699,205	31,699,205
Other long term liabilities	20,075,795	21,485,350
Future income taxes	2,017,000	364,500
Total liabilities	111,593,342	94,423,164
Shareholder's Equity		
Capital stock	28,399,205	28,399,205
Retained earnings	25,963,693	23,056,328
	54,362,898	51,455,533
Total liabilities and shareholder's equity	165,956,240	145,878,697

Results of Operations:

	2011 \$	2010 \$
Revenues	107,684,391	98,586,227
Expenses	99,177,619	90,770,163
Net income before provision for corporate income taxes	8,506,772	7,816,064
Provision for corporate income taxes	2,208,407	2,499,537
Income from government business enterprise	6,298,365	5,316,527

During the year the City received dividends totalling \$3,391,000 (2010 - \$2,967,688) and interest totalling \$1,646,912 (2010 - \$1,646,912) on the notes receivable.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

8. Deferred Revenue

This figure is comprised of the following:

	2011 \$	2010 \$
Rents, user fees and service charges	1,332,891	1,243,944
Tickets, events and site deposits	777,158	500,939
Social and family services related	18,672	410,975
Government Funding	411,214	1,314,762
	2,539,935	3,470,620

9. Solid waste landfill closure and post closure

The solid waste landfill closure and post closure liability of \$4,142,106 (2010 - \$3,919,468) 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, 2011 is \$11,316,070 (2010 - \$11,594,220). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2010 - 2.1%), discounted at a rate of 5% (2010 - 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 98% (2010 - 97%) and at the NFA is 4% (2010 - 1%).

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, 2011

10. Deferred Revenue - Obligatory Reserve Funds

A requirement of the public sector accounting board 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:

	2011 \$	2010 \$
Development Charges	9,243,285	13,550,812
Parkland	1,711,065	1,535,877
Building Code	59,428	48,093
Federal Gasoline Tax	5,248,655	3,586,411
Provincial Gasoline Tax	399,768	426,099
	16,662,201	19,147,292

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

	2011 \$	2010 \$
Balance – beginning of year	19,147,292	21,183,603
Add amounts received:		
Development charges received	2,723,433	3,438,547
Parkland fees and subdivider contributions	158,435	63,197
Building code permits and other revenues	1,246,996	925,712
Provincial gasoline tax	1,514,069	1,482,340
Federal gasoline tax	4,594,992	4,609,886
Investment income	250,213	185,295
	10,488,138	10,704,977
Less amounts utilized:		
Development charges earned	7,211,464	4,719,673
Parkland fees and subdivider contributions earned	-	-
Building code costs and expenses	1,235,661	1,233,442
Provincial and Federal gasoline tax earned	4,526,104	6,788,173
	12,973,229	12,741,288
Balance – end of year	16,662,201	19,147,292

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

11. 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:

	2011 \$	2010 \$
Accrued benefit liability, beginning of year	29,180,258	28,923,789
Actuarial loss	667,795	724,837
	29,848,053	29,648,626
Current period benefit expense	1,640,032	1,067,594
Interest	1,282,146	1,248,222
Benefit payments	(2,068,576)	(2,116,389)
Accrued benefit liability, end of year	30,701,655	29,848,053
Unamortized actuarial loss	(610,753)	(667,795)
Employee benefits and other liabilities, end of year	30,090,902	29,180,258

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

11. 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 and the member pays the required premium.

Workers' Compensation

Under the Workplace Safety and Insurance Act, the City is a self-insured employer (Schedule II) and remits payments to the WSIB as required to fund disability payments. The liability recorded by the City has been determined by a full actuarial review update completed as of December 31, 2009, that is updated annually.

Liability for Vested Sick Leave

Fire Services and Fairhaven employees may vest a portion of their unused sick leave and earn entitlement to a cash payment when they leave the City's employment. Other employee groups have opted to join a new plan that does not have a vesting feature. The accrued benefit obligation and the net periodic benefit cost were determined by a full actuarial review completed as of December 31, 2009, that is updated annually.

Vacation Pay Entitlements

Vacation pay entitlements are based on employees' years of service. Current obligations total \$2,692,185 (2010 - \$2,451,532) of which \$2,213,932 (2010 - \$2,012,435) 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, 2011

12. 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% to 7.625% (2010 - 1% to 7.625%)

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

	2012 to 2016 \$	2017 to 2021 \$	2022 Onwards \$	Total \$
From general revenues	38,570,662	31,126,693	10,436,988	80,134,343
	38,570,662	31,126,693	10,436,988	80,134,343

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 2011 amounted to \$3,913,068 (2010 - \$3,831,542).

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

13. Tangible Capital Assets

This figure is comprised of the following:

	Net Book Value	
	2011 \$	2010 \$
General		
Land and land improvements	92,743,797	67,975,273
Buildings	105,871,406	93,379,436
Machinery and equipment	11,338,478	8,249,791
Vehicles	17,111,683	16,163,369
Books and materials	1,378,213	1,309,922
Infrastructure		
Land and land improvements	24,845,875	24,510,029
Buildings	22,980,308	23,742,466
Machinery & vehicles	2,364,399	2,476,325
Roadways and sidewalks	98,529,061	90,535,378
Storm sewer system	42,189,797	40,996,113
Wastewater system	48,598,426	47,859,058
Water system	68,794,540	68,280,001
	536,745,983	485,477,161
Assets under construction	30,286,857	58,295,000
Total tangible capital assets	567,032,840	543,772,161

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

During 2011 and 2010, 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 \$686,272 (2010 - \$993,284).

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, 2011

13. Tangible Capital Assets – continued

Tangible capital assets by function are comprised of the following:

	Net Book Value	
	2011 \$	2010 \$
General government	25,896,287	23,566,618
Protection to persons and property	13,035,464	10,825,952
Transportation services	154,061,642	119,374,167
Environmental services	197,813,686	196,833,915
Health services	609,348	236,915
Social and family services	12,052,679	12,310,816
Social housing	38,075,807	36,535,910
Recreation and cultural services	73,506,369	64,072,642
Planning and development	21,694,701	21,720,226
Assets under construction	30,286,857	58,295,000
Total tangible capital assets	567,032,840	543,772,161

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

14. Accumulated Surplus

This figure is comprised of the following:

	2011 \$	2010 \$
Surplus/(Deficit)		
City of Peterborough		
Operating surplus	250,482	279,781
Unexpended financing	2,809,389	2,516,249
	3,059,871	2,796,030
Consolidated Entities		
Peterborough County-City Health Unit	8,897	8,809
The Village Business Improvement Area	18,743	15,085
Greater Peterborough Area Economic Development Corporation	(72,271)	(88,406)
Peterborough Downtown Business Improvement Area	91,125	97,033
Peterborough Utilities Commission	9,206,399	10,715,680
Peterborough Housing Corporation	2,840,417	2,870,534
Peterborough Public Library Board	79,603	-
	12,172,913	13,618,735
Unfunded amounts		
Employee benefits	(27,876,970)	(27,167,823)
Solid waste landfill closure and post-closure	(4,142,106)	(3,919,468)
Accrued interest on long term debt	(907,542)	(923,202)
	(32,926,618)	(32,010,493)
Inventory held for resale	8,970,878	8,677,619
Equity in government business enterprise	80,312,103	77,404,738
Invested in Tangible Capital Assets		
Tangible capital assets (net)	567,032,840	543,772,161
Unexpended capital financing	275,369	12,739,757
Long term debt	(80,134,343)	(87,863,461)
	487,173,866	468,648,457
Reserve Funds and Reserves		
Discretionary reserve funds	38,010,366	34,427,668
Reserves	65,781,914	62,100,706
	103,792,280	96,528,374
ACCUMULATED SURPLUS	662,555,293	635,663,460

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

15. 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 2011 \$	2011 \$	2010 \$
Salary, wages and employee benefits	90,331,274	91,192,981	87,241,455
Interest on long term debt	4,291,072	3,913,068	3,831,542
Materials	31,917,202	31,099,413	27,698,035
Contracted services	42,743,996	40,608,149	46,663,567
Rents and financial expenses	2,052,534	1,910,414	1,819,865
External transfers	51,854,610	49,971,956	48,458,363
Amortization	23,782,736	23,948,740	22,240,832
Loss on disposal of tangible capital assets	-	2,173,228	771,594
	246,973,424	244,817,949	238,725,253

16. 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:

	2011		2010	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	3,979,713	2,653,142	4,088,010	2,725,340
Liabilities	18,746,230	12,497,487	19,815,430	13,210,287
Net debt	(14,766,517)	(9,844,345)	(15,727,420)	(10,484,947)
Non-financial assets	18,149,943	12,099,962	18,682,867	12,455,245
Accumulated surplus	3,383,426	2,255,617	2,955,447	1,970,298

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

16. Partnerships With The County of Peterborough - continued

Results of Operations:

	2011		2010	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	18,102,868	12,068,579	17,431,113	11,620,742
Expenses	17,674,889	11,783,259	16,627,440	11,084,960
Annual surplus	427,979	285,320	803,673	535,782

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:

	2011		2010	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	2,887,463	1,645,854	3,310,303	1,886,874
Liabilities	2,503,391	1,426,933	3,213,125	1,831,482
Net financial assets	384,072	218,921	97,178	55,392
Non-financial assets	1,129,287	643,694	821,172	468,068
Accumulated surplus	1,513,359	862,615	918,350	523,460

Results of Operations:

	2011		2010	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	13,026,101	7,424,878	11,473,701	6,540,009
Expenses	12,433,120	7,086,878	11,540,966	6,578,350
Annual surplus (deficit)	592,981	338,000	(67,265)	(38,341)

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

16. 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:

	2011		2010	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	583,915	350,349	616,832	370,099
Liabilities	757,595	454,557	831,480	498,888
Net debt	(173,680)	(104,208)	(214,648)	(128,789)
Non-financial assets	8,650	5,190	30,848	18,509
Accumulated deficit	(165,030)	(99,018)	(183,800)	(110,280)

Results of Operations:

	2011		2010	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	4,344,800	2,606,880	2,854,229	1,712,538
Expenses	4,326,030	2,595,618	3,006,679	1,804,007
Annual surplus (deficit)	18,770	11,262	(152,450)	(91,469)

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

16. 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 \$243,518 (2010 - \$153,823).

Results of Operations:

	2011		2010	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	3,815,106	1,907,553	3,682,586	1,841,293
Expenses	2,677,036	1,338,518	2,521,216	1,260,608
Net revenues	1,138,070	569,035	1,161,370	580,685

17. 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 2011, the current service cost amounted to \$4,890,841 (2010 - \$4,684,001).

18. Trust Funds

Trust funds administered by the Corporation of the City of Peterborough amounting to \$804,219 (2010 - \$687,910) 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, 2011

19. Budget Figures

The budget approved by the Corporation for the year is reflected on the Consolidated 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.

20. 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
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
2016	2,529,371	-	2,529,371
Thereafter	26,530,972	-	26,530,972
Total minimum lease payments	38,786,360	690,632	39,476,992
Less: payments assumed by sub-lessee	18,455,939	-	18,455,939
	20,330,421	690,632	21,021,053

- (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, 2011

21. Other Commitments

The Peterborough Utilities Commission has committed to purchasing and installing water meters. The estimated future expenditure is \$6,600,000.

22. Contingent Liabilities

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

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

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

23. 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, 2011 is \$4,959,000 (2010 - \$5,094,000).

24. 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, 2011, amounted to \$2,228,185 (2010 - \$1,892,985) and \$1,249,909 (2010 - \$1,008,646) 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 2011, the proportion based on weighted assessment for the City was 46.8% (2010 - 47.3%). Based on this percentage, the City's portion of Net Revenues was \$584,957 (2010 - \$477,090).

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

25. Segment Information

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

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segment financial information. Taxation, payments-in-lieu of taxes and 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 Segment Disclosure.

Functions disclosed separately in the segment information are as follows:

General Government

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

Protection to Persons and Property

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

Transportation Services

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

Environmental Services

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

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2011

25. Segment Information - continued

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.

26. Subsequent Events

Subsequent to year-end in the normal course of operations, Council Members of the City of Peterborough authorized the issue of debentures in an amount not to exceed \$23,235,600.

The Peterborough Housing Corporation, subsequent to year-end, agreed to sell the Langton House and the adjacent lands known as 554 Reid Street and 301 London Street. The total selling price is \$425,000 and the transfer of ownership will take place on May 31, 2012 provided all conditions of the sale are met. Also, subsequent to year-end, the Peterborough Housing Corporation purchased the property known as Spruce Corners, in Apsley. The Corporation will assume ownership and management of the property May 1, 2012.

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

	General				Infrastructure									Total \$	
	Land and land Improvements	Buildings	Machinery and equipment	Vehicles	Books and materials	Land and land Improvements	Buildings	Machinery & Vehicles	Roadways and sidewalks	Storm sewer system	Wastewater System	Water System	Assets under Construction		
COST															
Balance, beginning 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	173,899,458	58,274,676	78,038,757	121,587,902	58,295,000	872,161,404	
Add: Additions	435,764	57,422	614,883	-	417,693	-	283,015	-	-	-	-	4,135,303	44,006,690	49,950,770	
Less: disposals and retirements	2,368,728	107,000	20,722	508,997	-	24,450	-	113,395	1,927,247	129,415	221,968	-	-	5,421,922	
Interfund transfers	27,794,431	17,420,960	4,270,362	2,642,007	-	372,720	-	370,766	13,653,810	2,126,024	2,961,705	-	(72,014,833)	(402,048)	
BALANCE, end of year	114,021,009	187,742,375	25,764,618	28,410,940	3,284,087	24,858,299	43,350,159	6,170,855	185,626,021	60,271,285	80,778,494	125,723,205	30,286,857	916,288,204	
ACCUMULATED AMORTIZATION															
Balance, beginning 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	
Add: Amortization	1,933,831	4,935,653	1,775,836	1,691,970	349,402	12,424	1,045,173	482,692	5,127,106	851,749	2,122,140	3,620,764	-	23,948,740	
Less: disposals and retirements	840,888	56,241	-	507,274	-	-	-	113,395	1,394,226	48,824	121,771	-	-	3,082,619	
BALANCE, end of year	21,277,212	81,870,969	14,426,140	11,299,257	1,905,874	12,424	20,369,851	3,806,456	87,096,960	18,081,488	32,180,068	56,928,665	-	349,255,364	
NET BOOK VALUE	92,743,797	105,871,406	11,338,478	17,111,683	1,378,213	24,845,875	22,980,308	2,364,399	98,529,061	42,189,797	48,598,426	68,794,540	30,286,857	567,032,840	

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE
For The Year Ended December 31, 2011

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Social and Family Services \$	Social Housing \$	Recreation and Cultural \$	Planning and Development \$	Electric Utility \$	Total \$
REVENUES											
Property taxation	16,701,686	31,197,670	15,093,161	5,451,646	4,343,979	9,978,631	3,689,011	8,938,388	924,661	-	96,318,833
Taxation from other governments	462,252	863,458	417,733	150,885	120,228	276,179	102,101	247,388	25,592	-	2,665,816
User fees and service charges	433,149	694,767	7,680,802	32,101,584	291,455	5,499,104	5,326,664	8,376,623	104,622	-	60,514,770
Government grants and other municipalities	533,332	1,918,440	6,503,452	1,021,723	6,434,192	51,483,541	13,056,800	1,992,076	2,524,760	-	85,468,316
Development levies and contributions from developers	9,000	525,529	5,034,809	2,473,368	9,000	-	-	14,400	64,092	-	8,121,198
Licences, permits and rents	943,256	1,248,613	53,783	44,863	-	-	-	516,111	-	-	2,806,626
Fines and other charges	-	2,228,185	-	-	-	-	-	-	-	-	2,228,185
Penalties and interest on taxes	775,103	-	-	-	-	-	-	-	-	-	775,103
Investment income	569,835	1,064,415	514,954	386,915	162,514	387,157	148,769	311,350	31,579	-	3,577,488
Donations and contributed tangible capital assets	-	-	686,283	78,465	-	-	-	1,227,101	91,819	-	2,083,668
Other	179,488	-	-	168,902	129,912	-	-	-	373,112	-	851,414
Income from government business enterprises (Note 7)	-	-	-	-	-	-	-	-	-	6,298,365	6,298,365
TOTAL REVENUES	20,613,101	39,741,077	35,984,977	41,878,351	11,482,280	67,624,612	22,323,345	21,623,437	4,140,237	6,298,365	271,709,782
EXPENSES											
Salaries, wages and employee benefits	5,203,129	33,742,838	13,463,478	3,669,490	4,949,410	16,998,168	2,417,691	8,587,639	2,161,138	-	91,192,981
Interest on net long term debt	86,365	227,999	1,086,982	500,956	-	633,406	759,476	551,285	66,599	-	3,913,068
Materials	4,067,876	2,419,582	7,220,723	2,620,520	1,765,002	1,986,793	5,213,300	3,615,181	2,190,436	-	31,099,413
Contracted services	2,153,193	544,436	2,946,246	14,381,120	3,684,652	1,055,298	11,261,592	4,281,041	300,571	-	40,608,149
Rents and financial expenses	129,355	51,030	23,103	658,396	63,737	687,969	51,261	215,951	29,612	-	1,910,414
External transfers	156,865	1,594,323	-	-	513,522	43,941,137	1,591,331	1,832,522	342,256	-	49,971,956
Amortization	855,215	842,549	8,094,785	8,546,332	74,685	746,297	1,131,084	3,656,719	1,074	-	23,948,740
Loss (gain) on disposal of tangible capital assets	208,568	3,184	1,860,086	91,737	-	-	-	(14,800)	24,453	-	2,173,228
Interfunctional transfers	(7,030,845)	2,563,537	(1,717,513)	1,689,093	381,336	1,321,884	677,985	1,943,888	170,635	-	-
TOTAL EXPENSES	5,829,721	41,989,478	32,977,890	32,157,644	11,432,344	67,370,952	23,103,720	24,669,426	5,286,774	-	244,817,949
NET SURPLUS (DEFICIT)	14,783,380	(2,248,401)	3,007,087	9,720,707	49,936	253,660	(780,375)	(3,045,989)	(1,146,537)	6,298,365	26,891,833

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	-	669,668	422,555	-	1,733,894
Other	42,823	-	-	218,679	60,374	-	-	-	308,544	-	630,420
Income from government business enterprises	-	-	-	-	-	-	-	-	-	5,316,527	5,316,527
TOTAL REVENUES	18,655,061	38,391,962	47,895,802	39,735,241	10,541,904	71,887,824	26,408,941	24,210,452	5,312,993	5,316,527	288,356,707
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	-	669,017	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	42,668,545	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
Loss (gain) on disposal of tangible capital assets	194,780	(1,620)	325,554	205,299	-	-	-	(18,810)	66,391	-	771,594
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	6,342,567	39,936,254	28,901,829	31,702,036	11,041,774	70,197,992	21,696,397	24,275,180	4,631,224	-	238,725,253
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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Trust Fund of the Corporation of the City of Peterborough, which comprise the statement of financial position as at December 31, 2011, 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 Fund of the City as at December 31, 2011 and the continuity of the Trust Fund for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Accountants
Licensed Public Accountants

Peterborough, Ontario
July 30, 2012

CORPORATION OF THE CITY OF PETERBOROUGH

TRUST FUNDS STATEMENT OF CONTINUITY For The Year Ended December 31, 2011

	City Parks \$	Special Holding \$	Safety Patrol \$	Cenotaph Trust \$	Library Trust Funds \$	Morrow Park Trust \$	Parks Hancock Trust \$	Parks Tollington Endowment \$	Mayor's Trust \$	Fairhaven Special Purpose \$	Residents' Personal Trust \$	2010 \$	2011 \$
ACCUMULATED SURPLUS, beginning of year	115,050	17,757	19,981	35,995	20,340	6,303	31,557	362,016	5,166	5,947	67,798	687,910	663,270
REVENUES													
Deposits and grants	-	-	9,150	10,981	-	-	-	70,126	62,365	-	123,907	276,529	206,491
Transfer from Fairhaven	-	-	-	-	-	-	-	-	-	-	39,552	39,552	38,979
Donations & Fundraising	-	-	-	-	-	-	-	-	-	-	-	4,398	-
Interest earned	1,086	167	178	341	190	58	297	3,862	190	66	-	6,435	3,066
	1,086	167	9,328	11,322	190	58	297	73,988	62,555	66	163,459	322,516	252,934
EXPENSES													
Transfers to operations	-	-	-	-	198	-	-	-	-	-	77	275	292
Withdrawals, purchases	-	-	8,612	5,241	-	-	-	-	36,174	213	147,729	197,969	210,484
Residents maintenance	-	-	-	-	-	-	-	-	-	-	4,027	16,860	16,860
Donation	-	-	-	-	-	-	-	-	-	-	3,936	3,936	658
	-	-	8,612	5,241	198	-	-	-	36,174	213	155,769	206,207	228,294
ACCUMULATED SURPLUS, end of year	116,136	17,924	20,697	42,076	20,332	6,361	31,854	436,004	31,547	5,800	75,488	804,219	687,910

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2011

	City Parks \$	Special Holding \$	Safety Patrol \$	Cenotaph Trust \$	Library Trust Funds \$	Morrow Park Trust \$	Parks Hancock Trust \$	Parks Tollington Endowment \$	Parks Tollington Endowment \$	Fairhaven Special Purpose \$	Residents' Personal Trust \$	2010 \$	2011 \$
FINANCIAL ASSETS													
Cash	116,043	17,910	13,517	36,307	20,316	6,356	31,829	436,004	31,547	6,013	86,651	691,457	691,457
Interest receivable	93	14	-	29	16	5	25	-	-	-	-	178	178
Due from general fund	-	-	-	5,740	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	8,800	-	-	-	-	-	-	-	-	-	-
	116,136	17,924	22,317	42,076	20,332	6,361	31,854	436,004	31,547	6,013	86,651	817,215	691,635
LIABILITIES AND ACCUMULATED SURPLUS													
Accounts payable	-	-	1,620	-	-	-	-	-	-	-	-	-	-
Due to Province	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to revenue fund	-	-	-	-	-	-	-	-	-	213	11,163	11,376	3,725
Accumulated surplus	116,136	17,924	20,697	42,076	20,332	6,361	31,854	436,004	31,547	5,800	75,488	804,219	687,910
	116,136	17,924	22,317	42,076	20,332	6,361	31,854	436,004	31,547	6,013	86,651	817,215	691,635

CORPORATION OF THE CITY OF PETERBOROUGH

TRUST FUNDS - NOTE TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2011

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.