



City of
Peterborough

TO: Members of the Audit Committee

FROM: Sandra Clancy, Director of Corporate Services

MEETING DATE: June 24, 2013

SUBJECT: Report CPFS13-026
Treasurer's Report, 2012 Consolidated Financial Report, 2012
Trust Funds Financial Statement and Five-Year Review

PURPOSE

A report to recommend the Treasurer's Report, 2012 Consolidated Financial Report, the 2012 Trust Funds Financial Statement and Five Year Review be received, that underlying accounting policies be approved, and the 2012 Financial Report be received and submitted to the Province of Ontario.

RECOMMENDATIONS

That Council approve the recommendations outlined in report CPFS13-026 dated June 24, 2013, of the Director of Corporate Services as follows:

- a) That Report CPFS13-026, Treasurer's Report, 2012 Consolidated Financial Report, the 2012 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, 2012 Consolidated Financial Report and 2012 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 2012 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 2012 Financial Report for the City of Peterborough



June 24, 2013

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

Treasurer's Report on the 2012 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, 2012. 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, two key documents are prepared – an operating budget and a capital budget. The budget document shows what the City plans to do with its financial resources over the coming year. Council approved the 2012 Capital Budget on December 12, 2011 and the Operating Budget on April 23, 2012.

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 2012 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 principles 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 Kawartha LLP in accordance with Generally Accepted Auditing Standards. The auditors have expressed an unqualified opinion that these statements present fairly the financial position of the City. In addition, separate audit examinations have been completed for all the local boards and agencies and reports have been rendered to their oversight bodies. The auditors are also responsible for advising management and the Audit Committee of City Council of any control or operational issues that may have been identified during the audit. As such, they must be independent and communicate independence in accordance with Canadian professional requirements.

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 31, whereas the Statement of Operations and Accumulated Surplus summarizes the transactions that have occurred throughout the fiscal year.

Results of Operations

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

During 2012, the City recorded consolidated revenues of \$275.5 million (2011 - \$271.7 million).

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

Chart 2 - Consolidated Revenues

	2012		2011		Variance
	\$	%	\$	%	Increase (decrease) \$
Property taxation	99,370,835	36.1	96,318,833	35.4	3,052,002
Taxation from other governments	2,752,085	1.0	2,665,816	1.0	86,269
User fees and service charges	65,448,461	23.8	60,514,770	22.3	4,933,691
Government grants & other municipalities	80,511,991	29.2	85,468,316	31.5	(4,956,325)
Development levies and contribution from developers	6,790,033	2.5	8,121,198	3.0	(1,331,165)
Licenses, permits and rents	3,072,522	1.1	2,806,626	1.0	265,896
Fines and other charges	2,638,031	1.0	2,228,185	0.8	409,846
Penalties and interest on taxes	726,150	0.3	775,103	0.3	(48,953)
Investment income	3,966,195	1.4	3,577,487	1.3	388,707
Donations and contributed capital assets	4,802,757	1.7	2,083,668	0.8	2,719,089
Other	697,760	0.3	851,414	0.3	(153,654)
Income from government business enterprise	4,689,245	1.6	6,298,365	2.3	(1,609,120)
Total Consolidated Revenues	275,466,065	100.0	271,709,782	100.0	3,756,283

Revenues increased \$3.8 million due to several factors:

- The property taxation levy was \$4.2 million higher than the previous year and supplementary taxes were down by \$1.6 million. Taxation write offs decreased \$0.5 million.
- User fees and services charges were up \$5.0 million. Subdivision engineering fees were higher based on the level of work done in 2012, and Public Works recoveries – the increase totaled \$0.5 million in these two areas. Arenas revenues were \$0.5 million higher and, water and capital installation charges were up \$3.1 million due to a greater level of distribution systems assumed from developers, rate increases of 2.9% and a 1% growth increase in water charges.
- Government grants were lower by \$5.0 million. The level of government funding generally fluctuates with the start and finish of specific projects. \$4.0 million of the decrease relates to a lower level of grant funds used for capital purposes in 2012. In 2011, there was significant work done on the Hunter Street Bridge, Market Hall as well as at the Airport, with that work being funded by the federal government. This year, although the City used available funding, there were not as many significant and similar projects as in 2011. Social Services grants increased by \$1.2 million and the City received OMPF grant funding of \$1.0 million compared to the previous year, but these increases were offset due to lower Social Housing revenues of \$1.7

million. The GPAEDC saw a reduction in government funding of \$1.2 million due to the culmination of the Manufacturer Training Initiative program.

- 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.
- Donations and contributed capital assets were up due to the amount of open space assumed during the year.
- Income from government business enterprise – the income figure is \$1.6 million lower in 2012 based on the results of operations of the City of Peterborough Holdings Inc. and its subsidiary group of companies.

Consolidated expenses totaled \$248.6 million (2011 - \$244.8 million).

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

Chart 3 - Consolidated Expenses

	2012		2011		Variance Increase (decrease)
	\$	%	\$	%	
General government	4,320,369	1.7	5,840,994	2.4	(1,520,625)
Protection services	44,806,109	18.0	42,400,699	17.3	2,405,410
Transportation	32,840,559	13.2	32,423,778	13.2	416,781
Environmental	32,368,188	13.0	32,231,206	13.2	136,982
Health	11,455,475	4.6	11,432,344	4.7	23,131
Social and family	70,663,945	28.4	67,370,952	27.5	3,292,993
Social housing	23,620,845	9.5	23,103,720	9.4	517,125
Recreation and cultural	24,646,582	9.9	24,727,482	10.1	(80,900)
Planning and development	3,893,828	1.7	5,286,774	2.2	(1,392,946)
Total Consolidated Expenses	248,615,900	100.0	244,817,949	100.0	3,797,951

Expenses increased \$3.8 million due to several factors:

- General Government – the City saw a reduction in General Government expenses as a result of a reconciliation payment from our previous extended benefits provider. As a result of the switch to a new benefits provider, the City is experiencing lower costs related to extended benefits.

- Protection services – salaries, wages and employee benefits is higher by \$1.8 million as a result of negotiated and arbitrated settlements with Fire and Police Services as well as higher overtime and additional pay in both areas. External transfers to the County are \$0.3 million higher as a result of higher POA revenues. Amortization increased \$0.3 million as a result of 2011 capital asset additions being amortized for a full year compared to a half-year in 2011.
- Transportation - Personnel costs were higher by \$0.8 million, due to transit wages, overtime and employee benefits. This increase was offset by lower materials and contracted services costs in the Transportation Division overall.
- Social and Family Services – the increase relates to an overall average caseload increase of 4.3% along with more Hostel bed days. Wages at Fairhaven increased \$1.1 million year-over-year mainly due to employee future benefits related to WSIB. Without the impact of the WSIB issue, wages at Fairhaven were within budgeted expectations.
- Social Housing – Preventative maintenance on Peterborough Housing Corporation owned properties accounted for the increase over 2011.
- Planning and Development – expenses at the Greater Peterborough Area Economic Development Corporation were \$1.3 million lower in 2012 than in 2011 due to fewer funds spent on initiatives that were funded by government grants such as the Manufacturing Training Initiative.

The annual surplus amounts to \$26.9 million (2011 - \$26.9 million). This surplus indicates that the revenues raised during the year covered the cost of services provided – including the annual cost of using capital assets to provide those services.

Under current reporting standards, the City has an annual amortization charge of \$26.5 million (2011 - \$23.9 million). This amortization charge represents the cost of depreciating capital assets over their useful life. The amortization charge is less than the City's current level of capital spending of \$50.8 million (2011 - \$50.0 million). The Statement of Operations reflects the annual amortization and the surplus that results which is used to help finance the cost of capital acquisition.

Financial Position

Net financial assets of \$98.5 million (2011 - \$93.2 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 \$26.5 million, to finance the acquisition of tangible capital assets totaling \$50.8 million. For a more detailed accounting, refer to the Statement of Net Financial Assets on Page. 5 of the Consolidated Financial Report.

The accumulated surplus of \$689.4 million (2011 - \$662.6 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

	2012 \$	2011 \$
Surplus/(Deficit)		
City of Peterborough		
Operating surplus	264,950	250,482
Unexpended financing	4,407,875	2,809,389
	4,672,825	3,059,871
Consolidated Entities		
Peterborough County-City Health Unit	38,772	8,897
The Village Business Improvement Area	25,812	18,743
Greater Peterborough Area Economic Development Corp.	(54,886)	(72,271)
Peterborough Downtown Business Improvement Area	36,350	91,125
Peterborough Utilities Commission	11,500,023	9,206,399
Peterborough Housing Corporation	-	-
Peterborough Public Library Board	22,989	79,603
	11,569,060	9,332,496
Unfunded amounts		
Employee benefits	(28,223,628)	(27,876,970)
Solid waste landfill closure and post-closure	(4,264,480)	(4,142,106)
Accrued interest on long term debt	(964,828)	(821,166)
	(33,452,936)	(32,840,242)
Inventory for resale	8,568,830	8,568,830
Equity in government business enterprise	81,718,348	80,312,103
Invested in Tangible Capital Assets		
Tangible capital assets (net)	589,421,246	567,032,840
Unexpended capital financing	5,460,054	275,369
Long term debt	(94,015,940)	(80,134,343)
	500,865,360	487,173,866
Reserve Funds and Reserves		
Discretionary reserve funds	43,423,137	38,208,583
Reserves	72,040,834	68,739,786
	115,463,971	106,948,370
ACCUMULATED SURPLUS	689,405,458	662,555,293

CONCLUSION

The City of Peterborough is well positioned financially for the future. The challenge is that the capital program cannot keep pace with the existing need to repair, restore, or replace aging capital infrastructure. The City approved a new Debt Management and Capital Financing Plan April 23, 2012 that will continue to aid in funding critical capital projects on a go-forward basis. This new capital financing policy will help ensure the City's 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)

	2012	2011	2010	2009	2008
CURRENT PROGRAM ACTIVITY					
Consolidated Revenues					
Taxation	99,371	96,319	93,048	87,625	83,870
Taxation from other governments	2,752	2,666	2,434	2,528	2,429
Fees and service charges	65,448	60,515	60,203	60,374	57,374
Government grants and other Municipalities	80,512	85,434	111,840	85,961	88,828
Development levies	6,790	8,121	5,145	1,981	6,518
Investment and other revenue	20,593	18,655	15,687	13,603	22,451
	275,466	271,710	288,357	252,072	261,470
Expenses	248,616	244,818	238,725	224,220	218,889
Growth in accumulated surplus	26,850	26,892	49,632	27,852	42,581

NET LONG TERM LIABILITIES

For general municipal activities	91,669	77,196	84,371	49,601	54,794
For municipal enterprises	2,347	2,938	3,492	4,011	4,497
	94,016	80,134	87,863	53,612	59,291

General municipal activities - net long term liabilities as % of CVA	1.2%	1.1%	1.3%	0.8%	1.0%
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CURRENT CHARGES FOR NET LONG TERM LIABILITIES

General municipal activities and for municipal enterprise	11,767	12,658	9,876	8,693	8,533
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CURRENT VALUE ASSESSMENT (CVA) - TAXABLE

Residential and farm	6,194,867	5,857,704	5,504,263	5,202,852	4,878,393
Commercial and industrial	1,155,969	1,061,768	975,658	896,233	811,357
	7,350,836	6,919,472	6,479,921	6,099,085	5,689,750

Percentage increase from previous year	6.23%	6.78%	6.24%	7.19%	2.49%
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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	15.7%	15.3%	15.1%	14.7%	14.3%
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CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2012	2011	2010	2009	2008
VALUE OF BUILDING PERMITS ISSUED					
Residential	70,043	69,805	51,568	61,706	71,028
Commercial	29,336	35,992	26,271	16,474	39,598
Industrial	4,865	9,690	613	1,419	8,068
Institutional	38,818	6,368	2,038	48,326	26,172
	143,062	121,854	80,490	127,924	144,866
Percentage increase (decrease) from previous year	17.4%	51.4%	-37.1%	-11.7%	16.2%
TAX LEVY AND ARREARS					
Tax levy					
Current year's tax levy - municipal and education combined	129,836	125,701	121,905	117,699	114,472
Percentage increase over previous year	3.3%	3.1%	3.6%	2.8%	3.2%
Tax arrears					
Total arrears (excluding Allowance for Doubtful Accounts)	6,158	5,725	5,819	5,358	5,430
Percentage increase (decrease) over previous year	7.6%	-1.6%	8.6%	-1.3%	10.4%
Tax arrears as a percentage of current tax levy	4.7%	4.6%	4.8%	4.6%	4.7%
POPULATION & SIZE					
Estimated Population (Updated for 2011 Census)	78,700	78,700	74,900	74,900	74,900
Area in acres	16,523	16,523	16,523	16,523	16,523
PER CAPITA INFORMATION					
CVA - Taxable	93,403	87,922	86,514	81,430	75,965
Expenses	3,159	3,111	3,187	2,994	2,922
Net long-term debt for general municipal activities and municipal enterprise	1,195	1,018	1,173	716	792
Tax arrears	78	73	78	72	72

CITY OF PETERBOROUGH

FIVE YEAR REVIEW

(All dollar values in thousands except per capita figures)

	2012	2011	2010	2009	2008
RATES OF TAXATION					
Municipal tax rates					
Residential	1.1558860%	1.1717390%	1.1970150%	1.2128320%	1.2413430%
Multi-residential	2.2507530%	2.2816220%	2.3308400%	2.4391260%	2.5139680%
New Multi-residential	1.1558860%	1.1717390%	1.1970150%	1.2128320%	1.2413430%
Commercial	1.9652950%	2.0391770%	2.1311060%	2.2078390%	2.2864300%
Commercial Vacant	1.3757120%	1.4274240%	1.4917800%	1.5454880%	1.6005010%
Industrial	2.5267670%	2.7221840%	2.9451360%	3.1504520%	3.2245130%
Industrial Vacant	1.6423980%	1.7694200%	1.9143380%	2.0477940%	2.0959330%
Pipeline	1.4686690%	1.4888120%	1.5209270%	1.5410240%	1.5772500%
Farmlands	0.2889720%	0.2929350%	0.2992540%	0.3032080%	0.3103360%
Education tax rates					
Residential	0.2210000%	0.2310000%	0.2410000%	0.2520000%	0.2640000%
Multi-residential	0.2210000%	0.2310000%	0.2410000%	0.2520000%	0.2640000%
New Multi-residential	0.2210000%	0.2310000%	0.2410000%	0.2520000%	0.2640000%
Commercial	1.4788620%	1.5733320%	1.6809920%	1.8035900%	1.9527950%
Commercial Vacant	1.0352034%	1.1013324%	1.1766944%	1.2625130%	1.3669570%
Industrial	1.5900000%	1.9300000%	2.4500000%	2.6598900%	2.8631850%
Industrial Vacant	1.0335000%	1.2545000%	1.5925000%	1.7289290%	1.8610700%
Pipeline	1.2600000%	1.3295430%	1.3618190%	1.3957010%	1.4310350%
Farmlands	0.0552500%	0.0577500%	0.0602500%	0.0630000%	0.0660000%
Combined municipal and education tax rates					
Residential	1.3768860%	1.4027390%	1.4380150%	1.4648320%	1.5053430%
Multi-residential	2.4717530%	2.5126220%	2.5718400%	2.6911260%	2.7779680%
Commercial	3.4441570%	3.6125090%	3.8120980%	4.0114290%	4.2392250%
Commercial Vacant	2.4109154%	2.5287564%	2.6684744%	2.8080010%	2.9674580%
Industrial	4.1167670%	4.6521840%	5.3951360%	5.8103420%	6.0876980%
Industrial Vacant	2.6758980%	3.0239200%	3.5068380%	3.7767230%	3.9570030%
Pipeline	2.7286690%	2.8183550%	2.8827460%	2.9367250%	3.0082850%
Farmlands	0.3442220%	0.3506850%	0.3595040%	0.3662080%	0.3763360%

Appendix C –
Consolidated Financial Report Including Trust Funds
Financial Statement

**CORPORATION OF THE
CITY OF PETERBOROUGH
CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2012**

**CORPORATION OF THE
CITY OF PETERBOROUGH
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

TABLE OF CONTENTS

	<u>Page Numbers</u>
MANAGEMENT REPORT	1
INDEPENDENT AUDITORS' REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Change in Net Financial Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 to 30
Schedule of Tangible Capital Assets	31
Schedules of Segment Disclosure	32 to 33
TRUST FUNDS	
Independent Auditors' Report	34
Statement of Continuity and Statement of Financial Position	35
Note to the Financial Statements	36



THE CORPORATION OF THE CITY OF PETERBOROUGH

For The Year Ended December 31, 2012

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**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, 2012, the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Peterborough and its local boards as at December 31, 2012 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 2, 2013

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2012

	2012 \$	2011 \$
FINANCIAL ASSETS		
Cash and temporary investments	95,031,546	85,380,083
Taxes receivable (Note 3)	4,228,616	3,931,328
Accounts receivable (Note 4)	24,050,731	28,021,822
Inventory held for resale	8,686,749	9,099,437
Investments (Note 5)	57,957,826	43,925,418
Other receivables (Note 6)	1,622,344	1,576,466
Investment in Government Business Enterprise (Note 7)	87,468,348	86,062,103
	279,046,160	257,996,657
LIABILITIES		
Accounts payable and accrued liabilities	30,523,939	31,271,335
Deferred revenue (Note 8)	2,196,562	2,539,935
Solid waste landfill closure and post-closure (Note 9)	4,264,480	4,142,106
Deferred revenue - obligatory reserve funds (Note 10)	19,116,086	16,662,201
Employee benefits and other liabilities (Note 11)	30,448,398	30,090,902
Long term debt (Note 12)	94,015,940	80,134,343
	180,565,405	164,840,822
NET FINANCIAL ASSETS	98,480,755	93,155,835
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	589,421,246	567,032,840
Prepaid expenses	804,046	1,650,803
Inventory of supplies	699,411	715,815
	590,924,703	569,399,458
ACCUMULATED SURPLUS (NOTE 14)	689,405,458	662,555,293

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, 2012

	Budget 2012 \$	2012 \$	2011 \$
REVENUES			
Property taxation	98,769,841	99,370,835	96,318,833
Taxation from other governments	2,900,515	2,752,085	2,665,816
User fees and service charges	62,493,394	65,448,461	60,514,770
Government grants and other municipalities	79,920,427	80,511,991	85,468,316
Development levies and contributions from developers	7,441,090	6,790,033	8,121,198
Licenses, permits and rents	3,111,060	3,072,522	2,806,626
Fines and other charges	2,010,000	2,638,031	2,228,185
Penalties and interest on taxes	700,000	726,150	775,103
Investment income	3,119,460	3,966,195	3,577,488
Donations and contributed tangible capital assets	44,200	4,802,757	2,083,668
Other	704,956	697,760	851,414
Income from government business enterprise (Note 7)	-	4,689,245	6,298,365
TOTAL REVENUES	261,214,943	275,466,065	271,709,782
EXPENSES			
General government	7,060,461	4,320,369	5,840,994
Protection services	43,127,785	44,806,109	42,400,699
Transportation services	32,008,290	32,840,559	32,423,778
Environmental services	35,034,401	32,368,188	32,231,206
Health services	11,508,085	11,455,475	11,432,344
Social and family services	70,674,959	70,663,945	67,370,952
Social housing	21,502,699	23,620,845	23,103,720
Recreation and cultural services	23,575,965	24,646,582	24,727,482
Planning and development	4,083,953	3,893,828	5,286,774
TOTAL EXPENSES	248,576,598	248,615,900	244,817,949
ANNUAL SURPLUS	12,638,345	26,850,165	26,891,833
ACCUMULATED SURPLUS, beginning of year	662,555,293	662,555,293	635,663,460
ACCUMULATED SURPLUS, end of year (NOTE 14)	675,193,638	689,405,458	662,555,293

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, 2012

	Budget 2012 \$	2012 \$	2011 \$
Annual Surplus	12,638,345	26,850,165	26,891,833
Amortization of tangible capital assets	24,250,006	26,505,245	23,948,740
Proceeds on disposal of tangible capital assets	-	602,101	166,075
Loss on disposal of tangible capital assets	-	1,282,362	2,173,228
Acquisition of tangible capital assets	(59,764,650)	(50,778,114)	(49,950,770)
Transfer of capital asset to inventory held for resale	-	-	402,048
Change in prepaid expenses	-	846,757	(719,433)
Change in inventory of supplies	-	16,404	(4,500)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(22,876,299)	5,324,920	2,907,221
NET FINANCIAL ASSETS, beginning of year	93,155,835	93,155,835	90,248,614
NET FINANCIAL ASSETS, end of year	70,279,536	98,480,755	93,155,835

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, 2012

	2012	2011
	\$	\$
OPERATIONS		
Annual Surplus	26,850,165	26,891,833
Non-cash charges to operations:		
Amortization	26,505,245	23,948,740
Loss on disposal of tangible capital assets	1,282,362	2,173,228
Income from government business enterprises	(4,689,245)	(6,298,365)
Solid waste landfill closure and post-closure	122,374	222,638
Employee benefits and other liabilities	357,496	910,644
Transfer of capital asset to inventory held for resale	-	402,048
Sources (uses) of cash:		
Taxes receivable	(297,288)	430,611
Accounts receivable	3,971,091	8,006,544
Inventory held for resale	412,688	(294,499)
Other receivables	(45,878)	(1,158,443)
Accounts payable and accrued liabilities	(747,396)	1,347,951
Deferred revenue	(343,373)	(930,685)
Deferred revenue - obligatory reserves	2,453,885	(2,485,091)
Prepaid expenses	846,757	(719,433)
Inventory of supplies	16,404	(4,500)
Net increase in cash related to operations	56,695,287	52,443,221
CAPITAL		
Proceeds on disposal of tangible capital assets	602,101	166,075
Acquisition of tangible capital assets	(50,778,114)	(49,950,770)
Net decrease in cash related to capital	(50,176,013)	(49,784,695)
INVESTING		
Increase in investments	(14,032,408)	(35,081,055)
Dividends received from government business enterprise	3,283,000	3,391,000
Net decrease in cash related to investing	(10,749,408)	(31,690,055)
FINANCING		
Long term debt issued	21,867,000	1,015,788
Long term debt principal repayment	(7,985,403)	(8,744,906)
Net increase/(decrease) in cash related to financing	13,881,597	(7,729,118)
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,651,463	(36,760,647)
CASH AND TEMPORARY INVESTMENTS, beginning of year	85,380,083	122,140,730
CASH AND TEMPORARY INVESTMENTS, end of year	95,031,546	85,380,083

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, 2012

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 (2012 – 66%) (2011 – 66%)
2. Peterborough County-City Health Unit (2012– 57%) (2011 – 57%)
3. Greater Peterborough Area Economic Development Corporation (2012 – 60%) (2011 – 60%)
4. Peterborough County-City Waste Management Facility (2012- 50%) (2011 – 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, 2012

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.

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

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, 2012

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 local school boards in respect of education taxes based on rates established by the Province. Taxation revenues are recorded at the time tax billings are issued. A normal part of the assessment process is the issue of supplementary assessment rolls that provide updated information with respect to changes in property assessment. 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, 2012

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, 2012

2. Transfers To The School Boards

During 2012, the City made property tax transfers to the School Boards. The amounts collected and remitted amounted to \$30,760,675 (2011 - \$31,201,512). 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:

	2012	2011
	\$	\$
Current year's levies	2,667,783	2,634,125
Previous year's levies	1,207,770	1,237,450
Prior year's levies	2,201,607	1,855,556
Penalties and interest	1,525,644	1,458,828
	7,602,804	7,185,959
Allowance for uncollectible taxes	(3,374,188)	(3,254,631)
	4,228,616	3,931,328

4. Accounts Receivable

This figure is comprised of the following:

	2012	2011
	\$	\$
Government of Canada	2,153,654	4,354,940
Government of Ontario	6,347,521	8,152,826
Other Municipalities and school boards	884,384	406,847
User Charges and other receivables	14,665,172	15,107,209
	24,050,731	28,021,822

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

5. Investments

The investments have a market value of \$57,957,826 (2011 - \$43,925,418) 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:

	2012	2011
	\$	\$
Employee Computer Purchase Plan Loans	47,727	115,687
Trent University – Woodland Acres Sanitary Sewer	149,276	168,779
Loan – Peterborough Lakers Lacrosse Association	60,000	72,000
Peterborough Lawn Bowling Club	575,000	600,000
Market Hall Performing Arts Incorporated	485,940	600,000
Peterborough Rugby Union Football Club	299,401	-
Other loans receivable	5,000	20,000
	1,622,344	1,576,466

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%. The interest rate on the Peterborough Rugby Union Football Club loan is fixed at 2.75%. Loans with a value of \$65,000 (2011 - \$92,000) approved by Council to qualifying community groups have been made on an interest free basis.

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

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.:

	2012 \$	2011 \$
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	25,963,693	23,056,328
Net earnings	4,689,245	6,298,365
Less dividends	(3,283,000)	(3,391,000)
	27,369,938	25,963,693
Equity in government business enterprises	81,718,348	80,312,103
Short term advances due on demand bearing interest at prime less 1.25%	5,750,000	5,750,000
	87,468,348	86,062,103

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

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:

	2012	2011
	\$	\$
Current assets	33,524,609	36,176,125
Capital and intangible assets	136,967,237	113,957,922
Regulatory assets	1,456,584	7,308,411
Investment	5,169,487	5,280,782
Future income taxes	4,186,000	3,233,000
Total assets	181,303,917	165,956,240
Current liabilities	20,059,513	57,801,342
Notes payable	31,699,205	31,699,205
Other long term liabilities	71,037,085	20,075,795
Future income taxes	2,738,971	2,017,000
Total liabilities	125,534,774	111,593,342
Shareholder's Equity		
Capital stock	28,399,205	28,399,205
Retained earnings	27,369,938	25,963,693
	55,769,143	54,362,898
Total liabilities and shareholder's equity	181,303,917	165,956,240

Results of Operations:

	2012	2011
	\$	\$
Revenues	113,784,771	107,684,391
Expenses	107,374,657	99,177,619
Net income before provision for corporate income taxes	6,410,114	8,506,772
Provision for corporate income taxes	1,720,869	2,208,407
Income from government business enterprise	4,689,245	6,298,365

During the year the City received dividends totalling \$3,283,000 (2011 - \$3,391,000) and interest totalling \$1,646,912 (2011 - \$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, 2012

8. Deferred Revenue

This figure is comprised of the following:

	2012	2011
	\$	\$
Rents, user fees and service charges	1,153,399	1,332,891
Tickets, events and site deposits	516,096	777,158
Social and family services related	19,647	18,672
Government funding	507,420	411,214
	2,196,562	2,539,935

9. Solid waste landfill closure and post closure

The solid waste landfill closure and post closure liability of \$4,264,480 (2011 - \$4,142,106) 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) reached full capacity in 2012 at which time the North Fill Area (NFA) began to receive the balance of waste and will continue for at least 15 years.

The net present value of estimated closure and post closure costs as at December 31, 2012 is \$11,620,440 (2011 - \$11,316,070). The estimated total expenses represent the sum of the discounted future cash flows using an inflation factor of 2.25% (2011 - 2.25%), discounted at a rate of 5% (2011 - 5%). As the ownership of the facility is shared equally between the County and City of Peterborough, the liability recorded in these financial statements represents 50% of the estimated actual liability pro-rated on the basis of capacity used at the site. Estimated utilization of existing site capacity of the SFA at December 31 is 100% (2011 - 98%) and at the NFA is 8% (2011 - 4%).

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, 2012

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:

	2012 \$	2011 \$
Development Charges	8,482,613	9,243,285
Parkland	1,850,206	1,711,065
Building Code	230,236	59,428
Federal Gasoline Tax	8,147,150	5,248,655
Provincial Gasoline Tax	405,881	399,768
	19,116,086	16,662,201

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

	2012 \$	2011 \$
Balance – beginning of year	16,662,201	19,147,292
Add amounts received:		
Development charges received	5,230,303	2,723,433
Parkland fees and subdivider contributions	187,966	158,435
Building code permits and other revenues	1,455,135	1,246,996
Provincial gasoline tax	1,543,496	1,514,069
Federal gasoline tax	4,594,992	4,594,992
Investment income	219,027	250,213
	13,230,919	10,488,138
Less amounts utilized:		
Development charges earned	6,108,789	7,211,464
Parkland fees and subdivider contributions earned	69,300	-
Building code costs and expenses	1,284,327	1,235,661
Provincial and Federal gasoline tax earned	3,314,618	4,526,104
	10,777,034	12,973,229
Balance – end of year	19,116,086	16,662,201

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

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:

	2012 \$	2011 \$
Accrued benefit liability, beginning of year	30,090,902	29,180,258
Actuarial (gain)/loss	(4,316,460)	667,795
	25,774,442	29,848,053
Current period benefit expense	1,461,555	1,640,032
Interest	910,293	1,282,146
Benefit payments	(1,647,039)	(2,068,576)
Accrued benefit liability, end of year	26,499,251	30,701,655
Unamortized actuarial gain/(loss)	3,949,147	(610,753)
Employee benefits and other liabilities, end of year	30,448,398	30,090,902

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

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% (2011 – 2%)	2% (2011 – 2%)	2% (2011 – 2%)	2% (2011 – 2%)
Expected level of salary increases	3% (2011 – 3%)	3% (2011 – 3%)	3% (2011 – 3%)	3% (2011 – 3%)
Interest discount rate	4.25% (2011 – 5%)	4.25% (2011 – 5%)	4.25% (2011 – 5%)	4.25% (2011 – 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 \$2,747,271 (2011 - \$2,692,185) of which \$2,224,770 (2011 - \$2,213,932) 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, 2012

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 1.8% to 7.625%% (2011 - 1% to 7.625%)

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

	2013 to 2017 \$	2018 to 2022 \$	2023 Onwards \$	Total \$
From general revenues	46,023,446	34,719,984	13,272,510	94,015,940

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 debt in the year amounted to \$3,781,376 (2011 - \$3,913,068).

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

13. Tangible Capital Assets

This figure is comprised of the following:

	Net Book Value	
	2012	2011
	\$	\$
General		
Land and land improvements	95,617,421	92,743,797
Buildings	108,299,799	107,016,550
Machinery and equipment	14,215,862	11,338,478
Vehicles	16,378,360	17,111,683
Books and materials	1,424,452	1,378,213
Infrastructure		
Land and land improvements	26,033,426	24,845,875
Buildings	22,222,173	22,980,308
Machinery & vehicles	1,940,270	2,364,399
Roadways and sidewalks	115,734,759	98,529,061
Storm sewer system	45,022,020	42,189,797
Wastewater system	48,088,773	48,598,426
Water system	80,514,719	68,794,540
	575,492,034	537,891,127
Assets under construction	13,929,212	29,141,713
Total tangible capital assets	589,421,246	567,032,840

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

During 2012 and 2011, 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 \$4,608,760 (2011 - \$686,272).

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

13. Tangible Capital Assets – continued

Tangible capital assets by function are comprised of the following:

	Net Book Value	
	2012	2011
	\$	\$
General government	26,526,415	25,896,287
Protection to persons and property	18,116,639	13,035,464
Transportation services	170,601,087	154,061,642
Environmental services	210,679,911	197,813,686
Health services	534,663	609,348
Social and family services	11,553,852	12,052,679
Social housing	38,554,141	39,220,951
Recreation and cultural services	75,970,667	73,506,369
Planning and development	22,954,659	21,694,701
Assets under construction	13,929,212	29,141,713
Total tangible capital assets	589,421,246	567,032,840

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

14. Accumulated Surplus

This figure is comprised of the following:

	2012	2011
	\$	\$
Surplus/(Deficit)		
City of Peterborough		
Operating surplus	264,950	250,482
Unexpended financing	4,407,875	2,809,389
	4,672,825	3,059,871
Consolidated Entities		
Peterborough County-City Health Unit	38,772	8,897
The Village Business Improvement Area	25,812	18,743
Greater Peterborough Area Economic Development Corporation	(54,886)	(72,271)
Peterborough Downtown Business Improvement Area	36,350	91,125
Peterborough Utilities Commission	11,500,023	9,206,399
Peterborough Public Library Board	22,989	79,603
	11,569,060	9,332,496
Unfunded amounts		
Employee benefits	(28,223,628)	(27,876,970)
Solid waste landfill closure and post-closure	(4,264,480)	(4,142,106)
Accrued interest on long term debt	(964,828)	(821,166)
	(33,452,936)	(32,840,242)
Inventory held for resale	8,568,830	8,568,830
Equity in government business enterprise	81,718,348	80,312,103
Invested in Tangible Capital Assets		
Tangible capital assets net book value	589,421,246	567,032,840
Unexpended capital financing	5,460,054	275,369
Long term debt	(94,015,940)	(80,134,343)
	500,865,360	487,173,866
Reserve Funds and Reserves		
Discretionary reserve funds	43,423,137	38,208,583
Reserves	72,040,834	68,739,786
	115,463,971	106,948,370
ACCUMULATED SURPLUS	689,405,458	662,555,293

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

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 2012 \$	2012 \$	2011 \$
Salary, wages and employee benefits	93,649,396	93,362,443	91,192,981
Interest on long term debt	5,056,969	3,781,376	3,913,068
Materials	31,575,945	30,698,124	31,099,413
Contracted services	41,141,968	40,089,555	40,608,149
Rents and financial expenses	2,404,029	2,206,183	1,910,414
External transfers	50,498,285	50,690,612	49,971,956
Amortization	24,250,006	26,505,245	23,948,740
Loss on disposal of tangible capital assets	-	1,282,362	2,173,228
	248,576,598	248,615,900	244,817,949

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:

	2012		2011	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	3,048,233	2,032,155	3,979,713	2,653,142
Liabilities	17,607,864	11,738,576	18,746,230	12,497,487
Net debt	(14,559,631)	(9,706,421)	(14,766,517)	(9,844,345)
Non-financial assets	17,220,554	11,480,369	18,149,943	12,099,962
Accumulated surplus	2,660,923	1,773,948	3,383,426	2,255,617

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

16. Partnerships With The County of Peterborough - continued

Results of Operations:

	2012		2011	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	18,736,640	12,491,093	18,102,868	12,068,579
Expenses	19,459,143	12,972,762	17,674,889	11,783,259
Annual (deficit)/surplus	(722,503)	(481,669)	427,979	285,320

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:

	2012		2011	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	3,258,973	1,857,615	2,887,463	1,645,854
Liabilities	2,823,268	1,609,263	2,503,391	1,426,933
Net financial assets	435,705	248,352	384,072	218,921
Non-financial assets	999,904	569,945	1,129,287	643,694
Accumulated surplus	1,435,609	818,297	1,513,359	862,615

Results of Operations:

	2012		2011	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	11,968,768	6,822,198	13,026,101	7,424,878
Expenses	12,046,518	6,866,515	12,433,120	7,086,878
Annual (deficit)/surplus	(77,750)	(44,317)	592,981	338,000

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

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:

	2012		2011	
	Total \$	City Portion \$	Total \$	City Portion \$
Financial assets	501,124	300,674	583,915	350,349
Liabilities	536,740	322,044	757,595	454,557
Net debt	(35,616)	(21,370)	(173,680)	(104,208)
Non-financial assets	3,278	1,967	8,650	5,190
Accumulated deficit	(32,338)	(19,403)	(165,030)	(99,018)

Results of Operations:

	2012		2011	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	2,358,407	1,415,044	4,344,800	2,606,880
Expenses	2,225,715	1,335,429	4,326,030	2,595,618
Annual surplus	132,692	79,615	18,770	11,262

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

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 to/(from) the County of \$37,632 (2011 – (\$243,518)).

Results of Operations:

	2012		2011	
	Total \$	City Portion \$	Total \$	City Portion \$
Revenues	4,026,105	2,013,053	3,815,106	1,907,553
Expenses	3,055,844	1,527,922	2,677,036	1,338,518
Net revenues	970,261	485,131	1,138,070	569,035

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 2012, the current service cost amounted to \$5,669,827 (2011 - \$4,890,841).

18. Trust Funds

Trust funds administered by the Corporation of the City of Peterborough amounting to \$887,194 (2011 - \$804,219) 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, 2012

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

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
2013	2,411,960	621,398	3,033,358
2014	2,449,957	644,362	3,094,319
2015	2,489,064	644,362	3,133,426
2016	2,529,371	644,362	3,173,733
2017	2,570,929	644,362	3,215,291
Thereafter	23,960,043	161,090	24,121,133
Total minimum lease payments	36,411,324	3,359,936	39,771,260
Less: payments assumed by sub-lessee	16,283,763	-	16,283,763
	20,127,561	3,359,936	23,487,497

(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, 2012

21. 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.

22. 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, 2012 is \$4,673,000 (2011 - \$4,959,000).

23. 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, 2012, amounted to \$2,638,031 (2011 - \$2,228,185) and \$1,633,237 (2011 - \$1,249,909) 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 2012, the proportion based on weighted assessment for the City was 46.6% (2011 - 46.8%). Based on this percentage, the City's portion of Net Revenues was \$761,088 (2011 - \$584,957).

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

24. 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 activities of the Peterborough City-County Health Unit and activities of the land ambulance service that is a shared service with the County of Peterborough.

Social and Family Services

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

Social Housing Services

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

CORPORATION OF THE CITY OF PETERBOROUGH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For The Year Ended December 31, 2012

24. 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.

25. 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, 2012

	General					Infrastructure								Assets under Construction	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			
COST															
Balance, beginning of year	114,021,009	188,887,519	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	29,141,713	916,288,204	
Add: Additions	1,497,624	430,092	184,754	-	413,650	-	256,210	-	-	-	-	15,966,539	32,029,245	50,778,114	
Less: disposals and retirements	5,290,049	(1,391,885)	7,296,037	1,203,058	840,273	14,099	-	433,458	2,738,220	334,784	7,591,787	-	-	24,349,880	
Interfund transfers	5,277,125	5,705,337	4,919,238	1,089,832	-	1,226,498	-	-	23,604,798	3,801,364	1,617,554	-	(47,241,746)	-	
BALANCE, end of year	115,505,709	196,414,833	23,572,573	28,297,714	2,857,464	26,070,698	43,606,369	5,737,397	206,492,599	63,737,865	74,804,261	141,689,744	13,929,212	942,716,438	
ACCUMULATED AMORTIZATION															
Balance, beginning 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	
Add: Amortization	2,497,200	5,212,873	2,210,878	1,706,213	367,411	24,848	1,014,345	424,129	5,790,751	898,303	2,111,934	4,246,360	-	26,505,245	
Less: disposals and retirements	3,886,124	(1,031,192)	7,280,307	1,086,116	840,273	-	-	433,458	2,129,871	263,946	7,576,514	-	-	22,465,417	
BALANCE, end of year	19,888,288	88,115,034	9,356,711	11,919,354	1,433,012	37,272	21,384,196	3,797,127	90,757,840	18,715,845	26,715,488	61,175,025	-	353,295,192	
NET BOOK VALUE	95,617,421	108,299,799	14,215,862	16,378,360	1,424,452	26,033,426	22,222,173	1,940,270	115,734,759	45,022,020	48,088,773	80,514,719	13,929,212	589,421,246	

CORPORATION OF THE CITY OF PETERBOROUGH

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For The Year Ended December 31, 2012

	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	16,724,111	32,762,564	15,422,354	5,574,704	4,511,436	9,519,726	3,776,092	10,135,825	944,023	-	99,370,835
Taxation from other governments	463,175	907,362	427,124	154,392	124,945	263,650	104,579	280,713	26,145	-	2,752,085
User fees and service charges	459,168	694,930	8,070,528	35,717,269	415,099	5,706,812	5,310,911	8,883,088	190,656	-	65,448,461
Government grants and other municipalities	212,191	2,388,845	4,329,338	1,606,300	5,811,094	53,214,396	11,450,451	743,242	756,134	-	80,511,991
Development levies and contributions from developers	24,785	523,328	4,039,348	1,834,798	-	-	-	59,400	308,374	-	6,790,033
Licences, permits and rents	924,599	1,464,699	61,002	45,468	-	-	-	576,754	-	-	3,072,522
Fines and other charges	-	2,638,031	-	-	-	-	-	-	-	-	2,638,031
Penalties and interest on taxes	726,150	-	-	-	-	-	-	-	-	-	726,150
Investment income	616,551	1,207,824	568,560	403,802	180,303	391,638	183,188	379,498	34,831	-	3,966,195
Donations and contributed tangible capital assets	-	-	1,168,561	95,410	-	-	42,971	2,901,932	593,883	-	4,802,757
Other	59,254	-	-	178,716	52,916	-	180,458	-	226,416	-	697,760
Income from government business enterprises (Note 7)	-	-	-	-	-	-	-	-	-	4,689,245	4,689,245
TOTAL REVENUES	20,209,984	42,587,583	34,086,815	45,610,859	11,095,793	69,096,222	21,048,650	23,960,452	3,080,462	4,689,245	275,466,065
EXPENSES											
Salaries, wages and employee benefits	2,555,250	35,565,121	14,280,339	3,820,938	5,031,892	18,465,127	2,563,239	9,034,964	2,045,573	-	93,362,443
Interest on net long term debt	77,510	249,822	1,066,648	610,700	-	581,972	633,467	513,813	47,444	-	3,781,376
Materials	3,827,161	2,432,940	7,231,383	2,570,751	1,452,951	1,937,742	5,381,754	3,776,428	1,035,095	-	29,646,205
Contracted services	2,139,819	643,995	2,843,455	13,512,841	3,908,125	1,147,980	11,620,950	3,685,019	587,371	-	40,089,555
Rents and financial expenses	217,846	45,469	16,553	647,837	71,530	683,637	218,301	272,597	32,413	-	2,206,183
External transfers	202,530	1,834,112	-	-	580,228	45,716,957	1,561,058	1,469,911	377,735	-	51,742,531
Amortization	1,032,601	1,172,498	9,373,683	9,077,091	74,685	762,702	1,036,509	3,968,999	6,477	-	26,505,245
Loss (gain) on disposal of tangible capital assets	766,809	(42,859)	587,027	320,689	-	-	-	13,497	(362,801)	-	1,282,362
Interfunctional transfers	(6,499,157)	2,905,011	(2,558,529)	1,807,341	336,064	1,367,828	605,567	1,911,354	124,521	-	-
TOTAL EXPENSES	4,320,369	44,806,109	32,840,559	32,368,188	11,455,475	70,663,945	23,620,845	24,646,582	3,893,828	-	248,615,900
NET SURPLUS (DEFICIT)	15,889,615	(2,218,526)	1,246,256	13,242,671	(359,682)	(1,567,723)	(2,572,195)	(686,130)	(813,366)	4,689,245	26,850,165

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	439,149	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	-	-	-	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	-	-	-	-	-	-	-	-	-	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	(7,019,572)	2,974,758	(2,271,625)	1,762,655	381,336	1,321,884	677,985	2,001,944	170,635	-	-
TOTAL EXPENSES	5,840,994	42,400,699	32,423,778	32,231,206	11,432,344	67,370,952	23,103,720	24,727,482	5,286,774	-	244,817,949
NET SURPLUS (DEFICIT)	14,772,107	(2,659,622)	3,561,199	9,647,145	49,936	253,660	(780,375)	(3,104,045)	(1,146,537)	6,298,365	26,891,833

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements Trust Funds of the Corporation of the City of Peterborough and its local boards, which comprise the statement of financial position as at December 31, 2012, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Corporation of the City of Peterborough and its local boards as at December 31, 2012 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 2, 2013

CORPORATION OF THE CITY OF PETERBOROUGH

TRUST FUNDS STATEMENT OF CONTINUITY
For The Year Ended December 31, 2012

	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	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ACCUMULATED SURPLUS, beginning of year	116,136	17,924	20,697	42,076	20,332	6,361	31,854	436,004	31,547	5,800	75,488	687,910
REVENUES												
Deposits and grants	-	-	9,480	-	-	-	-	70,777	73,340	-	97,183	276,529
Transfer from Fairhaven	-	-	-	-	-	-	-	-	-	-	59,930	39,552
Interest earned	1,338	208	257	485	234	73	368	5,100	347	65	-	6,435
	1,338	208	9,737	485	234	73	368	75,877	73,687	65	157,113	322,516
EXPENSES												
Transfers to operations	-	-	-	-	232	-	-	-	-	-	-	232
Withdrawals, purchases	-	-	8,158	178	-	-	-	-	68,372	-	156,271	197,969
Residents maintenance	-	-	-	-	-	-	-	-	-	-	2,731	4,027
Donation	-	-	-	-	-	-	-	-	-	-	268	3,936
	-	-	8,158	178	232	-	-	-	68,372	-	159,270	206,207
ACCUMULATED SURPLUS, end of year	117,474	18,132	22,276	42,383	20,334	6,434	32,222	511,881	36,862	5,865	73,331	804,219

TRUST FUNDS STATEMENT OF FINANCIAL POSITION
At December 31, 2012

	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	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS												
Cash	117,474	18,132	23,795	42,383	20,566	6,434	32,222	511,881	36,862	5,865	76,676	802,493
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	182
Due from general fund	-	-	-	-	-	-	-	-	-	-	-	5,740
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	8,800
	117,474	18,132	23,795	42,383	20,566	6,434	32,222	511,881	36,862	5,865	76,676	817,215
LIABILITIES AND ACCUMULATED SURPLUS												
Accounts payable	-	-	1,519	-	232	-	-	-	-	-	-	1,751
Due to revenue fund	-	-	-	-	-	-	-	-	-	-	3,345	11,376
Accumulated surplus	117,474	18,132	22,276	42,383	20,334	6,434	32,222	511,881	36,862	5,865	73,331	804,219
	117,474	18,132	23,795	42,383	20,566	6,434	32,222	511,881	36,862	5,865	76,676	817,215

CORPORATION OF THE CITY OF PETERBOROUGH

TRUST FUNDS - NOTE TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2012

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, accounts 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.