

# **City of Charlottetown**

**Consolidated Financial Statements  
December 31, 2010**



A Member Firm of The AC Group of Independent Accounting Firms Limited

May 9, 2011

## **Independent Auditor's Report**

**To His Worship the Mayor and the Members of the Council of the City of Charlottetown**

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of City of Charlottetown, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of accumulated surplus, operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **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 control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those statements 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 control. 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 consolidated 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, the consolidated financial statements present fairly, in all material respects, the financial position of City of Charlottetown as at December 31, 2010, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Arsenault Best Cameron Ellis*

**Chartered Accountants**

# City of Charlottetown

## Consolidated Statement of Financial Position

As at December 31, 2010

	2010	2009
	\$	\$
<b>Financial assets</b>		
Cash	29,371,998	7,190,660
Accounts receivable	9,594,287	5,318,444
Restricted cash	3,597,554	3,350,776
Superannuation Plan net assets available for benefits (note 4)	50,784,124	45,477,313
Other assets	1,384,956	1,263,363
<b>Total financial assets</b>	<u>94,732,919</u>	<u>62,600,556</u>
<b>Liabilities</b>		
Bank loans and advances	33,510,049	32,289,051
Accounts payable and accrued liabilities	10,393,602	8,831,705
Unearned revenue	1,284,236	1,980,556
Sick leave and post retirement benefits	3,863,658	3,597,558
Superannuation Plan accrued pension obligations (note 4)	56,378,400	52,557,600
Long-term debt (note 6)	64,010,799	37,708,654
<b>Total liabilities</b>	<u>169,440,744</u>	<u>136,965,124</u>
<b>Net debt</b>	(74,707,825)	(74,364,568)
<b>Non-financial assets</b>		
Tangible capital assets (notes 3, 6 and 7)	<u>133,248,144</u>	<u>130,189,142</u>
<b>Accumulated surplus</b>	<u>58,540,319</u>	<u>55,824,574</u>

Approved by City Council

\_\_\_\_\_  
Mayor

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

\_\_\_\_\_  
Chair of Finance, Audit and Tendering Committee

**City of Charlottetown**  
**Statement of Accumulated Surplus**  
**For the year ended December 31, 2010**

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	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Accumulated surplus - Beginning of year</b>		
As previously reported	55,824,574	112,645,724
Adjustment related to change in accounting policy (note 7)	-	(61,433,399)
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As restated	55,824,574	51,212,325
Annual surplus	2,715,745	4,612,249
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<b>Accumulated surplus - End of year</b>	<b>58,540,319</b>	<b>55,824,574</b>

**City of Charlottetown**  
**Consolidated Statement of Operations**  
**For the year ended December 31, 2010**

	2010	2010	2009
	<b>Budget</b>		
	<b>(Unaudited)</b>		
	\$	\$	\$
<b>Revenues</b>			
Operating			
Grants from the Province of Prince Edward Island	11,165,382	11,165,382	11,012,051
Property tax	24,752,742	25,015,350	24,242,634
Sale of goods and services			
Water and sewer	8,938,326	8,386,228	7,857,467
Parking	740,000	914,716	697,072
Police court	915,000	770,153	791,363
Licenses	370,000	474,166	328,239
Other income			
Recreation	519,604	455,071	488,138
Rentals	682,200	708,983	482,944
Interest and other	277,000	294,984	300,262
Government transfers			
Province of Prince Edward Island	140,000	140,000	141,563
New deal for cities and communities	4,963,051	3,864,495	1,091,079
<b>Total revenues</b>	<b>53,463,305</b>	<b>52,189,528</b>	<b>47,432,812</b>
<b>Expenses (Schedule)</b>			
Operating			
General government	5,726,713	5,707,176	5,160,322
Protective services	10,563,287	10,338,851	9,917,101
Street maintenance and environment	6,956,131	6,683,928	6,921,148
Recreation	4,588,386	4,523,022	4,068,857
Debt interest charges	2,519,431	2,575,153	2,341,651
Development, heritage and other	6,961,892	7,179,939	6,294,488
New deal for cities and communities	4,963,051	3,864,495	1,091,079
Water and sewer	8,238,465	8,289,280	7,899,205
	50,517,356	49,161,844	43,693,851
	2,945,949	3,027,684	3,738,961
<b>Other revenues (expenses)</b>			
Infrastructuring funding - Federal and Provincial governments	-	1,241,570	438,394
Proceeds and rebates on tangible capital assets	-	130,560	656,564
Actuarial pension adjustments (note 4)	-	1,486,011	2,562,503
Amortization (note 7)	-	(3,170,080)	(2,784,173)
<b>Annual surplus (note 8)</b>	<b>2,945,949</b>	<b>2,715,745</b>	<b>4,612,249</b>

# City of Charlottetown

## Consolidated Statement of Changes in Net Debt For the year ended December 31, 2010

	2010 \$	2009 \$
<b>Annual surplus</b>	2,715,745	4,612,249
Acquisition of tangible capital assets - general	(6,567,048)	(3,202,528)
Acquisition of tangible capital assets - water and sewer	(1,449,048)	(4,203,891)
Amortization of tangible capital assets - general	3,170,080	2,784,173
Amortization of tangible capital assets - water and sewer	1,787,014	1,765,054
	<u>(3,059,002)</u>	<u>(2,857,192)</u>
<b>Decrease (increase) in net debt</b>	(343,257)	1,755,057
<b>Net debt - Beginning of year</b>	<u>(74,364,568)</u>	<u>(76,119,625)</u>
<b>Net debt - End of year</b>	<u>(74,707,825)</u>	<u>(74,364,568)</u>

**City of Charlottetown**  
 Consolidated Statement of Cash Flows  
 For the year ended December 31, 2010

	2010 \$	2009 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	2,715,745	4,612,249
Amortization	4,957,094	4,549,227
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(4,275,843)	1,946,411
Increase in other assets	(121,593)	(25,710)
Increase in restricted cash	(246,778)	(309,912)
Increase in accounts payable and accrued liabilities	1,561,897	758,493
Increase (decrease) in unearned revenue	(696,320)	1,939,997
Increase in sick leave and post retirement benefits	266,100	246,780
Increase in Superannuation Plan net assets available for benefits	(5,306,811)	(6,096,903)
Increase in Superannuation Plan accrued pension obligations	3,820,800	3,534,400
	2,674,291	11,155,032
<b>Capital activities</b>		
Acquisition of tangible capital assets - general - net	(6,567,048)	(3,202,528)
Acquisition of tangible capital assets - water and sewer - net	(1,449,048)	(4,203,891)
	(8,016,096)	(7,406,419)
<b>Financing activities</b>		
Issuance of long-term debt	30,310,251	-
Debt repayment	(4,008,106)	(4,710,231)
	26,302,145	(4,710,231)
<b>Increase (decrease) in net cash</b>	20,960,340	(961,618)
<b>Net cash - Beginning of year</b>	(25,098,391)	(24,136,773)
<b>Net cash - End of year</b>	(4,138,051)	(25,098,391)
<b>Net cash consists of</b>		
Cash	29,371,998	7,190,660
Bank loans and advances	(33,510,049)	(32,289,051)
	(4,138,051)	(25,098,391)

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2010

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## 1 Summary of significant accounting policies

The consolidated financial statements of the City of Charlottetown are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

### a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in net debt and change in financial position of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the City for administration of their financial affairs and resources, and which are owned or controlled by the City. This includes the Charlottetown Water and Sewer Corporation, City of Charlottetown Superannuation Plan and Charlottetown Water and Sewer Corporation Superannuation Plan. Interdepartmental and organizational transactions and balances are eliminated.

### b) Basis of accounting

The accrual basis of accounting is used for all funds. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

### c) Restricted cash

Cash is held in a separate account to fund sick leave and post-retirement benefits.

### d) Tangible capital assets

Capital assets are recorded at cost. Capital assets are amortized using the straight-line method at the following annual rates:

City of Charlottetown	
Buildings	2.5%
Swimming pools	5%
Rinks/arenas/parks/fields	5%
Parking garages	2.5%
Parking meters	14.29%
Motor vehicles	20%
Heavy equipment	20%
Streets and sidewalks	4%
Storm sewers	2%
Street lights	4%
Charlottetown Water and Sewer Corporation	
Water system	2%
Sewer system	2%
Treatment plant	2%



# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2010

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## e) Sick leave and post retirement benefits

The City and the Water and Sewer Corporation provide sick leave benefit plans allowing employees' unused sick leave to accumulate to a maximum of 75 days.

The City and the Water and Sewer Corporation provide post retirement benefits to employees based on length of service and final earnings. The post retirement benefits are three months' salary upon completion of ten years of full time continuous service and an additional one month for each extra five years of service (to a maximum of six months).

The City has recorded sick leave and post retirement benefits as a liability based upon actuarially calculated benefit obligations.

## f) Management estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

## g) Financial instruments

Financial instruments consist of cash, accounts receivable, restricted cash, Superannuation Plan net assets available for benefits, bank loans and advances, accounts payable and accrued liabilities, sick leave and post retirement benefits, Superannuation Plan accrued pension obligations and long-term debt.

## h) Fair value of financial instruments

The City has evaluated the fair value of its financial instruments based on the current interest rate environment, market values, and the actual prices of financial instruments with similar terms. The carrying value of financial instruments is considered to approximate fair value.

## 2 Related entities

### a) Charlottetown Civic Centre Management Inc.

Charlottetown Civic Centre Management Inc. was incorporated in 1999 to manage and operate the Civic Centre complex. Of the seven member Board of Directors of Charlottetown Civic Centre Management Inc., the City appoints four directors, three of whom are appointed in consultation with the Province of Prince Edward Island. By agreement, the City and Province share 80% - 20% respectively in funding the Civic Centre's operations.

The City records its interest in Charlottetown Civic Centre Management Inc. as expenditures when they are made. The arena portion of the Civic Centre complex is recorded in the City's physical assets as it was constructed and is owned by the City.

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2010

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In 2010, the City provided operating funding of \$500,000 (2009 - \$500,000) to Charlottetown Civic Centre Management Inc. Also in 2010, the City paid an additional \$306,837 (2009 - \$134,281) towards the Civic Centre's operating loss and net liabilities.

Condensed financial information for Charlottetown Civic Centre Management Inc. for the year ended December 31, 2010 is as follows:

	2010	2009
	\$	\$
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Current assets	519,901	323,365
Capital and other assets	260,667	363,301
	<u>780,568</u>	<u>686,666</u>
<b>Liabilities</b>		
Current liabilities and deferred capital contributions	780,568	777,649
<b>Net Liabilities</b>	<u>-</u>	<u>(90,983)</u>
	<u>780,568</u>	<u>686,666</u>
<b>Statement of Operations and Statement of Changes in Net Liabilities</b>		
	2010	2009
	\$	\$
<b>Revenue</b>		
Operating grants - City of Charlottetown	500,000	500,000
- Province of Prince Edward Island	125,000	125,000
Operating revenue	628,045	741,280
	<u>1,253,045</u>	<u>1,366,280</u>
<b>Expenses</b>	<u>1,522,863</u>	<u>1,625,755</u>
<b>Operating loss</b>	(269,818)	(259,475)
<b>Other revenue - special funding</b>		
City of Charlottetown	306,837	134,281
Province of Prince Edward Island	53,964	51,895
	<u>360,801</u>	<u>186,176</u>
<b>Excess revenue (expenses) for the year</b>	90,983	(73,299)
<b>Net liabilities - Beginning of year</b>	<u>(90,983)</u>	<u>(17,684)</u>
<b>Net liabilities - End of year</b>	<u>-</u>	<u>(90,983)</u>

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2010

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## b) Capital Area Recreation Inc.

Capital Area Recreation Inc. was incorporated July 10, 2001 to develop, own and operate a joint recreation facility for the Capital area of Prince Edward Island. The City of Charlottetown appoints four members of the seven-member Board of Directors of Capital Area Recreation Inc. Capital Area Recreation Inc. is a registered charity under the provisions of the Income Tax Act.

The City records its interest in Capital Area Recreation Inc. as expenditures when they are made.

The City holds a first charge leasehold mortgage on the Capital Area Recreation Inc. facility. The City has provided to Capital Area Recreation Inc. a total of \$13,690,000 in capital funding prior to 2005, plus \$501,000 in capital loan payment funding subsequent to 2005.

In 2010, the City provided operating funding of \$450,000 (2009 - \$450,000) to Capital Area Recreation Inc. Also, the City paid an additional \$135,011 (2009 - \$181,158) towards Capital Area Recreation Inc.'s operating deficiency. In addition, the City provided a property tax reduction of \$133,130 (2009 - \$132,776) to Capital Area Recreation Inc.

Condensed financial information for Capital Area Recreation Inc. for the year ended December 31, 2010 is as follows:

<b>Statement of Financial Position</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	359,846	545,008
Facility and equipment	17,239,516	17,070,108
	<u>17,599,362</u>	<u>17,615,116</u>
<b>Liabilities</b>		
Current liabilities and short-term debt	993,678	865,167
Deferred capital funding	17,325,874	17,484,585
	<u>18,319,552</u>	<u>18,349,752</u>
<b>Net Liabilities</b>		
Invested in capital assets	(98,508)	(426,059)
Unrestricted	(621,682)	(308,577)
	<u>(720,190)</u>	<u>(734,636)</u>
	<u>17,599,362</u>	<u>17,615,116</u>

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2010

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<b>Statement of Operations and Statement of Changes in Net Liabilities</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Operating funding - City of Charlottetown	585,011	631,158
- University of Prince Edward Island and Town of Stratford	102,415	109,311
Operating revenue	<u>2,707,602</u>	<u>2,629,698</u>
	3,395,028	3,370,167
<b>Expenses</b>	<u>3,380,582</u>	<u>3,365,148</u>
<b>Excess revenue for the year</b>	14,446	5,019
<b>Net liabilities - Beginning of year</b>	<u>(734,636)</u>	<u>(739,655)</u>
<b>Net liabilities - End of year</b>	<u>(720,190)</u>	<u>(734,636)</u>

Note 15 to the financial statements of Capital Area Recreation Inc. is a going concern note that states "... the company's ability to continue as a going concern is dependant upon the continued support of the company's funding partners to provide operating funding."

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2010

## 3 Tangible capital assets

			2010	2009
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
<b>City of Charlottetown</b>				
Land	10,420,650	-	10,420,650	10,328,506
Buildings	20,560,320	6,393,604	14,166,716	14,562,630
Swimming pools	182,683	39,837	142,846	-
Rinks/arenas/parks/fields	18,298,288	14,457,848	3,840,440	3,679,410
Parking garages	15,343,179	5,391,644	9,951,535	10,305,117
Parking meters	584,906	436,310	148,596	232,150
Heavy equipment	3,983,193	3,376,682	606,511	97,590
Motor vehicles	1,464,883	1,152,540	312,343	152,872
Streets and sidewalks	22,839,696	12,100,926	10,738,770	8,801,070
Storm sewers	18,769,575	2,959,193	15,810,382	14,487,850
Street lights	2,641,691	1,409,678	1,232,013	1,326,640
	<u>115,089,064</u>	<u>47,718,262</u>	<u>67,370,802</u>	<u>63,973,835</u>
<b>Charlottetown Water and Sewer Corporation</b>				
Water system	39,836,109	13,512,850	26,323,259	26,145,967
Sewer system	21,446,520	6,544,950	14,901,570	15,033,435
Treatment plant	28,664,674	4,012,161	24,652,513	25,035,905
	<u>89,947,303</u>	<u>24,069,961</u>	<u>65,877,342</u>	<u>66,215,307</u>
	<u>205,036,367</u>	<u>71,788,223</u>	<u>133,248,144</u>	<u>130,189,142</u>

## 4 Pension Plans

The City maintains a defined benefit pension plan for its employees. The Water and Sewer Corporation maintains a defined benefit pension plan for permanent employees of that Corporation who entered the plan prior to its closing in 2000. The plans specify pension and death benefits to employees based on length of service and earnings.

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2010

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Actuarial valuations for the Superannuation Plans are completed every three years. The most recent actuarial valuations of the City of Charlottetown Superannuation Plan and the Charlottetown Water and Sewer Corporation Superannuation Plan were completed as at December 31, 2010. Based upon the information provided by the actuaries, the actuarial present value of the pension assets and accrued pension obligations as at December 31, 2010 for the City of Charlottetown Superannuation Plan is \$42,098,400 and \$48,708,800 respectively. The actuarial present value of the pension assets and accrued pension obligations as at December 31, 2010 for the Charlottetown Water and Sewer Corporation Superannuation Plan is \$6,850,900 and \$7,669,600, respectively. An actuarial deficit of \$6,610,400 for the City of Charlottetown Superannuation Plan and an actuarial deficit of \$818,700 for the Charlottetown Water and Sewer Corporation Superannuation Plan existed at that date.

The net change in the City of Charlottetown Superannuation Plan and the Charlottetown Water and Sewer Corporation Superannuation Plan net assets available for benefits less accrued pension obligations is recorded on the Statement of Operations as "Actuarial pension adjustments".

The pension obligations are combined on the consolidated Statement of Financial Position and shown under Liabilities. The offsetting investments held by the two Superannuation Plans against these liabilities are shown under Assets.

Both Superannuation Plans are registered pension plans which allow employee contributions to be tax deductible by the employee and investment earnings in the investment funds to be tax sheltered. In order to maintain their registered status, the pension administrators must administer the plans in accordance with rules set out by Canada Revenue Agency.

Separate audited financial statements of the Plans' assets, liabilities and operations have been prepared for December 31, 2010.

## 5 Commitments and contingencies

### a) Property tax relief

For development and cultural reasons, the City has agreed to reduce its portion of property taxes for the Confederation Centre of the Arts, the Charlottetown Airport Authority, Capital Area Recreation Inc. and various organizations under the Development Tax Incentive Program and the Heritage Grant Program. For the year ended December 31, 2010, this amounted to total property tax reductions of \$819,571 (2009 - \$813,877).

### b) Legal matters

The City is involved in certain legal disputes concerning grievance and other labour disputes. No amounts have been accrued in the records of the City as the outcomes of the disputes are uncertain.

### c) Parking garage

Under a 20-year agreement dated September 11, 2001, the City of Charlottetown agreed to provide Charlottetown Area Development Corporation with an annual subsidy for debt repayment of \$663,000 related to the Fitzroy Parkade. The subsidy is recorded under development, heritage and other expenses.

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2010

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## d) Capital Area Recreation Inc.

The City has an agreement to fund 87% of Capital Area Recreation Inc.'s annual operating shortfalls for each year based on the operating "Excess (deficiency) of Revenue over Expenditures before Funding" per the annual audited financial statements. In addition, the City has an agreement to fund 87% of any capital addition or replacement requests that have been approved by all parties involved.

The City has agreed to guarantee a line of credit up to \$800,000 for Capital Area Recreation Inc. for the sole purpose of implementing the recommendations within their energy audit. As of December 31, 2010, the balance of their line of credit is \$641,943.

The City has guaranteed a loan of up to \$103,000 for Capital Area Recreation Inc. for the purchase of a new zamboni. As of December 31, 2010, the balance of this loan is \$79,346.

## e) Charlottetown Civic Centre Management Inc.

The City has an agreement to fund 80% of Charlottetown Civic Centre Management Inc.'s annual shortfalls should Charlottetown Civic Centre Management Inc. incur a deficit by reason of factors beyond the reasonable control of its management.

## f) Operating leases

The following is a schedule of the future minimum lease payments on 29 operating leases expiring between May 2011 and March 2014:

	\$
Year ended December 31, 2011	95,722
2012	69,068
2013	55,127
2014	13,782

## g) Transit service

A resolution of City Council on August 23, 2005 approved entering into an agreement with Trius Tours for the purpose of providing transit service for the City of Charlottetown. The agreement is for a ten-year period beginning October 1, 2005 and ending on September 30, 2015. The annual subsidies provided by the City to Trius Tours are \$540,000 for Year 1, \$563,000 for Year 2, \$550,000 for Year 3, \$503,000 for Year 4, \$437,000 for Year 5 and \$415,000 for Years 6 - 10.

Effective June 1, 2010, the City resolved to provide an additional subsidy to Trius Transit in the amount of \$15,000 per month on an interim basis until December 31, 2010. A new agreement is expected to be negotiated once the review of the transit study has been completed.

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2010

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## 6 Long-term debt

	2010	2009
	\$	\$
<b>City of Charlottetown</b>		
Loans and mortgages with interest rates from 2.75% to 6.27% (weighted average rate of 4.825%; 2009 5.806%), maturing at various dates between 2011 and 2030	25,017,193	8,566,936
Instalment debentures with interest 10.25%, maturing at various dates between 2011 and 2012	840,000	1,199,000
Obligations under capital leases, with interest rates at 3.19% and 6.8%, maturing at various dates in 2012 and 2015	844,588	321,121
Obligation under capital lease Fitzroy Parkade, with interest at 6.23%, maturing November 30, 2012	5,532,635	5,834,838
Loans and mortgages issued in 2004, with an interest rate of 5.79%, maturing in June 2024	11,049,835	11,577,882
	<hr/>	<hr/>
	43,284,251	27,499,777
<b>Charlottetown Water and Sewer Corporation</b>		
Debentures issued in 1992, with an interest rate of 10.12%, maturing at various dates between 2011 and 2012	160,000	240,000
Debentures issued in 1994, with an interest rate of 8.75%, maturing at various dates between 2011 and 2014	840,000	1,050,000
Loans and mortgages with interest rates from 3.19% to 6.27% (weighted average rate of 4.52%; 2009 - 5.18%), maturing at various dates between 2011 and 2019	14,876,137	3,848,527
Debentures issued in 2004, with an interest rate of 5.79%, maturing in June 2024	4,850,411	5,070,350
	<hr/>	<hr/>
	20,726,548	10,208,877
	<hr/>	<hr/>
	64,010,799	37,708,654

The 6.23% obligation under capital lease is secured by an agreement with the lessor and the primary financier for a first registered mortgage over the Fitzroy Parkade, a general security agreement, an assignment of parkade insurance and cash flows. The other obligations under capital lease are secured by certain vehicles.

The loans, mortgages and debentures are unsecured.



# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2010

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Principal and interest amounts due in each of the next five years are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Year ended December 31, 2011	3,411,629	3,834,294	7,245,923
2012	8,443,852	3,621,937	12,065,789
2013	2,772,864	3,127,479	5,900,343
2014	2,786,069	2,978,727	5,764,796
2015	2,620,059	2,827,828	5,447,887

## 7 Change in accounting policy

Effective January 1, 2009, the City retrospectively adopted Section PS3150 Tangible Capital Assets, as required by the Public Sector Accounting Board to record amortization on tangible capital assets. This has resulted in the following changes in the 2009 accumulated surplus - Beginning of year:

	<b>\$</b>
<b>2009 Accumulated surplus - Beginning of year</b>	
As previously stated	112,645,724
Change in tangible capital assets, January 1, 2008	(56,519,510)
Amortization for 2008 - general	(3,228,225)
- water and sewer	<u>(1,685,664)</u>
As restated	<u>51,212,325</u>

# City of Charlottetown

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## 8 Reconciliation of City budget to financial statements

	Budget \$	2010 \$	2009 \$
Surplus from City budget document	3,026	1,424,394	1,670,790
Add: Debt repayment (principal) - general	2,964,123	2,579,712	2,982,894
Debt repayment - (principal) - water and sewer	1,648,346	1,428,394	1,727,337
Infrastructure funding - Federal and Provincial government	-	1,241,570	438,394
Disposals and rebates on tangible capital assets	-	130,560	656,564
Change in reserve balance	1,244	-	82,655
Actuarial pension adjustments	-	1,486,011	2,562,503
Allocation of debt repayment to be made in 2011	-	646,195	-
	<hr/> 4,616,739	<hr/> 8,936,836	<hr/> 10,121,137
Less: Surplus from prior year, per budget	(1,670,790)	(1,671,077)	(828,819)
Change in reserve balance	-	(114,288)	-
Bad debt expense	-	-	(413,000)
Amortization - general	-	(3,170,082)	(2,784,173)
Increase in amortization - water and sewer	-	(1,035,955)	(1,411,555)
Other	-	(229,689)	(71,341)
	<hr/> (1,670,790)	<hr/> (6,221,091)	<hr/> (5,508,888)
<b>Annual surplus for the year, per financial statements</b>	<hr/> 2,945,949	<hr/> 2,715,745	<hr/> 4,612,249

# City of Charlottetown

## Consolidated Schedule of Expenses by Type For the year ended December 31, 2010

Schedule

	<b>2010</b>			
	<b>Salaries and Benefits \$</b>	<b>Operating Goods and Services \$</b>	<b>Debt Interest and Amortization \$</b>	<b>Total \$</b>
<b>Operating expenditures</b>				
General government	2,280,527	3,426,649	-	5,707,176
Protective services	7,986,956	2,351,895	-	10,338,851
Street maintenance and environment	2,124,156	4,559,772	-	6,683,928
Recreation	1,847,156	2,675,866	-	4,523,022
Debt interest charges	-	-	2,575,153	2,575,153
Development, heritage and other	1,405,888	5,774,051	-	7,179,939
New deal for cities and communities	-	3,864,495	-	3,864,495
Actuarial pension adjustments	-	-	-	-
Water and sewer	2,685,321	2,842,523	2,761,436	8,289,280
	<b>18,330,004</b>	<b>25,495,251</b>	<b>5,336,589</b>	<b>49,161,844</b>
	<b>2009</b>			
	<b>Salaries and Benefits \$</b>	<b>Operating Goods and Services \$</b>	<b>Debt Interest and Amortization \$</b>	<b>Total \$</b>
<b>Operating expenditures</b>				
General government	1,818,712	3,341,610	-	5,160,322
Protective services	7,683,193	2,233,908	-	9,917,101
Street maintenance and environment	1,893,747	5,027,401	-	6,921,148
Recreation	1,537,263	2,531,594	-	4,068,857
Debt interest charges	-	-	2,341,651	2,341,651
Development, heritage and other	1,436,878	4,857,610	-	6,294,488
New deal for cities and communities	-	1,091,079	-	1,091,079
Water and sewer	2,575,904	2,652,618	2,670,683	7,899,205
	<b>16,945,697</b>	<b>21,735,820</b>	<b>5,012,334</b>	<b>43,693,851</b>