

# **City of Charlottetown**

**Consolidated Financial Statements  
December 31, 2011**

May 14, 2012

## **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, 2011, 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 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 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, 2011, 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

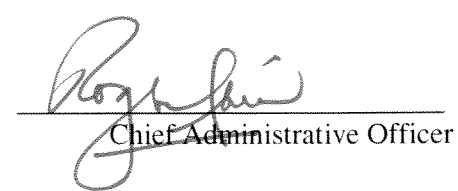
As at December 31, 2011

	2011 \$	2010 \$
<b>Financial assets</b>		
Cash	8,807,100	29,371,998
Accounts receivable	5,652,355	9,594,287
Restricted cash	3,863,656	3,597,554
Superannuation Plan net assets available for benefits (note 4)	53,229,406	50,784,124
Other assets	140,264	158,281
<b>Total financial assets</b>	<u>71,692,781</u>	<u>93,506,244</u>
<b>Liabilities</b>		
Bank loans and advances (note 6)	3,202,834	33,510,049
Accounts payable and accrued liabilities	8,385,821	10,393,602
Unearned revenue	421,343	1,284,236
Sick leave and post retirement benefits	3,951,393	3,863,658
Superannuation Plan accrued pension obligations (note 4)	60,124,400	56,378,400
Long-term debt (note 6)	69,575,457	64,010,799
<b>Total liabilities</b>	<u>145,661,248</u>	<u>169,440,744</u>
<b>Net debt</b>	(73,968,467)	(75,934,500)
<b>Non-financial assets</b>		
Tangible capital assets (notes 3, 6 and Schedule 2)	133,127,193	133,248,144
Prepaid expenses	486,009	1,226,675
<b>Accumulated surplus</b>	<u>59,644,735</u>	<u>58,540,319</u>

Approved by City Council

  
\_\_\_\_\_  
Mayor

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

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

# City of Charlottetown

## Statement of Accumulated Surplus

For the year ended December 31, 2011

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	2011	2010
	\$	\$
<b>Accumulated surplus - Beginning of year</b>	58,540,319	55,824,574
Annual surplus	1,104,416	2,715,745
<b>Accumulated surplus - End of year</b>	<u>59,644,735</u>	<u>58,540,319</u>

# City of Charlottetown

## Consolidated Statement of Operations

For the year ended December 31, 2011

	2011	2011	2010
	Budget (Unaudited)		
	\$	\$	\$
<b>Revenues</b>			
Operating			
Grants from the Province of Prince Edward Island	11,277,036	11,307,160	11,165,382
Property tax	26,141,118	25,823,519	25,015,350
Sale of goods and services			
Water and sewer	8,470,773	8,453,231	8,386,228
Parking	970,000	1,026,235	914,716
Police court	811,000	885,774	770,153
Licenses	403,000	572,177	474,166
Other income			
Recreation	534,663	515,289	455,071
Rentals	715,000	780,769	708,983
Interest and other	320,000	222,173	294,984
Government transfers			
Province of Prince Edward Island	140,000	140,000	140,000
New deal for cities and communities	4,100,000	4,095,273	3,864,495
<b>Total revenues</b>	<b>53,882,590</b>	<b>53,821,600</b>	<b>52,189,528</b>
<b>Expenses (Schedule 1)</b>			
Operating			
General government	5,885,740	5,473,934	5,707,176
Protective services	10,657,055	8,813,251	10,338,851
Street maintenance and environment	6,966,200	7,157,255	6,683,928
Recreation	4,753,067	4,435,938	4,523,022
Debt interest charges	2,653,894	2,435,238	2,575,153
Development, heritage and other	7,868,499	7,080,137	7,179,939
New deal for cities and communities	4,100,000	4,095,273	3,864,495
Water and sewer	7,458,420	6,896,308	6,502,266
	50,342,875	46,387,334	47,374,830
	3,539,715	7,434,266	4,814,698
<b>Other revenues (expenses)</b>			
Infrastructuring funding - Federal and Provincial governments	-	250,896	1,241,570
Proceeds and rebates on tangible capital assets	-	31,092	130,560
Actuarial pension adjustments (note 4)	-	(1,300,718)	1,486,011
Amortization	(736,000)	(5,311,120)	(4,957,094)
<b>Annual surplus (note 7)</b>	<b>2,803,715</b>	<b>1,104,416</b>	<b>2,715,745</b>

# City of Charlottetown

## Consolidated Statement of Changes in Net Debt For the year ended December 31, 2011

	<b>Budget (Unaudited) \$</b>	<b>2011 \$</b>	<b>2010 \$</b>
<b>Annual surplus</b>	2,803,715	1,104,416	2,715,745
Acquisition of tangible capital assets - general	(3,100,000)	(3,509,506)	(6,567,048)
Acquisition of tangible capital assets - water and sewer	(2,900,000)	(1,680,663)	(1,449,048)
Amortization of tangible capital assets - general	-	3,491,107	3,170,080
Amortization of tangible capital assets - water and sewer	736,000	1,820,013	1,787,014
Change prepaid expenses - general	-	911,066	(138,510)
Change in prepaid expenses - water and sewer	-	(170,400)	-
	(5,264,000)	861,617	(3,197,512)
<b>Decrease (increase) in net debt</b>	(2,460,285)	1,966,033	(481,767)
<b>Net debt - Beginning of year</b>	(75,934,500)	(75,934,500)	(75,452,733)
<b>Net debt - End of year</b>	(78,394,785)	(73,968,467)	(75,934,500)

# City of Charlottetown

## Consolidated Statement of Cash Flows

For the year ended December 31, 2011

	2011 \$	2010 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	1,104,416	2,715,745
Amortization	5,311,120	4,957,094
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	3,941,932	(4,275,843)
Decrease in other assets	18,017	16,916
Increase in restricted cash	(266,102)	(246,778)
Increase (decrease) in accounts payable and accrued liabilities	(2,007,781)	1,561,897
Decrease in unearned revenue	(862,893)	(696,320)
Increase in sick leave and post retirement benefits	87,735	266,100
Increase in Superannuation Plan net assets available for benefits	(2,445,282)	(5,306,811)
Increase in Superannuation Plan accrued pension obligations	3,746,000	3,820,800
Decrease in prepaid expenses	740,666	(138,509)
	<u>9,367,828</u>	<u>2,674,291</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets - general - net	(3,509,506)	(6,567,048)
Acquisition of tangible capital assets - water and sewer - net	(1,680,663)	(1,449,048)
	<u>(5,190,169)</u>	<u>(8,016,096)</u>
<b>Financing activities</b>		
Issuance of long-term debt	9,418,469	30,310,251
Debt repayment	(3,853,811)	(4,008,106)
	<u>5,564,658</u>	<u>26,302,145</u>
<b>Change in net cash</b>	9,742,317	20,960,340
<b>Net cash - Beginning of year</b>	(4,138,051)	(25,098,391)
<b>Net cash - End of year</b>	<u>5,604,266</u>	<u>(4,138,051)</u>
<b>Net cash consists of</b>		
Cash	8,807,100	29,371,998
Bank loans and advances	(3,202,834)	(33,510,049)
	<u>5,604,266</u>	<u>(4,138,051)</u>

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2011

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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%
Heavy equipment	20%
Motor vehicles	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, 2011

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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. Significant estimates, which include employee benefit liabilities and the estimated useful life of tangible capital assets, are based on management's best information and judgment. 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, 2011

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In 2011, the City provided operating funding of \$742,000 (2010 - \$500,000) to Charlottetown Civic Centre Management Inc. Also in 2011, the City paid an additional nil (2010 - \$306,837) 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, 2011 is as follows:

	2011	2010
	\$	\$
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Current assets	360,470	519,901
Capital and other assets	222,566	260,667
	<u>583,036</u>	<u>780,568</u>
<b>Liabilities</b>		
Current liabilities and deferred capital contributions	474,735	780,568
<b>Net Assets</b>	<u>108,301</u>	<u>-</u>
	<u>583,036</u>	<u>780,568</u>
<b>Statement of Operations and Statement of Changes in Net Assets</b>		
<b>Revenue</b>		
Operating grants - City of Charlottetown	742,000	500,000
- Province of Prince Edward Island	199,455	125,000
Operating revenue	<u>645,905</u>	<u>628,045</u>
	1,587,360	1,253,045
<b>Expenses</b>	<u>1,479,059</u>	<u>1,522,863</u>
<b>Operating earnings (loss)</b>	108,301	(269,818)
<b>Other revenue - special funding</b>		
City of Charlottetown	-	306,837
Province of Prince Edward Island	-	53,964
	<u>108,301</u>	<u>90,983</u>
<b>Excess revenue for the year</b>	108,301	90,983
<b>Net liabilities - Beginning of year</b>	<u>-</u>	<u>(90,983)</u>
<b>Net assets - End of year</b>	<u>108,301</u>	<u>-</u>

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2011

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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 2011, the City provided operating funding of \$450,000 (2010 - \$450,000) to Capital Area Recreation Inc. Also, the City paid an additional \$134,416 (2010 - \$135,011) towards Capital Area Recreation Inc.'s operating deficiency. In addition, the City provided a property tax reduction of \$133,130 (2010 - \$133,130) to Capital Area Recreation Inc.

Condensed financial information for Capital Area Recreation Inc. for the year ended December 31, 2011 is as follows:

<b>Statement of Financial Position</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	284,266	359,846
Facility and equipment	16,564,391	17,239,516
	<u>16,848,657</u>	<u>17,599,362</u>
<b>Liabilities</b>		
Current liabilities and short-term debt	938,192	993,678
Deferred capital funding	16,612,077	17,325,874
	<u>17,550,269</u>	<u>18,319,552</u>
<b>Net Liabilities</b>		
Invested in capital assets	(60,446)	(98,508)
Unrestricted	(641,166)	(621,682)
	<u>(701,612)</u>	<u>(720,190)</u>
	<u>16,848,657</u>	<u>17,599,362</u>

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2011

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<b>Statement of Operations and Statement of Changes in Net Liabilities</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Operating funding - City of Charlottetown	584,416	585,011
- University of Prince Edward Island and Town of Stratford	102,327	102,415
Operating revenue	<u>2,738,554</u>	<u>2,707,602</u>
	3,425,297	3,395,028
<b>Expenses</b>	<u>3,406,719</u>	<u>3,380,582</u>
<b>Excess revenue for the year</b>	18,578	14,446
<b>Net liabilities - Beginning of year</b>	<u>(720,190)</u>	<u>(734,636)</u>
<b>Net liabilities - End of year</b>	<u>(701,612)</u>	<u>(720,190)</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, 2011

### 3 Tangible capital assets

			2011	2010
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
<b>City of Charlottetown</b>				
Land	10,452,650	-	10,452,650	10,420,650
Buildings	20,674,468	6,910,467	13,764,001	14,166,716
Swimming pools	182,683	47,355	135,328	142,846
Rinks/arenas/parks/fields	18,744,730	14,947,889	3,796,841	3,840,440
Parking garages	15,343,179	5,775,224	9,567,955	9,951,535
Parking meters	584,906	512,625	72,281	148,596
Heavy equipment	5,002,792	3,750,846	1,251,946	606,511
Motor vehicles	1,974,817	1,480,606	494,211	312,343
Streets and sidewalks	23,166,318	12,925,579	10,240,739	10,738,770
Storm sewers	19,784,797	3,354,889	16,429,908	15,810,382
Street lights	2,687,229	1,503,888	1,183,341	1,232,013
	<u>118,598,569</u>	<u>51,209,368</u>	<u>67,389,201</u>	<u>67,370,802</u>
<b>Charlottetown Water and Sewer Corporation</b>				
Water system	40,818,852	14,321,598	26,497,254	26,334,471
Sewer system	21,432,779	6,968,919	14,463,860	14,901,570
Treatment plant	29,376,336	4,599,458	24,776,878	24,641,301
	<u>91,627,967</u>	<u>25,889,975</u>	<u>65,737,992</u>	<u>65,877,342</u>
	<u>210,226,536</u>	<u>77,099,343</u>	<u>133,127,193</u>	<u>133,248,144</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, 2011

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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 extrapolated information provided by the actuaries, the actuarial present value of the pension assets and accrued pension obligations as at December 31, 2011 for the City of Charlottetown Superannuation Plan is \$46,259,500 and \$52,044,900 respectively. The actuarial present value of the pension assets and accrued pension obligations as at December 31, 2011 for the Charlottetown Water and Sewer Corporation Superannuation Plan is \$7,231,900 and \$8,079,500, respectively. An actuarial deficit of \$5,785,400 for the City of Charlottetown Superannuation Plan and an actuarial deficit of \$847,600 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, 2011.

## 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 \$831,405 (2010 - \$819,571).

### 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, 2011

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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, 2011, the balance of their line of credit is \$584,813.

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, 2011, the balance of this loan is \$67,210.

### e) Charlottetown Civic Centre Management Inc.

As per a revised agreement on January 1, 2011, the City of Charlottetown has agreed to pay an annual grant of \$742,000 to Charlottetown Civic Centre Management Inc. This funding will be adjusted annually by the negotiated salary increases for that portion of funding that relates to City salaries.

### f) Operating leases

The following is a schedule of the future minimum lease payments on 8 operating leases expiring between May 2012 and December 2016:

	\$
Year ended December 31, 2012	71,578
2013	33,241
2014	23,672
2015	23,672
2016	23,672

### g) Transit service

A resolution of City Council on December 12, 2011 approved entering into an agreement with Trius Tours for the purpose of providing transit service for the City of Charlottetown. The agreement is for the period beginning January 30, 2012 and ending on September 30, 2015 with two options of renewal for periods of 10 years each. The annual subsidy provided by the City to Trius Tours is estimated to be \$778,000 for 2012. This amount will increase every year by the Consumer Price Index until the agreement expires.

### h) Spring Park Combined Storm and Sanitary Sewer System

The City has committed to separate the remaining portion of its Spring Park Combined Storm and Sanitary Sewer System. The total cost of this project is estimated to be \$18,800,000, in which 2/3 will be funded by the City and 1/3 by the Provincial government. Phase 1 construction is projected to begin in May 2012.

A resolution of City Council on April 10, 2012 approved funding of \$989,460 for consulting engineering services for the above project. At December 31, 2011, no costs for this project have been incurred.

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2011

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### 6 Long-term debt

	2011 \$	2010 \$
<b>City of Charlottetown</b>		
Loans and mortgages with interest rates from 2.75% to 6.21% (weighted average rate of 4.35%; 2010 4.825%), maturing at various dates between 2014 and 2031	29,071,100	25,017,193
Instalment debentures with interest 10.25%, maturing in 2012	442,000	840,000
Obligations under capital leases, with interest rates at 2.79% and 6.28%, maturing at various dates in 2012 and 2021	1,492,920	844,588
Obligation under capital lease Fitzroy Parkade, with interest at 6.23%, maturing November 30, 2012	5,211,313	5,532,635
Loans and mortgages issued in 2004, with an interest rate of 5.79%, maturing in June 2024	10,490,771	11,049,835
	<hr/>	<hr/>
	46,708,104	43,284,251
<b>Charlottetown Water and Sewer Corporation</b>		
Debentures issued in 1992, with an interest rate of 10.125%, maturing in 2012	80,000	160,000
Debentures issued in 1994, with an interest rate of 8.75%, maturing at various dates between 2012 and 2014	630,000	840,000
Loans and mortgages with interest rates from 3.19% to 6.21% (weighted average rate of 4.35%; 2010 - 4.52%), maturing at various dates between 2014 and 2019	17,539,799	14,876,137
Debentures issued in 2004, with an interest rate of 5.79%, maturing in July 2024	4,617,554	4,850,411
	<hr/>	<hr/>
	22,867,353	20,726,548
	<hr/>	<hr/>
	69,575,457	64,010,799

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 bank advances, loans, mortgages and debentures are unsecured.



# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2011

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

	Principal \$	Interest \$	Total \$
Year ended December 31, 2012	8,869,703	3,870,372	12,740,075
2013	3,206,008	3,368,279	6,574,287
2014	3,225,604	3,213,916	6,439,520
2015	3,085,726	3,054,600	6,140,326
2016	2,923,473	2,925,790	5,849,263

### 7 Reconciliation of City budget to financial statements

	Original 2011 Budget \$	2011 \$	2010 \$
Surplus from City budget document	5,277	1,529,771	1,424,394
Add: Debt repayment (principal) - general	2,945,033	2,552,376	2,579,712
Debt repayment - (principal) - water and sewer	1,325,687	1,301,435	1,428,394
Retroactive pay accrual	-	2,004,561	-
Infrastructure funding - Federal and Provincial government	-	250,896	1,241,570
Disposals and rebates on tangible capital assets	-	31,092	130,560
Difference in recording of capital assets	-	346,440	-
Actuarial pension adjustments	-	-	1,486,011
Allocation of debt repayment to be made in 2011	-	238,500	646,195
Change in reserve balance	-	11,150	-
Other	-	142,378	-
	4,275,997	8,408,599	8,936,836
Less: Surplus from prior year, per budget	(1,424,394)	(1,428,345)	(1,671,077)
Change in reserve balance	(47,888)	-	(114,288)
Amortization - general	-	(3,491,107)	(3,170,082)
Increase in amortization - water and sewer	-	(1,084,013)	(1,035,955)
Actuarial pension adjustments	-	(1,300,718)	-
Other	-	-	(229,689)
	(1,472,282)	(7,304,183)	(6,221,091)
<b>Annual surplus for the year, per financial statements</b>	2,803,715	1,104,416	2,715,745

# City of Charlottetown

## Consolidated Schedule of Expenses by Type For the year ended December 31, 2011

Schedule 1

	<b>2011</b>			
	<b>Salaries and Benefits</b>	<b>Operating Goods and Services</b>	<b>Debt</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Operating expenditures</b>				
General government	2,241,018	3,232,916	-	5,473,934
Protective services	6,566,061	2,247,190	-	8,813,251
Street maintenance and environment	1,651,821	5,505,434	-	7,157,255
Recreation	1,828,425	2,607,513	-	4,435,938
Debt interest charges	-	-	2,435,238	2,435,238
Development, heritage and other	1,607,798	5,472,339	-	7,080,137
New deal for cities and communities	-	4,095,273	-	4,095,273
Water and sewer	2,979,277	2,747,881	1,169,150	6,896,308
	<b>16,874,400</b>	<b>25,908,546</b>	<b>3,604,388</b>	<b>46,387,334</b>
	<b>2010</b>			
	<b>Salaries and Benefits</b>	<b>Operating Goods and Services</b>	<b>Debt</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
Water and sewer	2,685,321	2,842,523	974,422	6,502,266
	<b>18,330,004</b>	<b>25,495,251</b>	<b>3,549,575</b>	<b>47,374,830</b>

**City of Charlotte**  
 Schedule of Tangible Capital Assets  
 For the year ended December 31, 2011

Schedule 2

	Cost 2011			Accumulated amortization 2011			2011	
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Ending \$	Net book value \$
<b>City of Charlotte</b>								
Land	10,420,650	32,000	-	10,452,650	-	-	-	10,452,650
Buildings	20,560,320	114,148	-	20,674,468	6,393,604	516,863	6,910,467	13,764,001
Swimming pools	182,683	-	-	182,683	39,837	7,518	47,355	135,328
Rinks/arenas/parks/fields	18,298,288	446,442	-	18,744,730	14,457,848	490,041	14,947,889	3,796,841
Parking garages	15,343,179	-	-	15,343,179	5,391,644	383,580	5,775,224	9,567,955
Parking meters	584,906	-	-	584,906	436,310	76,315	512,625	72,281
Heavy equipment	3,983,193	1,019,599	-	5,002,792	3,376,682	374,164	3,750,846	1,251,946
Motor vehicles	1,464,883	509,934	-	1,974,817	1,152,540	328,066	1,480,606	494,211
Streets and sidewalks	22,839,696	326,622	-	23,166,318	12,100,926	824,653	12,925,579	10,240,739
Storm sewers	18,769,574	1,015,223	-	19,784,797	2,959,192	395,697	3,354,889	16,429,908
Street lights	2,641,691	45,538	-	2,687,229	1,409,678	94,210	1,503,888	1,183,341
	115,089,063	3,509,506	-	118,598,569	47,718,261	3,491,107	51,209,368	67,389,201
<b>Charlotte Water and Sewer Corporation</b>								
Water system	39,847,551	971,301	-	40,818,852	13,513,080	808,518	14,321,598	26,497,254
Sewer system	21,446,520	-	(13,741)	21,432,779	6,544,950	423,969	6,968,919	14,463,860
Treatment plant	28,653,233	723,103	-	29,376,336	4,011,932	587,526	4,599,458	24,776,878
	89,947,304	1,694,404	(13,741)	91,627,967	24,069,962	1,820,013	25,889,975	65,737,992
	205,036,367	5,203,910	(13,741)	210,226,536	71,788,223	5,311,120	77,099,343	133,127,193

**City of Charlotte**  
 Schedule of Tangible Capital Assets  
 For the year ended December 31, 2010

**Schedule 2**

	Beginning \$	Additions \$	Disposals/ Transfers \$	Cost 2010		Accumulated amortization 2010		2010 Net book value \$
				Ending \$	Ending \$	Beginning \$	Ending \$	
<b>City of Charlotte</b>								
Land	10,328,506	92,144	-	10,420,650	-	-	-	10,420,650
Buildings	20,442,226	118,094	-	20,560,320	5,879,596	514,008	6,393,604	14,166,716
Swimming pools	32,319	150,364	-	182,683	32,319	7,518	39,837	142,846
Rinks/arenas/parks/fields	17,669,546	628,742	-	18,298,288	13,990,136	467,712	14,457,848	3,840,440
Parking garages	15,313,182	29,997	-	15,343,179	5,008,065	383,579	5,391,644	9,951,535
Parking meters	584,906	-	-	584,906	352,756	83,554	436,310	148,596
Heavy equipment	3,256,081	727,112	-	3,983,193	3,158,491	218,191	3,376,682	606,511
Motor vehicles	1,109,499	355,384	-	1,464,883	956,627	195,913	1,152,540	312,343
Streets and sidewalks	20,072,408	2,767,288	-	22,839,696	11,271,339	829,587	12,100,926	10,738,770
Storm sewers	17,071,651	1,697,923	-	18,769,574	2,583,801	375,391	2,959,192	15,810,382
Street lights	2,641,691	-	-	2,641,691	1,315,051	94,627	1,409,678	1,232,013
	108,522,015	6,567,048	-	115,089,063	44,548,181	3,170,080	47,718,261	67,370,802
<b>Charlotte Water and Sewer Corporation</b>								
Water system	38,869,343	978,208	-	39,847,551	12,723,374	789,706	13,513,080	26,334,471
Sewer system	21,154,140	292,380	-	21,446,520	6,120,707	424,243	6,544,950	14,901,570
Treatment plant	28,474,773	178,460	-	28,653,233	3,438,867	573,065	4,011,932	24,641,301
	88,498,256	1,449,048	-	89,947,304	22,282,948	1,787,014	24,069,962	65,877,342
	197,020,271	8,016,096	-	205,036,367	66,831,129	4,957,094	71,788,223	133,248,144