

# **City of Charlottetown**

**Consolidated Financial Statements  
December 31, 2015**

## Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Finance, Auditing and Tendering Committee, a sub-committee of City Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's financial statements.

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Scott Ryan, MBA, FCPA, FCMA  
Manager of Finance

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Peter Kelly  
Chief Administrative Officer

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Councillor Melissa Hilton  
Chair of Finance, Audit and Tendering Committee



Member of The AC Group of Independent Accounting Firms

May 9, 2016

## 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, 2015, 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, 2015, and the results of its operations, changes 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 Professional Accountants

# City of Charlottetown

## Consolidated Statement of Financial Position

As at December 31, 2015

	2015	2014
	\$	\$
<b>Financial assets</b>		
Cash	3,797,357	7,460,653
Government contribution receivable	2,286,693	3,000,000
Accounts receivable	5,092,829	4,119,248
Restricted cash	3,999,516	3,999,516
Superannuation Plan net assets available for benefits (note 4)	81,916,509	77,567,698
Other assets	94,106	103,129
<b>Total financial assets</b>	<u>97,187,010</u>	<u>96,250,244</u>
<b>Liabilities</b>		
Bank loans and advances (note 6)	10,732,806	5,192,662
Accounts payable and accrued liabilities	8,267,331	10,396,437
Deferred contributions	817,470	471,631
Sick leave and post retirement benefits	4,690,881	4,484,355
Superannuation Plan accrued pension obligations (note 4)	82,960,200	78,572,600
Long-term debt (note 6)	70,152,619	74,649,628
<b>Total liabilities</b>	<u>177,621,307</u>	<u>173,767,313</u>
<b>Net debt</b>	(80,434,297)	(77,517,069)
<b>Non-financial assets</b>		
Tangible capital assets (notes 3, 6 and Schedule 2)	157,287,542	152,155,317
Prepaid expenses	502,247	658,122
<b>Accumulated surplus</b>	<u>77,355,492</u>	<u>75,296,370</u>

Approved by City Council

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Mayor

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

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Chair of Finance, Audit and Tendering Committee

# City of Charlottetown

## Consolidated Statement of Accumulated Surplus For the year ended December 31, 2015

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	2015 \$	2014 \$
<b>Accumulated surplus - Beginning of year</b>	75,296,370	68,663,235
Annual surplus	<u>2,059,122</u>	<u>6,633,135</u>
<b>Accumulated surplus - End of year</b>	<u>77,355,492</u>	<u>75,296,370</u>

**City of Charlottetown**  
**Consolidated Statement of Operations**  
**For the year ended December 31, 2015**

	2015	2015	2014
	<b>Budget (Unaudited)</b>		
	\$	\$	\$
<b>Revenues</b>			
Operating			
Grants from the Province of Prince Edward Island	10,875,457	10,876,141	10,876,141
Property tax	30,415,997	30,404,311	29,161,633
Sale of goods and services			
Water and sewer	9,046,071	8,748,311	9,018,318
Parking	1,125,000	1,067,676	1,104,691
Police court	1,034,000	978,355	983,794
Licenses	417,000	428,456	379,034
Other income			
Recreation	591,450	567,550	534,848
Rentals	582,200	687,886	571,568
Interest and other	125,000	39,830	38,392
Government transfers			
Province of Prince Edward Island	1,640,000	1,640,000	140,000
<b>Total revenues</b>	<b>55,852,175</b>	<b>55,438,516</b>	<b>52,808,419</b>
<b>Expenses (Schedule 1)</b>			
Operating			
General government	5,883,903	5,509,139	5,848,788
Protective services	12,649,637	12,620,630	11,839,035
Street maintenance and environment	9,689,905	13,408,776	10,619,256
Recreation	5,088,718	4,852,132	4,962,543
Debt interest charges	2,096,482	2,037,538	2,107,432
Development, heritage and other	7,083,615	7,724,670	6,071,100
Water and sewer	8,425,025	8,203,270	7,843,146
	50,917,285	54,356,155	49,291,300
	4,934,890	1,082,361	3,517,119
<b>Other revenues (expenses)</b>			
Infrastructuring funding - Federal and Provincial governments	13,377,026	7,552,781	6,885,555
Disposals and rebates on tangible capital assets	-	-	3,309
Actuarial pension adjustments (note 4)	-	(38,789)	2,379,527
Amortization	-	(6,537,231)	(6,152,375)
	13,377,026	976,761	3,116,016
<b>Annual surplus (note 7)</b>	<b>18,311,916</b>	<b>2,059,122</b>	<b>6,633,135</b>

# City of Charlottetown

## Consolidated Statement of Changes in Net Debt For the year ended December 31, 2015

	<b>Budget (Unaudited) \$</b>	<b>2015 \$</b>	<b>2014 \$</b>
<b>Annual surplus</b>	18,311,916	2,059,122	6,633,135
Acquisition of tangible capital assets - general	(8,947,840)	(7,384,001)	(6,812,866)
Acquisition of tangible capital assets - water and sewer	(17,313,975)	(4,285,455)	(6,623,936)
Amortization of tangible capital assets - general	-	4,323,976	4,059,071
Amortization of tangible capital assets - water and sewer	-	2,213,255	2,093,304
Change in prepaid expenses - general	-	137,924	(465,900)
Change in prepaid expenses - water and sewer	-	17,951	42,600
	(26,261,815)	(4,976,350)	(7,707,727)
<b>Increase in net debt</b>	(7,949,899)	(2,917,228)	(1,074,592)
<b>Net debt - Beginning of year</b>	(77,517,069)	(77,517,069)	(76,442,477)
<b>Net debt - End of year</b>	(85,466,968)	(80,434,297)	(77,517,069)

**City of Charlottetown**  
 Consolidated Statement of Cash Flows  
 For the year ended December 31, 2015

	2015 \$	2014 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	2,059,122	6,633,135
Amortization	6,537,231	6,152,375
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(973,581)	1,602,911
Decrease in other assets	9,023	9,028
Decrease (increase) in government contributions receivable	713,307	(2,245,867)
Increase (decrease) in accounts payable and accrued liabilities	(2,129,106)	1,304,310
Increase in unearned revenue	345,839	351,790
Increase in sick leave and post retirement benefits	206,526	410,869
Increase in Superannuation Plan net assets available for benefits	(4,348,811)	(7,654,327)
Increase in Superannuation Plan accrued pension obligations	4,387,600	5,274,800
Decrease (increase) in prepaid expenses	155,875	(423,300)
	<u>6,963,025</u>	<u>11,415,724</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets - general - net	(7,384,001)	(6,812,866)
Acquisition of tangible capital assets - water and sewer - net	(4,285,455)	(6,623,936)
	<u>(11,669,456)</u>	<u>(13,436,802)</u>
<b>Financing activities</b>		
Issuance of long-term debt	606,553	256,925
Debt repayment	(5,103,562)	(5,217,708)
	<u>(4,497,009)</u>	<u>(4,960,783)</u>
<b>Decrease in net cash</b>	(9,203,440)	(6,981,861)
<b>Net cash - Beginning of year</b>	<u>2,267,991</u>	<u>9,249,852</u>
<b>Net cash - End of year</b>	<u>(6,935,449)</u>	<u>2,267,991</u>
<b>Net cash consists of</b>		
Cash	3,797,357	7,460,653
Bank loans and advances	(10,732,806)	(5,192,662)
	<u>(6,935,449)</u>	<u>2,267,991</u>

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2015

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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 standards for local governments, as recommended by the Public Sector Accounting Board of CPA Canada. 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 changes 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, 2015

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## e) Sick leave and post retirement benefits

The City provides sick leave benefit plans allowing employees' unused sick leave to accumulate to a maximum of 75 days.

The City provides 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) Revenue recognition

(i) Tax revenue consists of property tax billings which are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates established by the City. Taxation revenue is recorded as it is received in monthly installments from the Province of Prince Edward Island. Assessments and the related property taxes are subject to appeal to the Province of Prince Edward by residents. The City's revenue is adjusted for any of these appeals using a yearly statement.

(ii) Other revenue is recorded when it is earned and collection is reasonably assured.

## g) Government transfers

Revenue from governments without eligibility criteria or stipulations is recognized as revenue by the City when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the City when the transfer is authorized and eligibility criteria have been met, unless there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. Revenue with stipulations is recognized as revenue by the City when the transfer is authorized and all stipulations have been met.

## h) Management estimates

The presentation of financial statements in conformity with Canadian public sector accounting standards 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 valuation of accounts receivable, 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.

## i) 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.

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2015

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## j) 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.

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.

In 2015, the City provided operating funding of \$742,100 (2014 - \$785,240) to Charlottetown Civic Centre Management Inc.

Condensed financial information for Charlottetown Civic Centre Management Inc. for the year ended December 31, 2015 is as follows:

<b>Statement of Financial Position</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	424,056	434,460
Capital assets	244,374	325,295
	<u>668,430</u>	<u>759,755</u>
<b>Liabilities</b>		
Current liabilities and deferred capital contributions	412,453	459,664
<b>Net Assets</b>	<u>255,977</u>	<u>300,091</u>
	<u>668,430</u>	<u>759,755</u>

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2015

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<b>Statement of Operations and Statement of Changes in Net Assets</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Operating grants - City of Charlottetown	742,100	785,240
- Province of Prince Edward Island	192,000	186,000
Operating revenue	647,305	816,293
Other	-	123,532
	<hr/>	<hr/>
	1,581,405	1,911,065
<b>Expenses</b>	<hr/>	<hr/>
	1,625,519	1,704,133
<b>Excess revenue (expenses) for the year</b>	(44,114)	206,932
<b>Net assets - Beginning of year</b>	<hr/>	<hr/>
	300,091	93,159
<b>Net assets - End of year</b>	<hr/>	<hr/>
	255,977	300,091

## 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 \$16,653,433 in capital funding since its incorporation in 2001.

In 2015, the City provided operating funding of \$561,974 (2014 - \$564,764) to Capital Area Recreation Inc. In addition, the City provided a property tax reduction of \$133,274 (2014 - \$133,219) to Capital Area Recreation Inc.

Condensed financial information for Capital Area Recreation Inc. for the year ended December 31, 2015 is as follows:

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2015

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<b>Statement of Financial Position</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	304,844	490,842
Facility and equipment	13,932,319	14,586,618
	<u>14,237,163</u>	<u>15,077,460</u>
<b>Liabilities</b>		
Current liabilities and short-term debt	498,597	671,893
Deferred capital funding	14,289,192	15,018,418
	<u>14,787,789</u>	<u>15,690,311</u>
<b>Net Liabilities</b>		
Invested in capital assets	(443,648)	(517,748)
Unrestricted	(106,978)	(95,103)
	<u>(550,626)</u>	<u>(612,851)</u>
	<u>14,237,163</u>	<u>15,077,460</u>
<b>Statement of Operations and Statement of Changes in Net Liabilities</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Operating funding - City of Charlottetown	561,974	564,764
- University of Prince Edward Island and Town of Stratford	98,973	99,390
Operating revenue	<u>2,892,336</u>	<u>2,921,053</u>
	3,553,283	3,585,207
<b>Expenses</b>	<u>3,491,058</u>	<u>3,538,696</u>
<b>Excess revenue for the year</b>	62,225	46,511
<b>Net liabilities - Beginning of year</b>	<u>(612,851)</u>	<u>(659,362)</u>
<b>Net liabilities - End of year</b>	<u>(550,626)</u>	<u>(612,851)</u>

Note 14 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, 2015

## 3 Tangible capital assets

			2015	2014
	Cost \$	Accumulated amortization \$	Net \$	Net \$
<b>City of Charlottetown</b>				
Land	10,743,468	-	10,743,468	10,743,468
Buildings	21,761,264	9,033,232	12,728,032	13,171,178
Swimming pools	182,683	77,427	105,256	112,774
Rinks/arenas/parks/fields	21,986,946	16,488,633	5,498,313	4,380,317
Parking garages	15,374,038	7,311,084	8,062,954	8,447,305
Parking meters	584,906	584,906	-	-
Heavy equipment	8,415,926	6,543,418	1,872,508	1,598,494
Motor vehicles	2,790,942	2,394,861	396,081	398,127
Streets and sidewalks	32,787,288	16,916,076	15,871,212	14,289,859
Storm sewers	27,969,578	5,369,347	22,600,231	21,755,195
Street lights	3,436,517	1,927,554	1,508,963	1,430,276
	146,033,556	66,646,538	79,387,018	76,326,993
<b>Charlottetown Water and Sewer Corporation</b>				
Water system	45,439,146	17,735,450	27,703,696	27,479,966
Sewer system	36,736,630	9,441,639	27,294,991	25,085,008
Treatment plant	29,836,295	6,934,458	22,901,837	23,263,350
	112,012,071	34,111,547	77,900,524	75,828,324
	258,045,627	100,758,085	157,287,542	152,155,317

## 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.

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, 2013. 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, 2015 for the City of Charlottetown Superannuation Plan is \$71,587,100 and \$72,990,700 respectively. The actuarial present value of the pension assets and accrued pension obligations as at December 31, 2015 for the Charlottetown Water and Sewer Corporation Superannuation Plan is \$9,552,500 and \$9,969,500, respectively. An actuarial deficit of \$1,403,600 for the City of Charlottetown Superannuation Plan and an actuarial deficit of \$417,000 for the Charlottetown Water and Sewer Corporation Superannuation Plan existed at that date.

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2015

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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, 2015.

## 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, 2015, this amounted to total property tax reductions of \$1,101,169 (2014 - \$1,285,444).

### 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) Capital Area Recreation Inc.

The City has guaranteed a 4% term loan of 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, 2015, the balance of this loan is \$372,948 (2014 - \$444,252).

The City has guaranteed a demand operating loan of up to \$400,000 for Capital Area Recreation Inc. for general operations. As of December 31, 2015, the balance of this loan is nil (2014 - \$79,954).

The City has guaranteed a 4.6% loan of up to \$103,000 for Capital Area Recreation Inc. for the purchase of a new zamboni. As of December 31, 2015, the balance of this loan is \$12,562 (2014 - \$27,203).

### d) Charlottetown Civic Centre Management Inc.

As per a draft revised agreement on January 1, 2011, the City of Charlottetown has agreed to pay an annual grant of \$762,000 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.

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2015

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### e) Operating leases

The following is a schedule of the future minimum lease payments on 7 operating leases expiring between July 2016 and January 2020:

	\$
Year ended December 31, 2016	56,877
2017	46,177
2018	31,078
2019	20,495
2020	20,495

### f) Transit service

A resolution of City Council on September 14, 2015 approved renewing their agreement with Trius Tours for the purpose of providing transit service for the City of Charlottetown. The agreement was renewed for the period beginning October 1, 2015 and ending on September 30, 2025. The annual subsidy provided by the City to Trius Tours is \$820,563 for 2015. This amount will increase every year by the Consumer Price Index until the agreement expires.

### g) Miltonvale Wellfield Development

Through a resolution of City Council on July 29, 2014, the City has committed to spend \$2,266,258 on the Miltonvale Wellfield Development. \$1,174,622 of this project will be funded by the Canada-Prince Edward Island Building Canada Fund.

At December 31, 2015, \$1,837,515 of the approved costs for this project have been incurred.

### h) Spring Park Combined Sewer Separation project

Through resolutions of City Council on June 15, 2015 and August 10, 2015, the City has committed to spend \$5,825,589 for the Spring Park Combined Sewer Separation project. \$2,912,795 of this project will be funded by the Canada - Prince Edward Island Building Canada Fund.

At December 31, 2015, \$2,962,726 of the approved costs have been incurred.

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2015

## 6 Long-term debt

	2015 \$	2014 \$
<b>City of Charlottetown</b>		
Loans and mortgages with interest rates from 2.26% to 4.46% (weighted average rate of 3.683%; 2014 - 3.662%), maturing at various dates between 2016 and 2031	36,069,816	38,479,183
Obligations under capital leases, with interest rates at 1.68% and 4.08% (weighted average rate of 3.05%; 2014 - 3.13%), maturing at various dates in 2016 and 2025	2,412,451	2,359,746
Loans and mortgages issued in 2004, with an interest rate of 5.79%, maturing in June 2024	7,906,273	8,608,723
	<u>46,388,540</u>	<u>49,447,652</u>
<b>Charlottetown Water and Sewer Corporation</b>		
Loans and mortgages with interest rates from 2.00% to 4.46% (weighted average rate of 3.80%; 2014 - 3.79%), maturing at various dates between 2016 and 2031	20,223,004	21,368,321
Debentures issued in 2004, with an interest rate of 5.79%, maturing in July 2024	3,541,075	3,833,655
	<u>23,764,079</u>	<u>25,201,976</u>
	<u>70,152,619</u>	<u>74,649,628</u>

The obligations under capital lease are secured by certain vehicles.

The bank advances, loans, mortgages and debentures are unsecured.

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

	Principal \$	Interest \$	Total \$
Year ended December 31, 2016	5,107,090	2,816,352	7,923,442
2017	5,214,100	2,610,985	7,825,085
2018	5,382,709	2,397,628	7,780,337
2019	5,538,661	2,196,355	7,735,016
2020	5,708,459	1,971,668	7,680,127

# City of Charlottetown

## Notes to Consolidated Financial Statements

December 31, 2015

### 7 Reconciliation of City budget to financial statements

	Original 2015 Budget \$	2015 \$	2014 \$
Surplus (deficit) from City budget document	64	(2,955,964)	(921,848)
Add: Debt repayment (principal) - general	3,392,128	3,488,279	3,428,033
Debt repayment (principal) - water and sewer	1,586,606	1,615,283	1,789,675
Late adjustment to revenue	-	-	(220,398)
Infrastructure funding - Federal and Provincial government	12,367,026	6,542,783	5,875,555
Disposals and rebates on tangible capital assets	-	-	3,309
Retroactive pay accrual	-	-	1,123,000
Deficit from prior year, per budget	921,848	921,886	-
Allocation of debt repayment to be made	-	174,710	166,390
Change in reserve balance	44,244	85,663	-
Actuarial pension adjustment	-	-	2,379,527
Difference in recording of capital assets	-	47,049	-
	<u>18,311,916</u>	<u>9,919,689</u>	<u>13,623,243</u>
Less: Surplus from prior year, per budget	-	-	(720,938)
Change in reserve balance	-	-	(175,512)
Amortization - general	-	(4,323,977)	(4,059,071)
Increase in amortization - water and sewer	-	(2,365,963)	(1,893,304)
Actuarial pension adjustments	-	(38,789)	-
Retroactive pay accrual reversal	-	(1,123,000)	-
Difference in recording of capital assets	-	-	(134,952)
Other	-	(8,838)	(6,331)
	<u>-</u>	<u>(7,860,567)</u>	<u>(6,990,108)</u>
<b>Annual surplus for the year, per financial statements</b>	<u>18,311,916</u>	<u>2,059,122</u>	<u>6,633,135</u>

### 8 Comparative figures

Certain comparative figures presented for the 2014 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

### 9 Segment disclosure

The City is a diversified municipal unit that provides a wide range of services to its citizens. For management reporting purposes the City's operations and activities are organized and reported by segment.

# City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2015

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The major segments are as follows:

## General government services

This segment is responsible for the overall financial and local government administration, municipal buildings, insurance and mayor and council. Its tasks include accounts payable and receivable, budgets and financial statements, administration and maintenance of bylaws.

## Protective services

This segment is responsible for the fire department, police department, street lights and emergency preparedness program for its resident. Its tasks include maintaining the safety and security of the City's residents.

## Street maintenance and environment

This segment is responsible for public works, urban beautification, traffic and parking. Its tasks include planning, developing and maintaining roads, traffic operations, parking and snow removal operations.

## Recreation

This segment is responsible for promoting and offering recreation opportunities and activities for its residents. Its tasks include the operations and maintenance of the City parks and recreational buildings.

## Development, heritage and other

This segment is responsible for transit, planning, tourism, economic development, event development, heritage, arts and culture, human resources and other.

## Water and sewer

This segment is responsible for the maintenance and operations of water and sewer services provided to residents and other customers.

# City of Charlottetown

## Consolidated Schedule of Segment Disclosures

For the year ended December 31, 2015

Schedule 1

	General Government \$	Protective Services \$	Street Maintenance & Environment \$	Recreation \$	Development, Heritage, and Other \$	Water and Sewer \$	Total \$
<b>Revenues</b>							
Grants from the Province of Prince Edward Island	10,876,141	-	-	-	-	-	10,876,141
Property tax	30,404,311	-	-	-	-	-	30,404,311
Sales of goods and services							
Water and sewer	-	-	-	-	-	8,748,311	8,748,311
Parking	-	-	1,067,676	-	-	-	1,067,676
Police Court	-	978,355	-	-	-	-	978,355
Licenses	428,456	-	-	-	-	-	428,456
Other income							
Recreation	-	-	-	567,550	-	-	567,550
Rentals	-	-	-	-	687,886	-	687,886
Interest and other	-	-	-	-	39,830	-	39,830
Government transfers							
Province of Prince Edward Island	1,640,000	-	-	-	-	-	1,640,000
	43,348,908	978,355	1,067,676	567,550	727,716	8,748,311	55,438,516
<b>Expenditures</b>							
Salaries and benefits	2,365,605	10,277,486	3,680,148	2,217,447	1,627,828	3,788,059	23,956,573
Goods and services	3,143,534	2,343,144	9,728,628	2,634,685	6,096,842	3,427,249	27,374,082
Interest on long-term debt	2,037,538	-	-	-	-	987,962	3,025,500
	7,546,677	12,620,630	13,408,776	4,852,132	7,724,670	8,203,270	54,356,155
	35,802,231	(11,642,275)	(12,341,100)	(4,284,582)	(6,996,954)	545,041	1,082,361

# City of Charlottetown

## Consolidated Schedule of Segment Disclosures

For the year ended December 31, 2014

Schedule 1

	General Government \$	Protective Services \$	Street Maintenance & Environment \$	Recreation \$	Development, Heritage, and Other \$	Water and Sewer \$	Total \$
<b>Revenues</b>							
Grants from the Province of Prince Edward Island	10,876,141	-	-	-	-	-	10,876,141
Property tax	29,161,633	-	-	-	-	-	29,161,633
Sales of goods and services							
Water and sewer	-	-	-	-	-	9,018,318	9,018,318
Parking	-	-	1,104,691	-	-	-	1,104,691
Police Court	-	983,794	-	-	-	-	983,794
Licenses	379,034	-	-	-	-	-	379,034
Other income							
Recreation	-	-	-	534,848	-	-	534,848
Rentals	-	-	-	-	571,568	-	571,568
Interest and other	-	-	-	-	38,392	-	38,392
Government transfers							
Province of Prince Edward Island	140,000	-	-	-	-	-	140,000
	40,556,808	983,794	1,104,691	534,848	609,960	9,018,318	52,808,419
<b>Expenditures</b>							
Salaries and benefits	2,284,243	9,503,700	3,593,775	2,202,710	1,545,042	3,426,486	22,555,956
Goods and services	3,564,545	2,335,335	7,025,481	2,759,833	4,526,058	3,344,886	23,556,138
Interest on long-term debt	2,107,432	-	-	-	-	1,071,774	3,179,206
	7,956,220	11,839,035	10,619,256	4,962,543	6,071,100	7,843,146	49,291,300
	32,600,588	(10,855,241)	(9,514,565)	(4,427,695)	(5,461,140)	1,175,172	3,517,119

# City of Charlottetown

## Schedule of Tangible Capital Assets

For the year ended December 31, 2015

Schedule 2

	Cost 2015			Accumulated amortization 2015			2015	
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$		Ending \$
<b>City of Charlottetown</b>								
Land	10,743,468	-	-	10,743,468	-	-	-	10,743,468
Buildings	21,662,108	99,156	-	21,761,264	8,490,930	542,302	9,033,232	12,728,032
Swimming pools	182,683	-	-	182,683	69,909	7,518	77,427	105,256
Rinks/arenas/parks/fields	20,399,711	1,587,235	-	21,986,946	16,019,394	469,239	16,488,633	5,498,313
Parking garages	15,374,038	-	-	15,374,038	6,926,733	384,351	7,311,084	8,062,954
Parking meters	584,906	-	-	584,906	584,906	-	584,906	-
Heavy equipment	7,255,365	1,160,561	-	8,415,926	5,656,871	886,547	6,543,418	1,872,508
Motor vehicles	2,570,096	220,846	-	2,790,942	2,171,969	222,892	2,394,861	396,081
Streets and sidewalks	30,073,484	2,713,804	-	32,787,288	15,783,625	1,132,451	16,916,076	15,871,212
Storm sewers	26,565,150	1,404,428	-	27,969,578	4,809,955	559,392	5,369,347	22,600,231
Street lights	3,238,546	197,971	-	3,436,517	1,808,270	119,284	1,927,554	1,508,963
	138,649,555	7,384,001	-	146,033,556	62,322,562	4,323,976	66,646,538	79,387,018
<b>Charlottetown Water and Sewer Corporation</b>								
Water system	44,323,143	1,116,003	-	45,439,146	16,843,177	892,273	17,735,450	27,703,696
Sewer system	33,802,391	2,934,239	-	36,736,630	8,717,383	724,256	9,441,639	27,294,991
Treatment plant	29,601,082	235,213	-	29,836,295	6,337,732	596,726	6,934,458	22,901,837
	107,726,616	4,285,455	-	112,012,071	31,898,292	2,213,255	34,111,547	77,900,524
	246,376,171	11,669,456	-	258,045,627	94,220,854	6,537,231	100,758,085	157,287,542

# City of Charlottetown

## Schedule of Tangible Capital Assets For the year ended December 30, 2014

### Schedule 2

	Cost 2014				Accumulated amortization 2014			2014 Net book value \$
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Ending \$	
<b>City of Charlottetown</b>								
Land	10,743,468	-	-	10,743,468	-	-	-	10,743,468
Buildings	20,903,382	758,726	-	21,662,108	7,951,041	539,889	8,490,930	13,171,178
Swimming pools	182,683	-	-	182,683	62,391	7,518	69,909	112,774
Rinks/arenas/parks/fields	19,856,834	542,877	-	20,399,711	15,629,517	389,877	16,019,394	4,380,317
Parking garages	15,343,179	30,859	-	15,374,038	6,542,382	384,351	6,926,733	8,447,305
Parking meters	584,906	-	-	584,906	584,906	-	584,906	-
Heavy equipment	6,768,837	486,528	-	7,255,365	4,857,015	799,856	5,656,871	1,598,494
Motor vehicles	2,410,449	159,647	-	2,570,096	1,922,173	249,796	2,171,969	398,127
Streets and sidewalks	27,814,816	2,258,668	-	30,073,484	14,736,686	1,046,939	15,783,625	14,289,859
Storm sewers	24,281,371	2,283,779	-	26,565,150	4,278,652	531,303	4,809,955	21,755,195
Street lights	2,946,764	291,782	-	3,238,546	1,698,728	109,542	1,808,270	1,430,276
	131,836,689	6,812,866	-	138,649,555	58,263,491	4,059,071	62,322,562	76,326,993
<b>Charlottetown Water and Sewer Corporation</b>								
Water system	41,744,325	2,578,818	-	44,323,143	15,970,463	872,714	16,843,177	27,479,966
Sewer system	29,730,165	4,072,226	-	33,802,391	8,051,515	665,868	8,717,383	25,085,008
Treatment plant	29,628,190	345,889	(372,997)	29,601,082	5,783,010	554,722	6,337,732	23,263,350
	101,102,680	6,996,933	(372,997)	107,726,616	29,804,988	2,093,304	31,898,292	75,828,324
	232,939,369	13,809,799	(372,997)	246,376,171	88,068,479	6,152,375	94,220,854	152,155,317