

City of Charlottetown

**Consolidated Financial Statements
December 31, 2016**

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.

Scott Ryan, MBA, FCPA, FCMA
Manager of Finance

Peter Kelly
Chief Administrative Officer

Councillor Melissa Hilton
Chair of Finance, Audit and Tendering Committee



Member of The AC Group of Independent Accounting Firms

June 12, 2017

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, 2016, 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, 2016, 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, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	14,479,909	3,797,357
Government contributions receivable	5,493,463	2,286,693
Accounts receivable	6,023,377	5,092,829
Restricted cash	3,999,516	3,999,516
Superannuation Plan net assets available for benefits (note 4)	91,603,621	81,916,509
Other assets	84,713	94,106
Total financial assets	<u>121,684,599</u>	<u>97,187,010</u>
Liabilities		
Bank loans and advances (note 7)	16,347,069	10,732,806
Accounts payable and accrued liabilities	14,261,885	8,267,331
Deferred contributions (note 6)	1,795,124	817,470
Sick leave and post retirement benefits	4,183,488	4,690,881
Superannuation Plan accrued pension obligations (note 4)	88,045,700	82,960,200
Long-term debt (note 7)	74,033,739	70,152,619
Total liabilities	<u>198,667,005</u>	<u>177,621,307</u>
Net debt	(76,982,406)	(80,434,297)
Non-financial assets		
Tangible capital assets (notes 3, 7 and Schedule 2)	168,283,060	157,287,542
Prepaid expenses	526,707	502,247
Accumulated surplus	<u>91,827,361</u>	<u>77,355,492</u>

Approved by City Council

Mayor

Chief Administrative Officer

Chair of Finance, Audit and Tendering Committee

City of Charlottetown

Consolidated Statement of Accumulated Surplus For the year ended December 31, 2016

	2016 \$	2015 \$
Accumulated surplus - Beginning of year	77,355,492	75,296,370
Annual surplus	14,471,869	2,059,122
Accumulated surplus - End of year	<u>91,827,361</u>	<u>77,355,492</u>

City of Charlottetown
Consolidated Statement of Operations
For the year ended December 31, 2016

	2016	2016	2015
	Budget (Unaudited)		
	\$	\$	\$
Revenues (Schedule 1)			
Operating			
Grants from the Province of Prince Edward Island	10,984,903	10,957,980	10,876,141
Property tax	32,306,299	31,896,601	30,404,311
Sale of goods and services			
Water and sewer	8,676,222	8,468,934	8,748,311
Parking	1,370,500	1,322,471	1,067,676
Police court	1,188,194	1,074,161	978,355
Licenses	519,775	460,993	428,456
Other income			
Recreation	640,800	641,145	567,550
Rentals	579,200	886,915	687,886
Interest and other	51,000	36,849	39,830
Government transfers			
Province of Prince Edward Island	140,000	140,000	1,640,000
Total revenues	56,456,893	55,886,049	55,438,516
Expenses (Schedule 1)			
Operating			
General government	5,621,266	5,364,916	5,509,139
Protective services	12,916,184	12,356,908	12,620,630
Street maintenance and environment	10,893,185	10,908,779	13,408,776
Recreation	4,976,309	4,747,938	4,852,132
Debt interest charges	2,018,597	2,025,290	2,037,538
Development, heritage and other	4,475,148	5,884,328	7,724,670
Water and sewer	8,085,685	7,706,108	8,203,270
	48,986,374	48,994,267	54,356,155
	7,470,519	6,891,782	1,082,361
Other revenues (expenses)			
Infrastructuring funding - Federal and Provincial governments	20,024,229	9,787,650	7,552,781
Disposals and rebates on tangible capital assets	-	20,000	-
Actuarial pension adjustments (note 4)	-	4,601,613	(38,789)
Amortization	-	(6,829,176)	(6,537,231)
	20,024,229	7,580,087	976,761
Annual surplus (note 8)	27,494,748	14,471,869	2,059,122

City of Charlottetown

Consolidated Statement of Changes in Net Debt For the year ended December 31, 2016

	Budget (Unaudited) \$	2016 \$	2015 \$
Annual surplus	27,494,748	14,471,869	2,059,122
Acquisition of tangible capital assets - general	(8,947,840)	(6,847,732)	(7,384,001)
Acquisition of tangible capital assets - water and sewer	(17,313,975)	(10,976,962)	(4,285,455)
Amortization of tangible capital assets - general	-	4,397,233	4,323,976
Amortization of tangible capital assets - water and sewer	-	2,431,943	2,213,255
Change in prepaid expenses - general	-	(17,813)	137,924
Change in prepaid expenses - water and sewer	-	(6,647)	17,951
	(26,261,815)	(11,019,978)	(4,976,350)
Decrease (increase) in net debt	1,232,933	3,451,891	(2,917,228)
Net debt - Beginning of year	(80,434,297)	(80,434,297)	(77,517,069)
Net debt - End of year	(79,201,364)	(76,982,406)	(80,434,297)

City of Charlottetown
 Consolidated Statement of Cash Flows
 For the year ended December 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Annual surplus	14,471,869	2,059,122
Amortization	6,829,176	6,537,231
Net change in non-cash working capital items		
Increase in accounts receivable	(930,548)	(973,581)
Decrease in other assets	9,393	9,023
Decrease (increase) in government contributions receivable	(3,206,770)	713,307
Increase (decrease) in accounts payable and accrued liabilities	5,994,554	(2,129,106)
Increase in deferred contributions	977,654	345,839
Increase (decrease) in sick leave and post retirement benefits	(507,393)	206,526
Increase in Superannuation Plan net assets available for benefits	(9,687,112)	(4,348,811)
Increase in Superannuation Plan accrued pension obligations	5,085,500	4,387,600
Decrease (increase) in prepaid expenses	(24,460)	155,875
	<u>19,011,863</u>	<u>6,963,025</u>
Capital activities		
Acquisition of tangible capital assets - general - net	(6,847,732)	(7,384,001)
Acquisition of tangible capital assets - water and sewer - net	(10,976,962)	(4,285,455)
	<u>(17,824,694)</u>	<u>(11,669,456)</u>
Financing activities		
Issuance of long-term debt	9,000,000	606,553
Debt repayment	(5,118,880)	(5,103,562)
	<u>3,881,120</u>	<u>(4,497,009)</u>
Increase (decrease) in net cash	5,068,289	(9,203,440)
Net cash - Beginning of year	<u>(6,935,449)</u>	<u>2,267,991</u>
Net cash - End of year	<u>(1,867,160)</u>	<u>(6,935,449)</u>
Net cash consists of		
Cash	14,479,909	3,797,357
Bank loans and advances	(16,347,069)	(10,732,806)
	<u>(1,867,160)</u>	<u>(6,935,449)</u>

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

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, 2016

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, 2016

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 2016, the City provided operating funding of \$753,445 (2015 - \$742,100) to Charlottetown Civic Centre Management Inc.

Condensed financial information for Charlottetown Civic Centre Management Inc. for the year ended December 31, 2016 is as follows:

Statement of Financial Position	2016	2015
	\$	\$
Assets		
Current assets	488,901	424,056
Capital assets	291,432	244,374
	<hr/>	<hr/>
	780,333	668,430
	<hr/>	<hr/>
Liabilities		
Current liabilities and deferred capital contributions	491,946	412,453
	<hr/>	<hr/>
Net Assets	288,387	255,977
	<hr/>	<hr/>
	780,333	668,430
	<hr/>	<hr/>

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

Statement of Operations and Statement of Changes in Net Assets	2016	2015
	\$	\$
Revenue		
Operating grants - City of Charlottetown	753,445	742,100
- Province of Prince Edward Island	182,000	192,000
Operating revenue	<u>766,636</u>	<u>647,305</u>
	1,702,081	1,581,405
Expenses	<u>1,669,671</u>	<u>1,625,519</u>
Excess revenue (expenses) for the year	32,410	(44,114)
Net assets - Beginning of year	<u>255,977</u>	<u>300,091</u>
Net assets - End of year	<u>288,387</u>	<u>255,977</u>

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 2016, the City provided operating funding of \$556,319 (2015 - \$561,974) to Capital Area Recreation Inc. In addition, the City provided a property tax reduction of \$133,316 (2015 - \$133,274) to Capital Area Recreation Inc.

Condensed financial information for Capital Area Recreation Inc. for the year ended December 31, 2016 is as follows:

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

Statement of Financial Position	2016	2015
	\$	\$
Assets		
Current assets	438,394	304,844
Facility and equipment	13,272,422	13,932,319
	<u>13,710,816</u>	<u>14,237,163</u>
Liabilities		
Current liabilities and short-term debt	803,797	498,597
Deferred capital funding	13,388,295	14,289,192
	<u>14,192,092</u>	<u>14,787,789</u>
Net Liabilities		
Invested in facility and equipment	(414,654)	(443,648)
Unrestricted	(66,622)	(106,978)
	<u>(481,276)</u>	<u>(550,626)</u>
	<u>13,710,816</u>	<u>14,237,163</u>
Statement of Operations and Statement of Changes in Net Liabilities	2016	2015
	\$	\$
Revenue		
Operating funding - City of Charlottetown	556,319	561,974
- University of Prince Edward Island and Town of Stratford	98,128	98,973
Operating revenue	<u>2,916,245</u>	<u>2,892,336</u>
	3,570,692	3,553,283
Expenses	<u>3,501,342</u>	<u>3,491,058</u>
Excess revenue for the year	69,350	62,225
Net liabilities - Beginning of year	<u>(550,626)</u>	<u>(612,851)</u>
Net liabilities - End of year	<u>(481,276)</u>	<u>(550,626)</u>

Note 14 to the financial statements of Capital Area Recreation Inc. is a future operations 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, 2016

3 Tangible capital assets

			2016	2015
	Cost \$	Accumulated amortization \$	Net \$	Net \$
City of Charlottetown				
Land	10,743,468	-	10,743,468	10,743,468
Buildings	22,103,974	9,584,102	12,519,872	12,728,032
Swimming pools	182,683	84,945	97,738	105,256
Rinks/arenas/parks/fields	22,645,165	16,990,783	5,654,382	5,498,313
Parking garages	15,413,989	7,696,434	7,717,555	8,062,954
Parking meters	584,906	584,906	-	-
Heavy equipment	9,021,165	7,347,092	1,674,073	1,872,508
Motor vehicles	2,958,721	2,591,641	367,080	396,081
Streets and sidewalks	35,197,944	18,121,914	17,076,030	15,871,212
Storm sewers	29,761,125	5,964,570	23,796,555	22,600,231
Street lights	4,268,148	2,077,384	2,190,764	1,508,963
	152,881,288	71,043,771	81,837,517	79,387,018
Charlottetown Water and Sewer Corporation				
Water system	51,124,256	18,740,656	32,383,600	27,703,696
Sewer system	41,294,434	10,256,969	31,037,465	27,294,991
Treatment plant	30,570,343	7,545,865	23,024,478	22,901,837
	122,989,033	36,543,490	86,445,543	77,900,524
	275,870,321	107,587,261	168,283,060	157,287,542

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, 2016 for the City of Charlottetown Superannuation Plan is \$79,646,600 and \$77,730,300 respectively. The actuarial present value of the pension assets and accrued pension obligations as at December 31, 2016 for the Charlottetown Water and Sewer Corporation Superannuation Plan is \$10,094,100 and \$10,315,400, respectively. An actuarial surplus of \$1,916,300 for the City of Charlottetown Superannuation Plan and an actuarial deficit of \$221,300 for the Charlottetown Water and Sewer Corporation Superannuation Plan existed at that date.

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

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, 2016.

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, 2016, this amounted to total property tax reductions of \$1,082,987 (2015 - \$1,101,169).

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. There is one claim that is being defended by the City's insurer in which the only potential expense for the City is for the policy deductible and/or any claims for punitive or exemplary damages.

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, 2016, the balance of this loan is \$298,781 (2015 - \$372,948).

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, 2016, the balance of this loan is \$90,216 (2015 - nil).

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, 2016, the balance of this loan is nil (2015 - \$12,562).

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

d) Charlottetown Civic Centre Management Inc.

As per an agreement on October 6, 2016, the City of Charlottetown agreed to pay a 2016 grant of \$753,445 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.

e) Operating leases

The following is a schedule of the future minimum lease payments on 7 operating leases expiring between July 2017 and January 2020:

	\$
Year ended December 31, 2017	45,359
2018	31,082
2019	9,790
2020	9,150
2021	991

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 2016. This amount will increase every year by the Consumer Price Index until the agreement expires.

g) Water supply development

Through resolutions of City Council in 2013 and 2014, the City has committed to spend \$2,797,123 in water supply development. \$1,174,622 of this project will be funded by the Canada - Prince Edward Island Building Canada Fund.

At December 31, 2016, \$2,349,929 of the approved costs for this project have been incurred.

h) Spring Park Combined Sewer Separation project

Through resolutions of City Council in 2015, the City has committed to spend \$6,815,049 for this project. \$2,912,795 of this project will be funded by the Canada - Prince Edward Island Building Canada Fund.

At December 31, 2016, \$4,901,943 of the approved costs for this project have been incurred.

i) Universal Metering

Through resolutions of City Council in 2015, the City has committed to spend \$1,204,511 for this project.

At December 31, 2016, \$613,378 of the approved costs for this project have been incurred.

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

j) Miltonvale Wellfield Development

Through resolutions of City Council in 2016, the City has committed to spend \$7,093,507 in Miltonvale Wellfield Development. \$5,320,130 of this project will be funded by the Canada - Prince Edward Island Building Canada Fund.

At December 31, 2016, \$3,767,833 of the approved costs for this project have been incurred.

k) Charlottetown pollution control plant

Through resolutions of City Council in 2016, the City has committed to spend \$1,911,210 in Charlottetown pollution control plant upgrades.

At December 31, 2016, \$0 of the approved costs for this project have been incurred.

l) Fitzroy pumping station

Through resolutions of City Council in 2016, the City has committed to spend \$2,031,188 at the Fitzroy pumping station. \$1,523,391 of this project will be funded by the Canada - Prince Edward Island Building Canada Fund.

At December 31, 2016, \$855,046 of the approved costs for this project have been incurred.

m) Colonel Gray sewershed rehabilitation

Through resolutions of City Council in 2016, the City has committed to spend \$1,931,958 in Colonel Gray sewershed rehabilitation costs. \$1,275,092 of this project will be funded by the Canada - Prince Edward Island Building Canada Fund.

At December 31, 2016, \$1,143,636 of the approved costs for this project have been incurred.

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

6 Deferred contributions

	2016 \$	2015 \$
<u>Infrastructure</u>		
Deferred contributions - Beginning of year	717,070	364,646
Allocation received	3,291,574	3,091,818
Eligible expenditures incurred	(2,351,441)	(2,739,394)
	<hr/>	<hr/>
Deferred contributions - End of year	1,657,203	717,070
<u>Other</u>		
Deferred contributions - Beginning of year	100,400	104,785
Allocation received	118,545	17,088
Eligible expenditures incurred	(81,024)	(21,473)
	<hr/>	<hr/>
Deferred contributions - End of year	137,921	100,400
	<hr/>	<hr/>
Total	1,795,124	817,470

Under the Agreement on the Transfer of Federal Gas Tax Revenues through the New Deal for Cities and Communities and the Municipal Strategic Component Project, the City has received funds which are restricted for expenditure on eligible projects. The City will prepare, for approval by the governmental regulating body, a Capital Investment Plan which details expenditures.

7 Long-term debt

	2016 \$	2015 \$
City of Charlottetown		
Loans and mortgages with interest rates from 2.26% to 4.46% (weighted average rate of 3.483%; 2015 - 3.683%), maturing at various dates between 2017 and 2031	42,613,647	36,069,816
Obligations under capital leases, with interest rates at 1.68% and 4.08% (weighted average rate of 3.12%; 2015 - 3.05%), maturing at various dates in 2017 and 2025	1,923,685	2,412,451
Loans and mortgages issued in 2004, with an interest rate of 5.79%, maturing in June 2024	7,162,563	7,906,273
	<hr/>	<hr/>
	51,699,895	46,388,540

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

Charlottetown Water and Sewer Corporation

Loans and mortgages with interest rates from 2.00% to 4.46%

(weighted average rate of 3.81%; 2015 - 3.80%), maturing at various dates between 2017 and 2031

19,102,534 20,223,004

Debentures issued in 2004, with an interest rate of 5.79%, maturing in July 2024

3,231,310 3,541,075

22,333,844 23,764,079

74,033,739 70,152,619

The obligations under capital leases are secured by certain vehicles.

Bank loans and advances, loans and 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, 2017	5,559,795	2,845,575	8,405,370
2018	5,738,440	2,622,985	8,361,425
2019	5,817,857	2,396,738	8,214,595
2020	5,998,936	2,162,148	8,161,084
2021	5,824,608	1,953,139	7,777,747

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

8 Reconciliation of City budget to financial statements

	Original 2016 Budget \$	2016 \$	2015 \$
Surplus (deficit) from City budget document	(1,499,265)	(557,318)	(2,955,964)
Add: Debt repayment (principal) - general	3,471,583	3,688,645	3,488,279
Debt repayment (principal) - water and sewer	1,230,046	1,430,235	1,615,283
Infrastructure funding - Federal and Provincial government	19,014,229	8,777,650	6,542,783
Disposals and rebates on tangible capital assets	-	20,000	-
Deficit from prior year, per budget	2,955,964	2,955,965	921,886
Allocation of debt repayment to be made	-	183,445	174,710
Change in reserve balance	13,581	400,412	85,663
Actuarial pension adjustment	-	4,601,612	-
Difference in recording of capital assets	2,308,610	-	47,049
	<hr/>	<hr/>	<hr/>
	27,494,748	21,500,646	9,919,689
	<hr/>	<hr/>	<hr/>
Amortization - general	-	(4,397,232)	(4,323,977)
Increase in amortization - water and sewer	-	(2,431,943)	(2,365,963)
Actuarial pension adjustments	-	-	(38,789)
Retroactive pay accrual reversal	-	-	(1,123,000)
Difference in recording of capital assets	-	(192,910)	-
Other	-	(6,692)	(8,838)
	<hr/>	<hr/>	<hr/>
	-	(7,028,777)	(7,860,567)
	<hr/>	<hr/>	<hr/>
Annual surplus for the year, per financial statements	27,494,748	14,471,869	2,059,122

9 Comparative figures

Certain comparative figures presented for the 2016 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.

10 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.

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.

City of Charlottetown

Notes to Consolidated Financial Statements

December 31, 2016

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, 2016

Schedule 1

	General Government \$	Protective Services \$	Street Maintenance & Environment \$	Recreation \$	Development, Heritage and Other \$	Water and Sewer \$	Total \$
Revenues							
Grants from the Province of Prince Edward Island	10,957,980	-	-	-	-	-	10,957,980
Property tax	31,896,601	-	-	-	-	-	31,896,601
Sales of goods and services							
Water and sewer	-	-	-	-	-	8,468,934	8,468,934
Parking	-	-	1,322,471	-	-	-	1,322,471
Police Court	-	1,074,161	-	-	-	-	1,074,161
Licenses	460,993	-	-	-	-	-	460,993
Other income							
Recreation	-	-	-	641,145	-	-	641,145
Rentals	-	-	-	-	886,915	-	886,915
Interest and other	-	-	-	-	36,849	-	36,849
Government transfers							
Province of Prince Edward Island	140,000	-	-	-	-	-	140,000
	43,455,574	1,074,161	1,322,471	641,145	923,764	8,468,934	55,886,049
Expenditures							
Salaries and benefits	2,284,998	10,342,030	3,806,290	2,242,936	1,553,204	3,441,738	23,671,196
Goods and services	3,079,918	2,014,878	7,102,489	2,505,002	4,331,124	3,318,097	22,351,508
Interest on long-term debt	2,025,290	-	-	-	-	946,273	2,971,563
	7,390,206	12,356,908	10,908,779	4,747,938	5,884,328	7,706,108	48,994,267
Annual surplus before other revenue (expenses)	36,065,368	(11,282,747)	(9,586,308)	(4,106,793)	(4,960,564)	762,826	6,891,782

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 \$
Revenues							
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
Expenditures							
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
Annual surplus before other revenue (expenses)	35,802,231	(11,642,275)	(12,341,100)	(4,284,582)	(6,996,954)	545,041	1,082,361

City of Charlottetown
 Schedule of Tangible Capital Assets
 For the year ended December 31, 2016

Schedule 2

	Cost 2016			Accumulated amortization 2016			2016	
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$		Ending \$
City of Charlottetown								
Land	10,743,468	-	-	10,743,468	-	-	-	10,743,468
Buildings	21,761,264	342,710	-	22,103,974	9,033,232	550,870	9,584,102	12,519,872
Swimming pools	182,683	-	-	182,683	77,427	7,518	84,945	97,738
Rinks/arenas/parks/fields	21,986,946	658,219	-	22,645,165	16,488,633	502,150	16,990,783	5,654,382
Parking garages	15,374,038	39,951	-	15,413,989	7,311,084	385,350	7,696,434	7,717,555
Parking meters	584,906	-	-	584,906	584,906	-	584,906	-
Heavy equipment	8,415,926	605,239	-	9,021,165	6,543,418	803,674	7,347,092	1,674,073
Motor vehicles	2,790,942	167,779	-	2,958,721	2,394,861	196,780	2,591,641	367,080
Streets and sidewalks	32,787,288	2,410,656	-	35,197,944	16,916,076	1,205,838	18,121,914	17,076,030
Storm sewers	27,969,578	1,791,547	-	29,761,125	5,369,347	595,223	5,964,570	23,796,555
Street lights	3,436,517	831,631	-	4,268,148	1,927,554	149,830	2,077,384	2,190,764
	146,033,556	6,847,732	-	152,881,288	66,646,538	4,397,233	71,043,771	81,837,517
Charlottetown Water and Sewer Corporation								
Water system	45,439,146	5,685,110	-	51,124,256	17,735,450	1,005,206	18,740,656	32,383,600
Sewer system	36,736,630	4,557,804	-	41,294,434	9,441,639	815,330	10,256,969	31,037,465
Treatment plant	29,836,295	734,048	-	30,570,343	6,934,458	611,407	7,545,865	23,024,478
	112,012,071	10,976,962	-	122,989,033	34,111,547	2,431,943	36,543,490	86,445,543
	258,045,627	17,824,694	-	275,870,321	100,758,085	6,829,176	107,587,261	168,283,060

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 \$
City of Charlottetown								
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
Charlottetown Water and Sewer Corporation								
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