

CITY OF CHARLOTTETOWN
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are prepared by management of the City of Charlottetown in accordance with Canadian accounting standards for the public sector and on a basis consistent with that of the preceding year, as required by the Municipal Government Act of Prince Edward Island.

Responsibility for the integrity and objectivity of these consolidated financial statements rests with Council and management. These consolidated financial statements are prepared on a full accrual basis of accounting. The information included in these consolidated financial statements is based on management's best estimates and judgment, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, management maintains systems of financial management and internal control which give due consideration to costs, benefits, and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized, are executed in accordance with prescribed bylaws, regulations and/or legislation, and are properly recorded so as to maintain accountability and safeguard the assets of the City. The systems are also designed and monitored to ensure reliable information is available on a timely basis.

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

The independent auditor completes an audit of these consolidated financial statements and issues an Independent Auditor's Report to Council. The accompanying Independent Auditor's Report outlines the Auditor's responsibilities, the scope of the examination, and their opinion on the consolidated financial statements of the City.



Chief Administrative Officer

November 18, 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MAYOR AND MEMBERS OF COUNCIL

Opinion

We have audited the consolidated financial statements of the City of Charlottetown, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, changes in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Charlottetown as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for the public sector.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the City of Charlottetown in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for the public sector and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MRSB Chartered Professional Accountants Inc.

CHARLOTTETOWN, P.E.I.
NOVEMBER 18, 2020

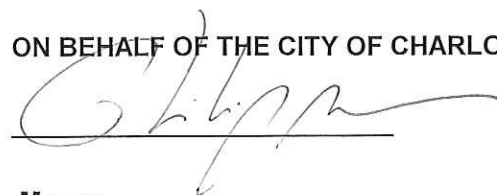
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**CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020**

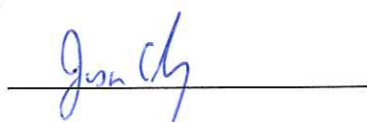
	2020	2019 (Restated)
Financial Assets		
Cash (Note 5)	\$31,543,293	\$ -
Accounts receivable (Note 6)	6,515,919	4,312,005
Capital grants receivable (Note 7)	4,742,740	5,481,887
Inventory for resale	31,124	34,406
Other assets	47,333	61,130
Investment in Government Business Enterprise (Note 8)	1,410,466	1,254,824
Accrued pension asset (Note 9)	341,501	328,624
Total Financial Assets	44,632,376	11,472,876
Liabilities		
Bank indebtedness (Note 5)	-	215,153
Accounts payable and accrued liabilities	17,089,882	14,952,969
Deferred revenue (Note 10)	9,538,485	5,852,958
Sick leave and post employment benefits (Note 11)	6,305,784	5,992,431
Due to related parties	15,071	234,033
Long term debt (Note 12)	110,119,003	82,405,412
Total Liabilities	143,068,225	109,652,956
Net Debt - Statement 3	(98,435,849)	(98,180,080)
Non-Financial Assets		
Tangible capital assets - Schedule 1	259,627,269	236,456,404
Inventory of supplies	2,291,447	2,354,160
Prepaid expenses	613,763	592,406
Total Non-Financial Assets	262,532,479	239,402,970
Accumulated Surplus - Statement 2	\$164,096,630	\$141,222,890

Commitments and Contingencies (Note 13)

ON BEHALF OF THE CITY OF CHARLOTTETOWN:



Mayor



Chair, Finance, Audit and Tendering Committee

Notes 1 - 26 are an integral part of these consolidated financial statements

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CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020

	Budget 2020 (Note 14)	Actual 2020	Actual 2019 (15 months) (Restated)
Revenues - Schedule 2			
Property taxes	\$ 34,172,513	\$ 35,621,216	\$ 41,439,771
Government transfers for operations (Note 15)	13,957,983	14,334,883	16,909,189
Water and sewer	13,549,501	11,438,215	10,854,730
Recreation	3,594,421	4,520,802	5,773,026
Parking	1,705,000	1,667,683	2,124,308
Tourism accommodation levy	-	1,322,164	1,449,856
Police protection services	1,131,500	997,984	1,404,187
Licenses	1,217,135	989,376	1,382,160
Rentals	535,000	540,020	676,276
Miscellaneous	-	664,004	1,426,958
Net income from CADC (Note 8)	96,255	155,643	391,142
Interest and other	76,500	68,427	65,444
	<u>70,035,808</u>	<u>72,320,417</u>	<u>83,897,047</u>
Expenditures - Schedule 2			
Amortization of tangible capital assets - Schedule 1	8,124,594	8,506,490	10,275,228
Development, heritage, and other	8,638,969	6,526,395	6,679,023
General government	7,046,246	6,243,987	7,479,328
Interest on long term debt	4,556,921	3,396,557	4,640,047
Parks and recreation	8,475,007	8,451,482	10,395,338
Protective services	13,955,091	12,549,508	14,983,224
Street maintenance and environment	13,288,250	11,984,684	14,359,216
Tourism accommodation levy	-	1,355,021	1,338,135
Water and sewer	8,238,068	7,665,303	9,015,673
	<u>72,323,146</u>	<u>66,679,427</u>	<u>79,165,212</u>
Operating Surplus	<u>(2,287,338)</u>	<u>5,640,990</u>	<u>4,731,835</u>
Other revenues (expenditures)			
Government transfers for capital (Note 16)	25,623,305	16,675,793	8,995,988
Municipal capital expenditure grant (Note 17)	1,715,400	2,487,794	1,988,419
Donation revenue	-	416,000	1,070,310
Pension expense (Note 9)	-	(510,033)	(722,073)
Sick and post employment benefits	-	(313,353)	37,408
Pension valuation allowance (Note 9)	-	(1,184,739)	(1,301,682)
	<u>27,338,705</u>	<u>17,571,462</u>	<u>10,068,370</u>
Annual Surplus	<u>\$ 25,051,367</u>	<u>23,212,452</u>	<u>14,800,205</u>
Accumulated Surplus - As Previously Reported		141,222,890	127,191,331
Prior period adjustments (Note 18)		-	(245,488)
Accumulated Surplus - Beginning of Year		141,222,890	126,945,843
Payments from reserves		(338,712)	(523,158)
Accumulated Surplus - End of Year (Note 19)		<u>\$164,096,630</u>	<u>\$ 141,222,890</u>

Notes 1 - 26 are an integral part of these consolidated financial statements

**CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2020**

	Budget 2020	Actual 2020	Actual 2019 (15 months) (Restated)
Net Debt - Beginning of Year	\$ 98,180,080	\$ 98,180,080	\$ 98,565,035
Annual surplus	(25,051,367)	(23,212,452)	(14,800,205)
Amortization of tangible capital assets	(8,124,594)	(8,506,490)	(10,275,228)
Purchase of tangible capital assets	44,426,374	31,980,851	23,570,617
Proceeds from sale of tangible capital assets	-	(324,909)	-
Gain (loss) on disposal of tangible capital assets	-	21,413	(5,866)
Decrease in prepaid expenses	-	21,357	(77,928)
Increase (decrease) in inventory of supplies	-	(62,713)	435,009
Payments from reserves	-	338,712	523,158
Prior period adjustment	-	-	245,488
Decrease (Increase) in Net Debt	11,250,413	255,769	(384,955)
Net Debt - End of Year	\$ 109,430,493	\$ 98,435,849	\$ 98,180,080

Notes 1 - 26 are an integral part of these consolidated financial statements

**CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2020**

	2020	2019 (15 months) (Restated)
Cash Flows From Operating Activities		
Annual surplus	\$ 23,212,452	\$ 14,800,205
Amortization of tangible capital assets	8,506,490	10,275,228
(Gain) loss on disposal of tangible capital assets	(21,413)	5,866
	<u>31,697,529</u>	<u>25,081,299</u>
Change in Non-Cash Working Capital		
(Increase) decrease in accounts receivable	(1,464,764)	475,001
Decrease in inventory for resale	3,282	6,625
Decrease in other assets	13,797	13,797
Increase in accrued pension asset	(12,877)	(69,036)
Increase (decrease) in accounts payable and accrued liabilities	2,136,913	(5,158,879)
Increase in deferred revenue	3,685,526	689,290
Increase (decrease) in sick leave and post employment benefits	313,353	(37,408)
Increase (decrease) in due to related parties	(218,962)	16,515
(Increase) decrease in inventory of supplies	62,713	(435,009)
(Increase) decrease in prepaid expenses	(21,360)	77,935
	<u>4,497,621</u>	<u>(4,421,169)</u>
	<u>36,195,150</u>	<u>20,660,130</u>
Cash Flows From Capital Activity		
Purchase of tangible capital assets	(31,980,851)	(23,570,617)
Proceeds from sale of tangible capital assets	324,909	-
	<u>(31,655,942)</u>	<u>(23,570,617)</u>
Cash Flows From Investing Activity		
Increase in investment in government business enterprise	(155,643)	(391,142)
Cash Flows From Financing Activities		
Proceeds from long term debt	35,000,000	22,000,000
Repayment of long term debt	(7,286,407)	(8,674,622)
Payments from reserves	(338,712)	(523,158)
	<u>27,374,881</u>	<u>12,802,220</u>
Change in Cash (Bank Indebtedness)	<u>31,758,446</u>	<u>9,500,591</u>
(Bank Indebtedness) - Beginning of Year	<u>(215,153)</u>	<u>(9,715,744)</u>
Cash (Bank Indebtedness) - End of Year (Note 5)	<u>\$ 31,543,293</u>	<u>\$ (215,153)</u>

Notes 1 - 26 are an integral part of these consolidated financial statements

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

1. Description of Business

The City of Charlottetown ("the City") is incorporated under the Municipal Government Act of Prince Edward Island. The City is a municipal organization under the Income Tax Act.

2. Basis of Presentation

These consolidated financial statements of the City of Charlottetown have been prepared by management in accordance with Canadian accounting standards for the public sector and on a basis consistent with that of the preceding year, as required by the Municipal Government Act of Prince Edward Island.

These consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

These financial statements have been prepared on a going concern basis.

These consolidated financial statements for the City of Charlottetown reflect the assets, liabilities, revenues, expenditures, change in net debt and change in financial position of the City. The City is comprised of the municipal operations, plus all of the organizations that are owned or controlled by the City and are, therefore, accountable to City Council for the administration of their financial affairs and resources. Included in the reporting entity are the following:

- Charlottetown Water and Sewer Corporation
- Capital Area Recreation Inc.
- Planning Board
- Heritage Board
- Beautification and Forestry Advisory Board
- Parks, Recreation and Leisure Activities Advisory Board
- Economic Development Advisory Board
- Seniors Advisory Board
- Youth Retention Advisory Board
- Civic Board for Persons with Disabilities Advisory Committee
- Police Community Consultative Group
- Arts Advisory Board
- Special Events Reserve Fund (SERF)

Under the consolidation method, entities are consolidated on a line by line basis, interentity transactions and balances are eliminated upon consolidation, and accounting policies are adjusted to those of the City.

A government partnership arrangement is a contractual arrangement between the City and a party or parties outside of the City's reporting entity. The partners have significant, clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. The City's interest in partnerships is accounted for using the proportionate consolidation method. The City's government partnership arrangements include the following:

- Charlottetown Civic Centre Management Inc. (CCCMI)

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

2. Basis of Presentation (continued)

Purpose of CCCMI

In October 1998, the City of Charlottetown and the Province of Prince Edward Island entered into a joint management agreement which established the Charlottetown Civic Centre Management Inc. (CCCMI). CCCMI is a joint management company created for the purposes of overseeing and managing the operations of the Charlottetown Civic Centre/Arena Complex and the Trade Centre Complex.

A government business enterprise is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. Government business enterprises are accounted for on the modified equity basis. Their accounting principles are not adjusted to conform with those of the City. The total net assets of all government business enterprises are reported as a separate item on the Consolidated Statement of Financial Position. The total net income from all government business enterprises is reported as a separate item on the Consolidated Statement of Operations. The City's investment in government business enterprises include the following:

The Charlottetown Area Development Corporation (CADC)

3. Accounting Policies

Cash

Cash comprises cash on hand and bank deposits/overdrafts and short term indebtedness at financial institutions.

Restricted Cash

Restricted cash is comprised of cash held in a separate bank account to fund sick leave and post-retirement benefits. These funds have been internally restricted. Also, restricted cash includes the Special Events Reserve Funds (SERF) and Gas Tax funds, which are externally restricted.

Accounts Receivable and Capital Grants Receivables

Accounts receivable arise from billing of sewer and water services, Harmonized Sales Tax recoverable, government funding, and miscellaneous receivables. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts and using historical loss experience. Amounts deemed non-collectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are recorded in revenue in the period of recovery.

Deferred Revenue

Deferred revenue is recorded when funds received are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized as revenue over time as the recognition criteria are met.

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

3. Accounting Policies (continued)

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for the use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net debt for the year.

Certain items of historical value are not recognized in these financial statements.

Inventory of Supplies

Inventory of supplies are held for consumption or use by the Corporation in the course of its operations and are recorded at the lower of cost and current replacement cost.

Prepaid Expenses

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expenditure in the period the good or service is used or consumed.

Tangible Capital Assets

Assets are recorded at cost when in excess of \$2,500 and include all amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The cost of the tangible capital assets is amortized on a declining balance method at the following annual rates:

Land improvements	2.5% - 5%
Buildings	2.5%
Computers	20%
Computer software	20%
Road infrastructure	5%
Furniture and fixtures	20%
Light vehicles	20%
Heavy vehicles	10%
Fire trucks	4%
Streets/sidewalks	4%
Storm sewers	2%
Equipment	20%
Water, sewer, and treatment plant	2%

City of Charlottetown does not capitalize interest associated with the acquisition or construction of tangible capital assets. Assets under construction are not amortized until they are available for use.

Contributions of tangible capital assets are recorded at their fair market value at the date of contribution. During the year, the City of Charlottetown received a contribution of land which has been recorded at its fair market value of \$431,000.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

3. Accounting Policies (continued)

Leased Tangible Capital Assets

Leases, which transfer substantially all of the benefits and risks incidental to ownership, are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Contaminated Sites

The City of Charlottetown accrues a liability to estimate the cost to remediate contaminated sites to the level necessary to allow the property to meet the environmental standard appropriate to its current use or status. The liability is based on estimates and assumptions using the best information available to management.

Pension and Post Employment Benefits

The costs of post employment benefits are recognized when the event that obligates the City occurs. Costs include projected future income payments and fees paid to independent administrators of these plans.

The costs of post employment benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees and salary escalation. Liabilities are actuarially determined using discount rates based on management's expectations.

Reserves

Certain amounts approved by Council are set aside in surplus for future expenditure related to sick leave, post employment benefits and special events. Transfers to/from reserves are recorded as an adjustment to the reserve when approved and when payments are made.

Revenues

Property tax billings are based on assessments prepared by the Province of PEI. Tax rates are established annually by Council and recorded monthly as received from the Province of PEI. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

Revenues are recorded on the accrual basis and are recorded as revenue when earned and collectability is reasonably assured.

User fees relate to fees for various programs and fees imposed on specific activities. Revenue is recognized when the activity or service has been performed.

Government transfers are recognized as revenue in the year during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

3. Accounting Policies (continued)

Expenditures

Expenditures are recorded on an accrual basis. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay. Provisions are made for probable losses on accounts receivable and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

4. Measurement Uncertainty and Use of Estimates

Uncertainty in the determination of the amount at which an item is recorded in the consolidated financial statements is known as measurement uncertainty. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in the accruals for such items as pension, lawsuits, sick and post-retirement obligations, liabilities for contaminated sites, allowance for doubtful accounts, and amortization of tangible capital assets. The nature of the uncertainty in the accruals for pension, sick and post-retirement obligations arises because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists in the liabilities for contaminated sites because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the original remediation plans. Uncertainty exists in the allowance for doubtful accounts as actual collections may vary from management's estimates. Uncertainty exists in the amount recorded for amortization of tangible capital assets as actual useful lives of the tangible capital assets may vary from management's estimates.

5. Cash (Bank Indebtedness)

	2020	2019
Unrestricted cash	\$ 88,567,964	\$ 42,301,385
Externally restricted cash (Note 22)	9,268,145	2,668,400
Internally restricted cash (Note 22)	2,753,165	3,091,877
Bank indebtedness	<u>(69,045,981)</u>	<u>(48,276,815)</u>
	<u>\$ 31,543,293</u>	<u>\$ (215,153)</u>

The City has two approved credit facilities with RBC of \$10,000,000 and \$5,500,000; secured by resolution approved by council; short term financing on capital projects.

The City pools its various bank accounts and draws on the overdraft up to its net cash balance. Once the net cash position is exceeded, lines of credit are accessed.

The City also has two approved lines of credit with National Bank for \$10,000,000 each for short term financing on capital projects which have not been drawn as of year end date.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

6. Accounts Receivable

	2020	2019
Harmonized sales tax receivable	\$ 3,326,584	\$ 1,756,049
Trade receivables	3,033,760	2,228,349
Other receivables	623,208	685,805
	<u>6,983,552</u>	<u>4,670,203</u>
Allowance for doubtful accounts	(467,633)	(358,198)
	<u>\$ 6,515,919</u>	<u>\$ 4,312,005</u>

7. Capital Grants Receivable

Municipal Capital Expenditure Grant	\$ 2,487,794	\$ 4,239,888
Clean Water Wastewater Fund	2,103,696	1,241,999
Gas tax Funding MSC	151,250	-
	<u>\$ 4,742,740</u>	<u>\$ 5,481,887</u>

8. Investment in Government Business Enterprise

The City of Charlottetown owns a 15% portion of The Charlottetown Area Development Corporation (CADC). Condensed financial information for CADC for the years ended March 31, 2020 and March 31, 2019 is as follows:

Consolidated Statement of Financial Position

Assets

Current assets	\$ 10,893,093	\$ 8,322,849
Property inventory	3,424,515	3,314,849
Capital assets	38,765	31,351
Investment properties	50,404,015	51,509,902
Mortgages receivable, less current portion	4,923,525	-
	<u>\$ 69,683,913</u>	<u>\$ 63,178,951</u>

Liabilities

Current liabilities	\$ 18,758,870	\$ 8,833,710
Long term debt	6,285,537	10,122,082
Deferred revenues	35,236,402	35,857,674
	<u>60,280,809</u>	<u>54,813,466</u>

Shareholders' Equity

Capital stock	2,500	2,500
Contributed surplus	4,526,706	4,526,706
Retained earnings	4,873,898	3,836,279
	<u>9,403,104</u>	<u>8,365,485</u>
	<u>\$ 69,683,913</u>	<u>\$ 63,178,951</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

8. Investment in Government Business Enterprise (continued)

	2020	2019
Consolidated Statement of Comprehensive Income		
Revenue		
Operating revenue	\$ 1,667,147	\$ 1,557,392
Other	<u>359,474</u>	<u>331,999</u>
	2,026,621	1,889,391
Expenditures	<u>989,002</u>	<u>804,738</u>
Net earnings for the year	1,037,619	1,084,653
Retained earnings - beginning of year	<u>3,836,279</u>	<u>2,751,626</u>
Retained earnings - end of year	<u><u>\$ 4,873,898</u></u>	<u><u>\$ 3,836,279</u></u>
Investment - beginning of year	\$ 1,254,824	\$ 863,682
Share of net income (15%)	<u>155,642</u>	<u>391,142</u>
Investment - end of year	<u><u>\$ 1,410,466</u></u>	<u><u>\$ 1,254,824</u></u>

Key Activities and Commitments:

Demand loans of \$13,255,067 (2019 - \$5,931,067) are due on demand, interest at prime minus .1% and bankers' acceptance rate plus .75%, with interest paid monthly.

The 6.64% debenture and 2.6% term loan were repaid during the year. During the year, the Corporation expensed interest on long term debt of \$4,817 (2019 - \$27,167) paid to the Province of Prince Edward Island on the 6.64% debenture.

The 2.95%, 4.18%, 2.92% and 3.11% mortgages are secured by a general security agreement representing a first charge on all assets, continuing collateral mortgages representing a first charge on all real property known as Harbourside Complex and an undertaking not to encumber or mortgage the property at 119 Euston Street, assignment of mortgage receivable and fire insurance for Harbourside Complex, and general assignment of rents representing a first charge on rents on the Harbourside Complex.

The debt agreement contains certain restrictive covenants which require the maintenance of a specific ratio. As at March 31, 2020, the consolidated entity was able to maintain a total debt service ratio of 100%, and is therefore in compliance with the covenant.

The Province of Prince Edward Island is the majority shareholder of The Charlottetown Area Development Corporation and the City of Charlottetown and the Town of Stratford are minority shareholders. Included in accounts receivables was \$567,455 (2019 - \$141,926) due from City of Charlottetown and included in accounts payable was \$12,688 (2019 - \$50,975) due to City of Charlottetown.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

9. Accrued Pension Asset

The City of Charlottetown maintains a defined benefit pension plan for its full time employees. The Charlottetown Water and Sewer Corporation maintains a defined benefit pension plan for its full time employees who entered the plan prior to its closing in 2000. Actuarial valuations of the Superannuation Plans are completed every three years with the most recent valuation provided as of the effective date of December 31, 2016 by Eckler Partners Ltd., a firm of consulting actuaries. The valuation results are extrapolated on an annual basis by the actuaries. The next valuation is scheduled to be completed for the year ending December 31, 2019.

In determining liabilities and current service costs, the actuaries have used the projected unit credit method, prorated on service. Actuarial gains and losses are to be amortized over the expected average remaining service life of active employees, which have been determined to be five years for the Water and Sewer Corporation and eleven years for City employees.

The actuarial valuation was done using the following assumptions:

Assumption	March 31, 2020	March 31, 2019
Pre-retirement discount rate	City - 6.00% per annum Water & Sewer - 5.70% per annum	City - 6.00% per annum Water & Sewer - 5.70% per annum
Post-retirement discount rate	City - 6.00% per annum prior to age 60 5.50% per annum after age 60 Water & Sewer - 5.50% per annum	City - 6.00% per annum prior to age 60 5.50% per annum after age 60 Water & Sewer - 5.50% per annum
Expected return on plan assets	City - 6.00% per annum Water & Sewer - 5.70% per annum	City - 6.00% per annum Water & Sewer - 5.70% per annum
Expected inflation	2.00% per annum	2.00% per annum
Retirement age	City - 65% at the age at which "Rule of 85" is attained 35% at age 65 Water and Sewer - 70% at the age at which "Rule of 85" is attained 30% at age 65	City - 65% at the age at which "Rule of 85" is attained 35% at age 65 Water and Sewer - 70% at the age at which "Rule of 85" is attained 30% at age 65
Rate of compensation increase	City - 3.50% per annum Water & Sewer - 3.5% per annum	City - 3.50% per annum Water & Sewer - 3.5% per annum
Withdrawals	City - 155 Service Tables Water and Sewer - None	City - 155 Service Tables Water and Sewer - None
Maximum pension	City - \$2,914.44 per year of service in 2017 with increase of 3.50% per annum after 2017 Water and Sewer - Lesser of 2% or \$1,722.22 per year of service	City - \$2,914.44 per year of service in 2017 with increase of 3.50% per annum after 2017 Water and Sewer - Lesser of 2% or \$1,722.22 per year of service
Percentage married	100%	100%
Spouse's age	Males assumed to be 3 years older	Males assumed to be 3 years older
Pre-retirement mortality	None	None
Post-retirement mortality	CPM2014 Combined Mortality table projected with Scale CPM-B	CPM2014 Combined Mortality table projected with Scale CPM-B

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

9. Accrued Pension Asset (continued)

Information about financial position of the City's defined benefit plan as at year end is as follows:

	2020	2019
Change in fair value of plan assets:		
Balance - beginning of year	\$ 89,891,243	\$ 86,173,294
Employer contributions	1,617,189	1,948,206
Employee contributions	1,617,189	1,948,206
Employee past service contributions	453,007	-
Investment return	5,394,593	6,402,565
Actuarial loss on plan assets	(16,336,852)	(2,009,160)
Benefits paid	(3,650,126)	(4,571,868)
Balance - end of year	<u>78,986,243</u>	<u>89,891,243</u>
Changes in accrued benefit obligation:		
Balance - beginning of year	82,642,928	78,101,873
Current service costs	2,920,705	3,442,321
Interest on liabilities	4,950,284	5,884,402
Employee past service contributions	453,007	-
Actuarial (gains) losses	622,134	(213,800)
Benefits paid	(3,650,126)	(4,571,868)
Balance - end of year	<u>87,938,932</u>	<u>82,642,928</u>
Change in unamortized actuarial gains and losses:		
Balance - beginning of year	(382,758)	(2,507,545)
Experience gains and losses	16,958,986	1,795,360
Amortization of actuarial gains and losses	426,757	329,427
Balance - end of year	<u>17,002,985</u>	<u>(382,758)</u>
Pension valuation allowance	<u>(8,050,296)</u>	<u>(6,865,557)</u>
Accrued pension asset	<u>\$ -</u>	<u>\$ -</u>
The expense for the defined benefit plans is as follows:		
Current service costs	\$ 2,920,705	\$ 3,442,321
Amortization of actuarial gains and losses	(426,757)	(329,428)
Employee contributions	(1,617,189)	(1,948,205)
Interest on liabilities	4,950,284	5,884,402
Expected investment return	(5,394,593)	(6,402,568)
Pension expense	<u>\$ 432,450</u>	<u>\$ 646,522</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

9. Accrued Pension Asset (continued)

The valuation allowance is required by PS 3250.050 because the City cannot access the surplus and therefore does not meet the requirements for recognition as an asset in the consolidated financial statements of the City.

Information about the financial position of the Charlottetown Water and Sewer Corporation defined benefit plan as at year end is as follows:

	2020	2019
Change in fair value of plan assets:		
Balance - beginning of year	\$ 10,348,273	\$ 10,464,689
Employer contributions	90,460	144,585
Employee contributions	10,522	16,857
Investment return	573,443	719,739
Actuarial loss on plan assets	(1,789,913)	(216,316)
Benefits paid	(676,712)	(781,281)
Balance - end of year	<u>8,556,073</u>	<u>10,348,273</u>
Changes in accrued benefit obligation:		
Balance - beginning of year	10,146,322	10,119,329
Current service costs	69,256	117,657
Interest on liabilities	561,028	705,711
Actuarial (gains) losses	4,692	(15,094)
Benefits paid	(676,712)	(781,281)
Balance - end of year	<u>10,104,586</u>	<u>10,146,322</u>
Change in unamortized actuarial gains and losses:		
Balance - beginning of year	126,673	(85,772)
Experience gains and losses	1,794,605	201,222
Amortization of actuarial gains and losses	(31,264)	11,223
Balance - end of year	<u>1,890,014</u>	<u>126,673</u>
Accrued pension asset	<u>\$ 341,501</u>	<u>\$ 328,624</u>
The expense for the defined benefit plans is as follows:		
Current service costs	\$ 69,256	\$ 117,667
Amortization of actuarial gains and losses	31,264	(11,223)
Employee contributions	(10,522)	(16,857)
Interest on liabilities	561,028	705,701
Expected investment return	(573,443)	(719,737)
Pension expense	<u>\$ 77,583</u>	<u>\$ 75,551</u>
Consolidated Pension Expense	\$ 510,033	\$ 722,073
Consolidated Accrued Pension Asset	\$ 341,501	\$ 328,624
Consolidated Pension Valuation Allowance	\$ 1,184,739	\$ (1,301,682)

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

9. Accrued Pension Asset (continued)

Employee Future Benefits - Defined Contribution Pension Plan

The City provides the Mayor, CAO, and Council with a defined contribution pension plan. RRSP payments are made by the City directly to the financial institution on behalf of certain individuals (self-directed RRSP plans) and for others the City administers the RRSP account. This RRSP plan is in the name of the City with the CAO named as the administrator on the account. The March 31, 2020 contribution rate was 12.2% (2019 - 10.93%) and contributions for Mayor and Council for 2020 are \$55,914 (2019 - \$50,629) and CAO were \$11,824 (2019 - \$20,068).

Charlottetown Civic Centre Management Inc. maintains a defined contribution RRSP plan for certain employees. RRSP expense for these employees for the year ended March 31, 2020 is \$15,821 (2019 - \$23,343) and is included in payroll expenses.

Capital Area Recreation Inc. maintains a defined contribution RRSP plan for certain management and administration employees. RRSP plan is a 5% matching contribution plan. RRSP expense for these employees for the year ended March 31, 2020 is \$33,312 (2019 - \$39,221) and is included in payroll expenses.

10. Deferred Revenue

	2020	2019
New Deal Gas Tax Funding	\$ 6,580,489	\$ 2,879,678
Civic Centre Management Inc. and CARI - deferred contributions	1,700,375	1,756,514
Parking	579,250	579,250
Tourism Accommodation Levy	597,306	547,306
Other	81,065	90,210
	<u>\$ 9,538,485</u>	<u>\$ 5,852,958</u>

Under the New Deal Gas Tax Funding for Incorporated Communities and the New Deal for Cities & Communities, the City was allocated \$3,491,492 for fiscal year ending March 31, 2019 and \$6,754,681 for fiscal year ending March 31, 2020. These funds, along with interest earned, must be used for eligible infrastructure and capacity building projects. Any funds received under this program, including interest earned, but not yet spent are recognized as deferred revenue at the end of the period.

During the year, the City received Gas Tax funding of \$6,754,681 (2019 - \$3,491,492), incurred eligible expenditures of \$3,105,201 (2019 - \$3,877,212), and earned interest of \$51,331 (2019 - \$21,958).

Amounts included in deferred revenue related to parking are based on agreements whereby the City receives certain amounts which are required to be used for the creation of parking spaces within the City or are payment in lieu of the developer providing parking. The City has restricted these amounts for use on parking and related costs.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

11. Sick Leave and Post Employment Benefits

The City of Charlottetown provides sick leave benefits allowing employees' unused sick leave to accumulate to a maximum number of days, which varies by employment agreement. The City of Charlottetown also provides for the payment of post-employment benefits to employees based on length of service and final earnings. The post-employment benefits are calculated at three months' salary upon completion of ten years of full-time continuous service as well as an additional one month for each extra five years of service, to a maximum of six months.

Employees who reach retirement age with at least 10 years of continuous full-time service shall receive a payment as follows:

At least 10 years	3 months salary
At least 15 years	4 months salary
At least 20 years	5 months salary
At least 25 years	6 months salary

Eligible employees earn 18 sick leave days per year or 1.5 days for every month of service. Employees may accumulate 100% of their unused sick days, up to a maximum of 300 days for CUPE 501 WWTP, CUPE 830, and Police and 350 days for UPSE, management and Non Union and CUPE 501 Civic in a sick leave bank for use in future years. Following 90 days of illness, an employee may qualify for the City's long term disability plan. When an employee terminates, retires or dies prior to retirement, 50% of unused accumulated sick leave days to a maximum of 75 days at date of retirement/ death/ termination will be paid to the employee and following this payment, any unused accumulated days are forfeited.

Actuarial valuations of the accrued benefit obligations for the above benefits were completed as of the effective date of March 31, 2020 by Eckler Partners Ltd., a firm of consulting actuaries. The valuation results prepared by Eckler Partners Ltd. at December 31, 2016 were extrapolated to March 31, 2019 for comparative information and to March 31, 2020 for current period amounts.

In determining liabilities and current service costs, the actuaries have used the projected unit credit method, prorated on service. Actuarial gains and losses are to be amortized over the expected average remaining service life of active employees, which was approximately 11 years as at March 31, 2020.

The actuarial valuation was done using the following assumptions:

Assumption	March 31, 2020	March 31, 2019
Discount rate	3.50% per annum	3.50% per annum
Retirement age	65% at the age at which "Rule of 85" is attained 35% at age 65	65% at the age at which "Rule of 85" is attained 35% at age 65
Mortality	CPM2014 Combined Mortality table projected with Scale CPM-B	CPM2014 Combined Mortality table projected with Scale CPM-B
Salary growth rate	3.50% per annum	3.50% per annum
Withdrawals	155 Service Tables	155 Service Tables
Payroll taxes	18%	18%

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

11. Sick Leave and Post Employment Benefits (continued)

Information about the City's accrued benefit obligations as at year end is as follows:

	2020	2019
Changes in accrued benefit obligations:		
Sick leave - beginning of year	\$ 3,185,638	\$ 3,127,520
Current service costs	306,973	367,565
Interest on liabilities	114,736	143,012
Actuarial losses	173,322	-
Benefits paid	<u>(428,854)</u>	<u>(452,459)</u>
Sick leave - end of year	<u>3,351,815</u>	<u>3,185,638</u>
Post employment benefits - beginning of year	2,806,793	2,902,319
Current service costs	213,807	256,010
Interest on liabilities	99,846	127,693
Actuarial losses	169,235	-
Benefits paid	<u>(335,712)</u>	<u>(479,229)</u>
Post employment benefits - end of year	<u>2,953,969</u>	<u>2,806,793</u>
Accrued benefit obligations - end of year	<u><u>\$ 6,305,784</u></u>	<u><u>\$ 5,992,431</u></u>

Effective July 1, 2015, the City of Charlottetown adjusted Council's transition allowance. The transition allowance is equal to two weeks for each year served to a maximum of 26 weeks and the transition allowance is retroactive to the date that all current Members of Council were elected. The liability for 2020 was determined to be \$99,977 (2019 - \$76,159).

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

12. Long Term Debt

	2020	2019
CIBC - 2.276%; Bankers Acceptance; repayable in monthly principal installments of \$91,667 plus interest; maturing January, 2038	\$ 19,708,326	\$ 20,808,331
RBC - 4.06%; Bankers Acceptance; maturing July, 2030	13,888,000	14,908,000
RBC - 2.25%; Bankers Acceptance; maturing December, 2036	7,847,000	8,212,000
TD - 4.465%; Bankers Acceptance; maturing August 19, 2033	7,629,455	8,035,819
CDS Clearing and Depository Services Inc. - 5.79%; repayable in blended semi-annual installments of \$850,623; debenture maturing July, 2024	6,655,590	7,916,463
CMHC - 4.12%; repayable in blended annual installments of \$633,100; maturing March, 2031	5,510,725	5,900,738
TD - 2.9%; Bankers Acceptance; maturing May, 2032	5,019,919	5,356,401
CMHC - 3.7%; repayable in blended annual installments of \$530,410; maturing September, 2030	4,720,988	5,064,363
TD - 3.17%; Bankers Acceptance; maturing November, 2022	1,416,821	1,924,832
TD & RBC - Various rates 1.981% - 3.49%; payments and maturity dates from 2020 through 2028	1,171,778	1,660,028
TD - 2.26%; Bankers Acceptance; maturing May, 2022	819,272	1,170,245
RBC - 3.05%; Bankers Acceptance repayable in monthly principal installments of \$43,000 plus interest for 2020, \$44,000 plus interest for 2021; maturing May, 2021	618,000	1,126,000
Scotiabank - 2.2%; repayable in monthly installments of \$3,208 plus interest; due June, 2024	163,812	202,308
RBC - (CARI) 3.17%; repayable in blended monthly installments of \$7,219; due August, 2020	35,859	119,884
TD - 2.87%; repayable in monthly blended installments of \$163,625; maturing February 3, 2045	34,913,458	-
	<u>\$110,119,003</u>	<u>\$ 82,405,412</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

12. Long Term Debt (continued)

Principal portion of long term debt is expected to be repaid over the next five years and thereafter as follows:

2021	\$ 8,220,821
2022	8,015,148
2023	7,562,568
2024	7,281,386
2025	6,558,157
Thereafter	72,480,923

Long term debt loans are secured by Borrowing Resolution approved by Council.

13. 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 March 31, 2020, this amounted to total property tax reductions of \$1,008,550 (2019 - \$1,074,772).

b) Legal matters

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

City of Charlottetown has agreed to provide 87% to the capital addition or replacement cost, net of any funding from the Town of Stratford or any other private or public entities.

d) Operating leases

The following is a schedule of the future minimum lease payments on operating leases over the next year:

2021	\$ 5,303
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**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

13. Commitments and Contingencies (continued)

e) 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 but includes provision to end with notice given. The annual subsidy provided by the City to Trius Tours is \$1,065,692 for 2020. This amount will increase every year by the Consumer Price Index until the agreement expires. The agreement can be terminated by either party by providing notice.

f) City Contracts

Through resolutions of City Council, the City has committed to spend \$909,439 for various capital projects and \$412,812 for annual commitments. The Water and Sewer Corporation has awarded tenders totaling \$8,300,949 for capital projects to be completed over the next fiscal year and committed \$6,765 for annual commitments.

g) Bell Aliant Regional Communications Commitment

The City of Charlottetown has a contract with Bell Aliant Regional Communications to acquire all local access, internet, data and long distance phone services for a period of ten years commencing January 1, 2014 and expiring December 31, 2023. Also, as part of the agreement, the City receives \$70,000 for the naming rights of CARI.

h) Water level and flow monitoring

Through a Memorandum of Agreement signed with Environment Canada on August 29, 2016 the City is committed to providing funding towards the water level and flow monitoring at two locations on the Winter River. The total funding committed for the March 31, 2021 fiscal year is \$32,000.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

14. Budget Figures

The columns presented as budget on the statements of operations, changes in net debt and the attached schedules were not subject to audit or review by the external auditor.

Charlottetown Area Municipal Act Section 37 requires that the City cannot budget for a deficit and the City is in compliance with the Act.

A reconciliation of the 2020 fiscal operating budget prepared by Council to the budget figures disclosed in the consolidated financial statements is as follows:

Revenues	Per Budget Document	Net Adjustments	Consolidated Budget
Property taxes	\$34,172,513	\$-	\$34,172,513
Government transfers for operations	13,777,983	180,000	13,957,983
Water and sewer	14,539,060	(989,559)	13,549,501
Recreation	618,390	2,976,031	3,594,421
Parking	1,705,000	-	1,705,000
Police protections services	1,131,500	-	1,131,500
Licenses	1,217,135	-	1,217,135
Rentals	740,000	(205,000)	535,000
Net income from CADC	-	96,255	96,255
Interest and other	76,500	-	76,500
Surplus (prior year)	629,177	(629,177)	-
Parkland reserve transfer	172,143	(172,143)	-
Total Revenues	68,779,401	1,256,407	70,035,808
Expenses			
Amortization	-	8,124,594	8,124,594
Development, heritage and other	10,131,291	(1,492,322)	8,638,969
General government	7,098,680	(52,434)	7,046,246
Interest on long term debt	7,951,218	(3,394,297)	4,556,921
Parks and recreation	3,782,654	4,692,353	8,475,007
Protective services	14,892,216	(937,125)	13,955,091
Street maintenance	13,288,250	-	13,288,250
Water and sewer	13,330,433	(5,092,365)	8,238,068
Total Expenses	70,474,742	1,848,404	72,323,146
Operating Surplus	(1,695,341)	(591,997)	(2,287,338)
Municipal Capital Expenditure Grant	1,715,400	-	1,715,400
Government transfers for Capital	25,623,305		25,623,305
Annual Surplus	\$25,643,364	\$(591,997)	\$25,051,367

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

15. Government Transfers For Operations

	Budget 2020	Actual 2020	Actual 2019
Municipal support grant	\$ 13,637,983	\$ 14,014,883	\$ 16,589,189
Transit funding	180,000	180,000	180,000
Grant in lieu of property taxes (QEH)	140,000	140,000	140,000
	<u>\$ 13,957,983</u>	<u>\$ 14,334,883</u>	<u>\$ 16,909,189</u>

16. Government Transfers For Capital

Infrastructure funding	\$ 19,019,875	\$ 13,570,592	\$ 6,616,604
New Deal Gas Tax	6,603,430	3,105,201	2,379,384
	<u>\$ 25,623,305</u>	<u>\$ 16,675,793</u>	<u>\$ 8,995,988</u>

17. Municipal Capital Expenditure Grant

The Municipal Capital Expenditure Grant (MCEG) is funding received from the Provincial government and is equivalent to 10% of the cost of capital expenditures paid by the City that is used to offset the Provincial portion of HST that is not recoverable by the City.

18. Prior Period Adjustments

During the year, the following adjustments were identified to correct misstatements in the fiscal 2019 figures. As a result, the prior period comparative figures and opening accumulated surplus amounts have been restated from amounts previously reported on the March 31, 2019 audited financial statements as follows:

An adjustment was made to correct the variance between the Utility billing subledger account and the general ledger account that had carried forward for many years. As a result, the opening accumulated surplus and accounts receivable were decreased by \$245,488 from amounts previously reported.

An adjustment was made to decrease the Municipal capital expenditure grant and capital grants receivable by \$522,262 from amounts previously reported as claims are filed only when expenditures have been paid rather than accrued.

An adjustment was made to increase depreciation expense and accumulated depreciation on land improvements by \$331,530 from amounts previously reported to correct a calculation error.

An adjustment was made to reallocate labour expense from tangible asset cost of sidewalks for consistency with current year treatment. As a result, salaries and benefits expense increased and sidewalk cost decreased by \$329,238 from amounts previously reported.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

19. Accumulated Surplus

	2020	2019
Unrestricted surplus (deficit)	\$ 11,829,218	\$ (15,925,960)
Restricted surplus		
Sick and post-employment benefits reserve	2,753,165	3,091,877
Special events attraction reserve	5,981	5,981
Investment in tangible capital assets	<u>149,508,266</u>	<u>154,050,992</u>
Total accumulated surplus	<u>\$ 164,096,630</u>	<u>\$ 141,222,890</u>

20. Decommissioning Costs

During the year ended December 31, 2016, the City approved a project which included the decommissioning of the lagoon in East Royalty. A provision for this site has been recorded as it was determined that a liability exists and a reasonable estimate of the remediation costs could be determined. As at March 31, 2020, a total liability for the decommissioning of the East Royalty Lagoon of \$1,017,405 (2019 - \$1,017,405) has been recorded in accounts payable and accrued liabilities.

21. Contaminated Site

The City approved a project to estimate the cost of a landfill closure plan for East Royalty Landfill site. A provision for this contaminated site has been recorded as it was determined that a liability exists and a reasonable estimate of the remediation costs could be determined. As at March 31, 2020, a total liability for the closure of East Royalty Landfill of \$4,825,559 (2019 - \$4,826,439) has been recorded in accounts payable and accrued liabilities. As at March 31, 2020, a total liability for the annual monitoring for the East Royalty Landfill of \$549,582 (2019 - \$558,877) was recorded in accounts payable and accrued liabilities.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

22. Restricted Cash

Restricted cash is comprised of cash held in a separate bank account to fund sick leave and post-employment benefit. These funds have been internally restricted. The continuity of restricted cash is as follows:

	2020	2019
Internally restricted cash available for benefits - beginning of year	\$ 3,091,877	\$ 3,608,187
Due to operating fund for benefit payments	<u>(338,712)</u>	<u>(516,310)</u>
Internally restricted cash available for benefits - end of year	<u>\$ 2,753,165</u>	<u>\$ 3,091,877</u>

Also, restricted cash is comprised of cash held in a separate bank account to fund Gas Tax funds. These funds have been externally restricted. The continuity of restricted cash is as follows:

Externally restricted cash - beginning of year	\$ 2,067,127	\$ 549,162
Contributions	6,603,430	3,491,492
Interest earned	51,314	26,492
Payments and transfers	<u>-</u>	<u>(2,000,019)</u>
Externally restricted cash - end of year	<u>\$ 8,721,871</u>	<u>\$ 2,067,127</u>

Also, restricted cash is comprised of cash held in a separate bank account for Special Events Reserve Funds (SERF). These funds have been externally restricted. The continuity of restricted cash is as follows:

Externally restricted cash - beginning of year	\$ 601,273	\$ 560,423
Contributions	-	40,850
Payments	<u>(54,999)</u>	<u>-</u>
Externally restricted cash - end of year	<u>\$ 546,274</u>	<u>\$ 601,273</u>
Total Externally restricted cash	<u>\$ 9,268,145</u>	<u>\$ 2,668,400</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

23. Risk Management and Financial Instruments

The City is exposed to various risks through its financial instruments, including credit risk, interest rate risk, and liquidity risk. The City employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. The following provides information about the City's risk exposure as of March 31, 2020.

Credit risk

Credit risk arises from the potential that a party will fail to fulfill its obligations. The Corporation is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. The Corporation has a significant number of customers which minimizes concentration of credit risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its interest rates on operating loans and long term debt that could change upon the maturity date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of receipt of government funding, long term debt and accounts payable.

24. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation format adopted in the current period.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

25. 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.

Protective Services

This segment is responsible for the fire department, police department, street lights and emergency preparedness program for its residents. 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.

26. Subsequent Events

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the City or its residents, employees, contractors, suppliers and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the City's business, the continued spread of COVID-19 and the measures taken by the federal and provincial governments to contain its impact could adversely impact the City's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the City's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2020

	Cost Beginning of Year	Additions	Disposals and Write Downs	Cost End of Year	Accum Amort Beginning of Year	Amort in the Year	Disposals and Write Downs	Accum Amort End of Year	Schedule 1 Net Book Value
City of Charlottetown									
Land	\$ 12,073,526	\$ 446,970	\$ -	\$ 12,520,496	\$ -	\$ -	\$ -	\$ -	\$ 12,520,496
Land improvements	10,060,335	694,313	-	10,754,648	4,263,707	307,189	-	4,570,896	6,183,752
Assets under construction	-	11,951	-	11,951	-	-	-	-	11,951
Buildings	43,180,966	248,780	-	43,429,746	24,740,559	464,120	-	25,204,679	18,225,067
Computers	1,164,089	79,692	-	1,243,781	842,683	72,250	-	914,933	328,848
Computer software	109,205	211,711	-	320,916	35,491	35,914	-	71,405	249,511
Road infrastructure	54,360,440	3,086,081	-	57,446,521	21,178,192	1,736,264	-	22,914,456	34,532,065
Furniture and fixtures	342,967	25,045	-	368,012	238,601	23,378	-	261,979	106,033
Motor vehicles	2,883,100	622,852	-	3,505,952	1,680,754	226,972	-	1,907,726	1,598,226
Fire trucks	4,106,744	-	-	4,106,744	1,475,332	105,256	-	1,580,588	2,526,156
Streets/sidewalks	7,017,300	640,349	-	7,657,649	2,431,350	196,245	-	2,627,595	5,030,054
Storm sewers	38,492,203	2,780,112	-	41,272,315	8,933,488	618,976	-	9,552,464	31,719,851
Equipment	15,105,887	1,140,901	-	16,246,788	6,808,629	1,107,174	-	7,915,803	8,330,985
	188,896,762	9,988,757	-	198,885,519	72,628,786	4,893,738	-	77,522,524	121,362,995

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2020

Schedule 1 (continued)									
	Cost Beginning of Year	Additions	Disposals and Write Downs	Cost End of Year	Accum Amort Beginning of Year	Amort in the Year	Disposals and Write Downs	Accum Amort End of Year	Net Book Value
Charlottetown Water & Sewer Corporation									
Land	1,559,730	7,571	(303,496)	1,263,805	-	-	-	-	1,263,805
Land improvements	7,829	-	-	7,829	3,753	204	-	3,957	3,872
Buildings	4,668,434	58,876	-	4,727,310	1,450,357	80,939	-	1,531,296	3,196,014
Vehicles	1,215,969	178,589	-	1,394,558	908,993	74,459	-	983,452	411,106
Equipment	7,535,983	43,736	-	7,579,719	4,677,639	576,042	-	5,253,681	2,326,038
Computers and software	40,181	-	-	40,181	34,030	1,386	-	35,416	4,765
Furniture	569,319	3,913	-	573,232	468,432	20,448	-	488,880	84,352
Water, sewer, and treatment plant	135,070,097	21,159,458	-	156,229,555	35,525,188	2,202,493	-	37,727,681	118,501,874
	150,667,542	21,452,143	(303,496)	171,816,189	43,068,392	2,955,971	-	46,024,363	125,791,826
CARI	24,240,022	454,345	-	24,694,367	11,871,454	559,996	-	12,431,450	12,262,917
CCCM	2,875,237	85,606	-	2,960,843	2,654,527	96,785	-	2,751,312	209,531
	177,782,801	21,992,094	(303,496)	199,471,399	57,594,373	3,612,752	-	61,207,125	138,264,274
	\$ 366,679,563	\$ 31,980,851	\$ (303,496)	\$ 398,356,918	\$ 130,223,159	\$ 8,506,490	\$ -	\$ 138,729,649	\$ 259,627,269

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
15 MONTHS ENDED MARCH 31, 2019

Schedule 1 (continued)									
	Cost Beginning of Period	Additions	Disposals and Write Downs	Cost End of Period	Accum Amort Beginning of Period	Amort in the Period	Disposals and Write Downs	Accum Amort End of Period	Net Book Value
City of Charlottetown									
Land	\$ 10,143,877	\$ 1,929,649	\$ -	\$ 12,073,526	\$ -	\$ -	\$ -	\$ -	\$ 12,073,526
Land improvements	9,122,919	937,416	-	10,060,335	3,908,511	355,196	-	4,263,707	5,796,628
Assets under construction	222,751	(222,751)	-	-	-	-	-	-	-
Buildings	42,697,667	483,299	-	43,180,966	24,153,503	587,056	-	24,740,559	18,440,407
Computers	927,612	236,477	-	1,164,089	774,961	67,722	-	842,683	321,406
Computer software	109,205	-	-	109,205	10,920	24,571	-	35,491	73,714
Road infrastructure	51,308,352	3,052,088	-	54,360,440	19,067,778	2,110,414	-	21,178,192	33,182,248
Furniture and fixtures	296,739	46,228	-	342,967	211,517	27,084	-	238,601	104,366
Motor vehicles	2,665,896	246,534	(29,330)	2,883,100	1,434,059	270,159	(23,464)	1,680,754	1,202,346
Fire trucks	3,390,741	716,003	-	4,106,744	1,355,679	119,653	-	1,475,332	2,631,412
Streets/sidewalks	6,388,062	629,238	-	7,017,300	2,197,879	233,471	-	2,431,350	4,585,950
Storm sewers	35,696,092	2,796,111	-	38,492,203	8,211,420	722,068	-	8,933,488	29,558,715
Equipment	11,987,195	3,118,692	-	15,105,887	5,591,693	1,216,936	-	6,808,629	8,297,258
	174,957,108	13,968,984	(29,330)	188,896,762	66,917,920	5,734,330	(23,464)	72,628,786	116,267,976

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
15 MONTHS ENDED MARCH 31, 2019

Schedule 1 (continued)									
	Cost Beginning of Period	Additions	Disposals and Write Downs	Cost End of Period	Accum Amort Beginning of Period	Amort in the Period	Disposals and Write Downs	Accum Amort End of Period	Net Book Value
Charlottetown Water & Sewer Corporation									
Land	1,553,142	6,588	-	1,559,730	-	-	-	-	1,559,730
Land improvements	7,829	-	-	7,829	3,481	272	-	3,753	4,076
Buildings	4,046,856	621,578	-	4,668,434	1,356,573	93,784	-	1,450,357	3,218,077
Vehicles	1,208,966	7,003	-	1,215,969	809,108	99,885	-	908,993	306,976
Equipment	7,228,907	307,076	-	7,535,983	3,776,037	901,602	-	4,677,639	2,858,344
Computers and software	28,949	11,232	-	40,181	22,744	11,286	-	34,030	6,151
Furniture	554,612	14,707	-	569,319	437,255	31,177	-	468,432	100,887
Water, sewer, and treatment plant	126,831,838	8,238,259	-	135,070,097	33,078,373	2,446,815	-	35,525,188	99,544,909
	141,461,099	9,206,443	-	150,667,542	39,483,571	3,584,821	-	43,068,392	107,599,150
CARI	23,972,578	267,444	-	24,240,022	11,039,513	831,941	-	11,871,454	12,368,568
CCCM	2,747,491	127,746	-	2,875,237	2,530,391	124,136	-	2,654,527	220,710
	168,181,168	9,601,633	-	177,782,801	53,053,475	4,540,898	-	57,594,373	120,188,428
	\$ 343,138,276	\$ 23,570,617	\$ (29,330)	\$ 366,679,563	\$ 119,971,395	\$ 10,275,228	\$ (23,464)	\$ 130,223,159	\$ 236,456,404

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEGMENT OPERATING DISCLOSURES
YEAR ENDED MARCH 31, 2020

	General Government	Protective Services	Maintenance & Environment	Street	Parks and Recreation	Development, Heritage and Other	Water and Sewer	Schedule 2 Total
Revenues								
Property tax	\$ 35,621,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,621,216
Government transfers for operations	14,334,883	-	-	-	-	-	-	14,334,883
Sales of goods and services	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	11,438,215	11,438,215
Parking (net)	-	-	1,667,683	-	-	-	-	1,667,683
Police Court	-	997,984	-	-	-	-	-	997,984
Licenses	989,376	-	-	-	-	-	-	989,376
Other revenues	-	-	-	-	-	-	-	-
Tourism accommodation levy	-	-	-	-	-	1,322,164	-	1,322,164
Rentals	-	-	-	-	-	540,020	-	540,020
Recreation	-	-	-	-	4,520,802	-	-	4,520,802
Net income from CADC	-	-	-	-	-	155,643	-	155,643
Interest and other	-	-	-	-	-	68,427	-	68,427
Miscellaneous	-	-	-	-	-	657,493	6,511	664,004
	50,945,475	997,984	1,667,683	1,667,683	4,520,802	2,743,747	11,444,726	72,320,417
Expenditures								
Salaries and benefits	2,725,574	10,542,551	6,770,616	6,770,616	4,621,159	1,815,783	3,625,070	30,100,753
Goods and services	3,518,413	2,006,957	5,214,068	5,214,068	3,830,323	4,710,612	4,040,233	23,320,606
Tourism accommodation levy	-	-	-	-	-	1,355,021	-	1,355,021
Interest on long term debt	2,097,821	-	-	-	-	-	1,298,736	3,396,557
Amortization	4,893,738	-	-	-	656,781	-	2,955,971	8,506,490
	13,235,546	12,549,508	11,984,684	11,984,684	9,108,263	7,881,416	11,920,010	66,679,427
Operating :	\$ 37,709,929	\$ (11,551,524)	\$ (10,317,001)	\$ (10,317,001)	\$ (4,587,461)	\$ (5,137,669)	\$ (475,284)	\$ 5,640,990

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEGMENT OPERATING DISCLOSURES
15 MONTHS ENDED MARCH 31, 2019

	Schedule 2 (continued)						
	General Government	Protective Services & Environment	Street Maintenance	Parks and Recreation	Development, Heritage and Other	Water and Sewer	Total
Revenues							
Property tax	\$ 41,439,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,439,771
Government transfers for operations	16,909,189	-	-	-	-	-	16,909,189
Sales of goods and services	-	-	-	-	-	10,854,730	10,854,730
Water and sewer	-	-	2,124,308	-	-	-	2,124,308
Parking (net)	-	-	-	-	-	-	1,404,187
Police Court	-	1,404,187	-	-	-	-	1,382,160
Licenses	1,382,160	-	-	-	-	-	-
Other revenues	-	-	-	-	1,449,856	-	1,449,856
Tourism accommodation levy	-	-	-	-	676,276	-	676,276
Rentals	-	-	-	-	-	-	-
Recreation	-	-	-	5,773,026	-	-	5,773,026
Net income from CADC	-	-	-	-	391,142	-	391,142
Interest and other	-	-	-	-	65,444	-	65,444
Miscellaneous	-	-	-	-	1,426,958	-	1,426,958
	59,731,120	1,404,187	2,124,308	5,773,026	4,009,676	10,854,730	83,897,047
Expenditures							
Salaries and benefits	3,594,418	12,349,641	7,641,829	5,822,486	1,916,577	4,337,885	35,662,836
Goods and services	3,884,910	2,633,583	6,717,387	4,572,852	4,762,446	4,677,788	27,248,966
Tourism accommodation levy	-	-	-	1,338,135	-	-	1,338,135
Interest on long term debt	3,069,263	-	-	-	-	1,570,784	4,640,047
Amortization	5,734,331	-	-	956,075	-	3,584,822	10,275,228
	16,282,922	14,983,224	14,359,216	12,689,548	6,679,023	14,171,279	79,165,212
Operating :	\$ 43,448,198	\$ (13,579,037)	\$ (12,234,908)	\$ (6,916,522)	\$ (2,669,347)	\$ (3,316,549)	\$ 4,731,835