

CITY OF CHARLOTTETOWN
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

M|R|S|B

CONTENTS

	PAGE
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS	
INDEPENDENT AUDITOR'S REPORT	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1
CONSOLIDATED STATEMENT OF OPERATIONS	2
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT	3
CONSOLIDATED STATEMENT OF CASH FLOW	4
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	5 - 26
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	27 - 32

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

October 25, 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MAYOR AND MEMBERS OF COUNCIL

Qualified 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, 2019, and the consolidated statements of operations, changes in net debt and cash flow for the 15 months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Charlottetown as at March 31, 2019, and the results of its operations and its cash flows for the 15 months then ended in accordance with Canadian accounting standards for the public sector.

Basis for Qualified Opinion

Observations of the counting of physical inventories did not occur for the year ended December 31, 2017 and estimated net realizable value of inventory for the period ended March 31, 2019 cannot be reasonably determined due to issues with costing. We were unable to satisfy ourselves by alternative means concerning inventory quantities at December 31, 2017 and cost at December 31, 2017 and March 31, 2019. Since opening and ending inventories enter into the determination of financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the net surplus for the period reported in the Consolidated Statement of Operations and the net cash flows from operating activities reported in the Consolidated Statement of Cash Flows.

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 qualified 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.

M|R|S|B

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 Accountant Inc.

CHARLOTTETOWN, P.E.I.
OCTOBER 25, 2019

M|R|S|B

**CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019**

	2019	December 31 2017 (Restated)
Financial Assets		
Accounts receivable (Note 5)	\$ 4,557,494	\$ 4,417,235
Capital grants receivable (Note 6)	6,004,150	6,097,147
Inventory for resale	34,406	41,031
Other assets	61,130	74,927
Investment in Government Business Enterprise (Note 7)	1,254,824	863,681
Accrued pension asset (Note 8)	328,624	259,588
Total Financial Assets	<u>12,240,628</u>	<u>11,753,609</u>
Liabilities		
Bank indebtedness (Note 9)	215,154	9,715,743
Accounts payable and accrued liabilities	14,952,975	20,111,850
Deferred revenue (Note 10)	5,852,959	5,163,669
Sick leave and post employment benefits (Note 11)	5,992,431	6,029,839
Due to related parties	234,033	217,518
Long term debt (Note 12)	82,405,412	69,080,034
Total Liabilities	<u>109,652,964</u>	<u>110,318,653</u>
Net Debt - Statement 3	<u>(97,412,336)</u>	<u>(98,565,044)</u>
Non-Financial Assets		
Tangible capital assets - Schedule 2	237,117,172	223,166,881
Inventory of supplies	2,354,160	1,919,151
Prepaid expenses	592,391	670,323
Total Non-Financial Assets	<u>240,063,723</u>	<u>225,756,355</u>
Accumulated Surplus - Statement 2	<u>\$142,651,387</u>	<u>\$127,191,311</u>
Commitments and Contingencies (Note 13)		

ON BEHALF OF THE CITY OF CHARLOTTETOWN:

Mayor

Chair, Finance, Audit and Tendering Committee

The notes and schedules are an integral part of these consolidated financial statements

M|R|S|B

CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF OPERATIONS
15 MONTHS ENDED MARCH 31, 2019

	Budget 2019 (Note 14)	Actual 2019	Actual 2017 (12 months) (Restated)
Revenues - Schedule 1			
Property taxes	\$ 41,199,957	\$41,439,771	\$32,249,052
Government transfers for operations (Note 15)	15,614,336	16,909,189	12,158,681
Water and sewer	14,408,185	10,854,730	8,688,180
Recreation	4,487,273	5,773,026	4,519,766
Municipal Capital Expenditure Grant	1,639,757	2,510,682	2,258,987
Miscellaneous	43,000	2,496,912	531,695
Parking	2,031,250	2,124,308	1,676,708
Tourism accommodation levy	1,400,000	1,449,856	1,166,734
Police protection services	1,397,250	1,404,187	1,237,712
Licenses	781,900	1,382,160	652,312
Rentals	787,750	676,276	542,610
Net income from CADC	96,255	391,142	58,292
Interest and other	75,000	65,444	71,745
	83,961,913	87,477,683	65,812,474
Expenses - Schedule 1			
Amortization of tangible capital assets	8,324,659	9,943,698	7,958,965
Development, heritage, and other	10,086,764	6,678,668	6,612,057
General government	7,690,098	7,479,328	5,838,796
Interest on long term debt	4,359,628	4,640,048	3,801,066
Parks and recreation	10,108,404	10,395,338	8,076,393
Protective services	17,278,659	14,983,224	12,555,669
Street maintenance and environment	15,497,064	14,029,978	10,979,715
Tourism accommodation levy	1,400,000	1,338,135	1,166,734
Water and sewer	10,712,368	9,015,673	7,338,579
	85,457,644	78,504,090	64,327,974
Operating Surplus (Deficit)	(1,495,731)	8,973,593	1,484,500
Other revenues (expenses)			
Government transfers for capital (Note 16)	27,272,738	8,995,988	11,639,382
Pension expense (Note 8)	-	(722,073)	(237,443)
Sick and post employment benefits	-	37,408	(257,990)
Pension valuation allowance (Note 8)	-	(1,301,682)	99,105
	27,272,738	7,009,641	11,243,054
Annual Surplus	\$ 25,777,007	15,983,234	12,727,554
Accumulated Surplus - As Previously Reported		127,191,311	93,002,073
Accounting changes (Note 17)		-	22,036,966
Accumulated Surplus - Beginning of Period		127,191,311	115,039,039
Payments from reserves		(523,158)	(575,282)
Accumulated Surplus - End of Period (Note 18)		\$142,651,387	\$127,191,311

The notes and schedules are an integral part of these consolidated financial statements

M|R|S|B

CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
15 MONTHS ENDED MARCH 31, 2019

	Budget 2019	Actual 2019	Actual 2017 (12 months) (Restated)
Net Debt - Beginning of Period	\$ 98,565,044	\$ 98,565,044	\$ 92,131,809
Annual surplus	(25,777,007)	(15,983,234)	(12,727,554)
Amortization of tangible capital assets	(8,324,659)	(9,943,698)	(7,958,965)
Purchase of tangible capital assets	61,743,161	23,899,855	26,838,173
Decrease in prepaid expenses	-	(77,932)	(68,042)
Increase (decrease) in inventory of supplies	-	435,009	(225,659)
Loss on disposal of tangible capital assets	-	(5,866)	-
Payments from reserves	-	523,158	575,282
Increase (Decrease) in Net Debt	<u>27,641,495</u>	<u>(1,152,708)</u>	<u>6,433,235</u>
Net Debt - End of Period	<u>\$ 126,206,539</u>	<u>\$ 97,412,336</u>	<u>\$ 98,565,044</u>

**CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF CASH FLOW
15 MONTHS ENDED MARCH 31, 2019**

	2019	2017 (12 months) (Restated)
Cash Flows From Operating Activities		
Annual surplus	\$ 15,983,234	\$12,727,554
Amortization of tangible capital assets	9,943,698	7,958,965
Loss on disposal of tangible capital assets	5,866	-
	<u>25,932,798</u>	<u>20,686,519</u>
Change in Non-Cash Working Capital		
(Increase) decrease in accounts receivable	(47,262)	67,059
(Increase) decrease in inventory for resale	6,625	(6,635)
Decrease in other assets	13,797	9,786
Increase in accrued pension asset	(69,036)	(16,695)
Increase (decrease) in accounts payable and accrued liabilities	(5,158,876)	296,056
Increase (decrease) in deferred revenue	689,290	(630,083)
Increase (decrease) in sick leave and post employment benefits	(37,408)	42,655
Increase in due to related parties	16,515	20,175
(Increase) decrease in inventory of supplies	(435,009)	225,659
Decrease in prepaid expenses	77,932	68,042
	<u>(4,943,432)</u>	<u>76,019</u>
	<u>20,989,366</u>	<u>20,762,538</u>
Cash Flows From Capital Activity		
Purchase of tangible capital assets	(23,899,855)	(26,838,173)
Cash Flows From Investing Activity		
Increase in investment in government business enterprise	(391,142)	(58,292)
Cash Flows From Financing Activities		
Repayment of long term debt	(8,674,622)	(5,296,674)
Payments from reserves	(523,158)	(575,282)
Proceeds from long term debt	22,000,000	-
	<u>12,802,220</u>	<u>(5,871,956)</u>
Change in Cash (Bank Indebtedness)	9,500,589	(12,005,883)
Cash (Bank Indebtedness) - Beginning of Period	(9,715,743)	2,290,140
Cash (Bank Indebtedness) - End of Period (Note 9)	<u><u>\$(215,154)</u></u>	<u><u>\$(9,715,743)</u></u>

The notes and schedules are an integral part of these consolidated financial statements

M | R | S | B

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

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. Expenses 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, expenses, 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. (CCCM)

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

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
15 MONTHS ENDED MARCH 31, 2019

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.

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

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 expense in the period the good or service is used or consumed.

Tangible Capital Assets

Effective April 1, 2017, the tangible capital asset policy for the City was changed. 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.

Inventory of Supplies

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

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.

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

3. Accounting Policies (continued)

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 expenses 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 period 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.

Expenses

Expenses are recorded on an accrual basis. Expenses 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.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

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. Accounts Receivable

	March 31 2019	December 31 2017
Trade receivables	\$ 2,473,837	\$ 3,451,724
Harmonized sales tax receivable	1,756,049	764,504
Other receivables	685,806	529,308
	<u>4,915,692</u>	<u>4,745,536</u>
Allowance for doubtful accounts	(358,198)	(328,301)
	<u>\$ 4,557,494</u>	<u>\$ 4,417,235</u>

6. Capital Grants Receivable

Municipal Capital Expenditure Grant	\$ 4,762,151	\$ 2,258,986
Clean Water Wastewater Fund	1,241,999	3,380,031
Public Transit Infrastructure Fund	-	229,023
Build Canada Fund	-	229,107
	<u>\$ 6,004,150</u>	<u>\$ 6,097,147</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

7. 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, 2019 and March 31, 2017 is as follows:

	March 31 2019	March 31 2017
Consolidated Statement of Financial Position		
Assets		
Current assets	\$ 8,322,849	\$ 3,802,786
Property inventory	3,314,849	3,119,972
Capital assets	31,351	110,101
Investment properties	51,509,902	56,158,567
Investment in leases	-	937,861
	<u>\$ 63,178,951</u>	<u>\$ 64,129,287</u>
Liabilities		
Current liabilities	\$ 8,833,710	\$ 8,993,384
Long term debt	10,122,082	11,778,014
Deferred revenues	<u>35,857,674</u>	<u>37,600,015</u>
	<u>54,813,466</u>	<u>58,371,413</u>
Shareholders' Equity		
Capital stock	2,500	2,500
Contributed surplus	4,526,706	4,526,706
Retained earnings	<u>3,836,279</u>	<u>1,228,668</u>
	<u>8,365,485</u>	<u>5,757,874</u>
	<u>\$ 63,178,951</u>	<u>\$ 64,129,287</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

7. Investment in Government Business Enterprise (continued)

	March 31 2019	March 31 2017
Consolidated Statement of Comprehensive Income		
Revenue		
Operating revenue	\$ 3,744,741	\$ 1,191,495
Other	<u>654,943</u>	<u>272,698</u>
	4,399,684	1,464,193
Expenses	<u>1,792,073</u>	<u>1,075,581</u>
Net earnings for the year	2,607,611	388,612
Retained earnings - beginning of year	<u>1,228,668</u>	<u>840,056</u>
Retained earnings - end of year	<u>\$ 3,836,279</u>	<u>\$ 1,228,668</u>
 Investment - beginning of year	 \$ 863,681	 \$ 805,389
Share of net income (15%)	<u>391,143</u>	<u>58,292</u>
Investment - end of year	<u>\$ 1,254,824</u>	<u>\$ 863,681</u>

Key Activities and Commitments:

Demand loans of \$5,931,067 (2017 - \$2,736,601) are due on demand, interest at prime minus .1% and interest paid monthly.

The 6.64% debenture is unsecured. These loans are payable to the majority shareholder. During the year, the Corporation expensed interest on long-term debt of \$27,167 (2017 - \$70,848) paid to the Province of Prince Edward Island on the 6.64% debenture.

The 2.6% term loan and the 2.95%, 4.18%, 2.92% and 3.11% mortgages and the demand loans 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, 2019, 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 \$141,926 (2017 - \$252,210) due from City of Charlottetown and included in accounts payable was \$50,975 (2017 - \$375,368) due to City of Charlottetown.

M|R|S|B

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

8. 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 as of 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, 2019	December 31, 2017
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
15 MONTHS ENDED MARCH 31, 2019

8. Accrued Pension Asset (continued)

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

	March 31 2019	December 31 2017
Change in fair value of plan assets:		
Balance - beginning of period	\$ 86,173,294	\$ 81,688,809
Employer contributions	1,948,206	1,639,905
Employee contributions	1,948,206	1,642,831
Investment return	6,402,565	4,690,008
Actuarial loss on plan assets	(2,006,690)	(450,606)
Benefits paid	(4,571,868)	(3,037,653)
Balance - end of period	<u>89,893,713</u>	<u>86,173,294</u>
Changes in accrued benefit obligation:		
Balance - beginning of period	78,101,873	73,360,100
Current service costs	3,442,321	2,649,077
Interest on liabilities	5,884,402	4,390,023
Employee past service contributions	-	2,476
Actuarial (gains) losses	(213,800)	737,850
Benefits paid	(4,571,868)	(3,037,653)
Balance - end of period	<u>82,642,928</u>	<u>78,101,873</u>
Change in unamortized actuarial gains and losses:		
Balance - beginning of period	(2,507,545)	(4,305,633)
Experience gains and losses	1,792,890	1,406,667
Amortization of actuarial gains and losses	329,427	391,421
Balance - end of period	<u>(385,228)</u>	<u>(2,507,545)</u>
Pension valuation allowance	<u>(6,865,557)</u>	<u>(5,563,876)</u>
Accrued pension asset	<u>\$ -</u>	<u>\$ -</u>
The expense for the defined benefit plans is as follows:		
Current service costs	\$ 3,442,321	\$ 2,649,077
Amortization of actuarial gains and losses	(329,428)	(391,421)
Employee contributions	(1,948,205)	(1,639,905)
Interest on liabilities	5,884,402	4,390,023
Expected investment return	(6,402,568)	(4,908,668)
Pension expense	<u>\$ 646,522</u>	<u>\$ 99,106</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

8. 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 period end is as follows:

	March 31 2019	December 31 2017
Change in fair value of plan assets:		
Balance - beginning of period	\$ 10,464,689	\$ 9,914,810
Employer contributions	144,585	155,033
Employee contributions	16,857	16,355
Investment return	719,739	1,022,121
Actuarial loss on plan assets	(366,011)	(105,369)
Benefits paid	(781,281)	(538,261)
Balance - end of period	<u>10,198,578</u>	<u>10,464,689</u>
Changes in accrued benefit obligation:		
Balance - beginning of period	10,119,329	9,876,300
Current service costs	117,657	117,544
Interest on liabilities	705,711	550,959
Actuarial (gains) losses	(15,094)	112,787
Benefits paid	(781,281)	(538,261)
Balance - end of period	<u>10,146,322</u>	<u>10,119,329</u>
Change in unamortized actuarial gains and losses:		
Balance - beginning of period	(85,772)	204,383
Experience gains and losses	350,917	(249,274)
Amortization of actuarial gains and losses	11,223	(40,881)
Balance - end of period	<u>276,368</u>	<u>(85,772)</u>
Accrued pension asset	<u>\$ 328,624</u>	<u>\$ 259,588</u>
The expense for the defined benefit plans is as follows:		
Current service costs	\$ 117,667	\$ 117,545
Amortization of actuarial gains and losses	(11,223)	40,876
Employee contributions	(16,857)	(16,355)
Interest on liabilities	705,701	550,959
Expected investment return	(719,737)	(554,688)
Pension expense	<u>\$ 75,551</u>	<u>\$ 138,337</u>
Consolidated Pension Expense	\$ 722,073	\$ 237,443
Consolidated Accrued Pension Asset	\$ 328,624	\$ 259,588
Consolidated Pension Valuation allowance	\$ (1,301,682)	\$ 99,105

M|R|S|B

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

8. 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, 2019 contribution rate was 10.93% (2017 - 12.22%) and contributions for Mayor and Council for 2019 are \$50,629 (2017 - \$48,877) and CAO were \$21,068 (2017 - \$17,207).

Charlottetown Civic Centre Management Inc. maintains a defined contribution RRSP plan for certain employees. RRSP expense for these employees for the 15 months ended March 31, 2019 is \$23,343 (2017 - \$16,293) 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 15 months ended March 31, 2019 is \$39,221 (2017 - \$27,115) and is included in payroll expenses.

9. Bank Indebtedness

	March 31 2019	December 31 2017
Unrestricted cash	\$ 42,301,384	\$12,822,458
Externally restricted cash (Note 21)	2,668,400	1,109,585
Internally restricted cash (Note 21)	3,091,877	3,608,187
Bank indebtedness	<u>(48,276,815)</u>	<u>(27,255,973)</u>
	<u>\$ (215,154)</u>	<u>\$ (9,715,743)</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 in 2019 with National Bank for \$10,000,000 each for short term financing on capital projects which have not been drawn as of period end date.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

10. Deferred Revenue

	March 31 2019	December 31 2017
New Deal Gas Tax Funding	\$ 2,879,679	\$ 1,745,613
Civic Centre Management Inc. and CARI - deferred contributions	1,756,514	2,262,075
Parking	579,250	579,250
Tourism Accommodation Levy	547,306	522,053
Other	90,210	54,678
	<u>\$ 5,852,959</u>	<u>\$ 5,163,669</u>

Under the New Deal Gas Tax Funding for Incorporated Communities and the New Deal for Cities & Communities, the City is allocated \$3,091,818 per year for fiscal years ending March 31, 2015 and 2016, \$3,291,655 for fiscal years ending March 31, 2017 and 2018 and \$3,491,492 for fiscal year ending March 31, 2019. 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 period, the City received Gas Tax funding of \$3,491,492 (2017 - \$3,291,655), incurred eligible expenditures of \$2,379,384 (2017 - \$3,877,212), and earned interest of \$21,958 (2017 - \$7,591).

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.

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

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

11. Sick Leave and Post Employment Benefits (continued)

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, 2019 by Eckler Partners Ltd., a firm of consulting actuaries. The valuation results prepared by Eckler Partners Ltd. at December 31, 2016 were extrapolated to December 31, 2017 for comparative information and to March 31, 2019 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, 2019.

The actuarial valuation was done using the following assumptions:

Assumption	March 31, 2019	December 31, 2017
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
15 MONTHS ENDED MARCH 31, 2019**

11. Sick Leave and Post Employment Benefits (continued)

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

	March 31 2019	December 31 2017
Changes in accrued benefit obligations:		
Sick leave - beginning of period	\$ 3,127,520	\$ 3,061,434
Current service costs	367,565	284,108
Interest on liabilities	143,012	111,330
Benefits paid	<u>(452,459)</u>	<u>(329,352)</u>
Sick leave - end of period	<u>3,185,638</u>	<u>3,127,520</u>
Post employment benefits - beginning of period	2,902,319	2,925,750
Current service costs	256,010	197,882
Interest on liabilities	127,693	103,640
Benefits paid	<u>(479,229)</u>	<u>(324,953)</u>
Post employment benefits - end of period	<u>2,806,793</u>	<u>2,902,319</u>
Accrued benefit obligations - end of period	<u>\$ 5,992,431</u>	<u>\$ 6,029,839</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 2019 was determined to be \$76,159 (2017 - \$122,597).

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

12. Long Term Debt

	March 31 2019	December 31 2017
RBC - 4.06%; SWAP transaction; maturing July, 2030	\$ 14,908,000	\$ 16,120,000
RBC - 2.25%; SWAP transaction; maturing December, 2036	8,212,000	8,656,000
TD - 4.465%; SWAP transaction; maturing August 19, 2033	8,035,819	8,518,957
CDS Clearing and Depository Services Inc. - 5.79%; repayable in blended monthly installments of \$850,623; debenture maturing July, 2024	7,916,463	9,677,833
CMHC - 4.12%; repayable in blended annual installments of \$633,100; maturing March, 2031	5,900,738	6,626,372
TD - 2.9%; SWAP transaction; maturing May, 2032	5,356,401	5,763,527
CMHC - 3.7%; repayable in blended annual installments of \$530,410; maturing September, 2030	5,064,363	5,396,007
TD - 3.17%; SWAP transaction; maturing November, 2022	1,924,832	2,542,677
TD & RBC - Various rates 1.684% - 4.08%; payments and maturity dates from 2018 through 2025	1,660,028	1,918,064
TD - 2.26%; SWAP transaction; maturing May, 2022	1,170,245	1,597,963
RBC - 3.04%; SWAP transaction; repayable in monthly principal installments of \$42,000 plus interest for 2019, \$43,000 plus interest for 2020, \$44,000 plus interest for 2021; maturing May, 2021	1,126,000	1,736,003
Scotiabank - prime less 0.25%; repayable in monthly installments of \$3,208 plus interest; due June, 2024	202,308	250,428
RBC - (CARI) 3.17%; repayable in blended monthly installments of \$7,219; due August, 2020	119,884	221,276
CIBC - 2.276%; SWAP transaction; repayable in monthly blended installments of \$91,667; maturing January, 2038	20,808,331	-
RBC - 2.58%; repaid during the period	-	54,927
	<u>\$ 82,405,412</u>	<u>\$ 69,080,034</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

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:

2020	\$ 7,186,497
2021	7,270,734
2022	7,010,468
2023	6,523,442
2024	6,219,982
Thereafter	48,194,289

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, 2019, this amounted to total property tax reductions of \$1,074,772 (2017 - \$1,082,987).

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 two years:

2020	\$ 6,652
2021	5,544

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 \$1,018,837 for 2019. 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.

M|R|S|B

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

13. Commitments and Contingencies (continued)

f) City Contracts

Through resolutions of City Council, the City has committed to spend \$2,151,940 for various capital projects and \$53,457 for annual commitments. The Water and Sewer Corporation has awarded tenders totaling \$16,038,129 for capital projects to be completed over the next fiscal year.

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) Accident claims

There are a number of claims which the Corporation administers with the insurer and there is insurance to cover outstanding claims.

i) 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, 2020 fiscal year is \$32,000.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

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 2019 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	\$41,199,957	\$-	\$41,199,957
Government transfers for operations	15,434,336	180,000	15,614,336
Water and sewer	15,440,506	(1,032,321)	14,408,185
Recreation	895,075	3,592,198	4,487,273
Parking	2,031,250	-	2,031,250
Police protections services	1,397,250	-	1,397,250
Rentals	992,750	(205,000)	787,750
Licenses	781,900	-	781,900
Interest and other	75,000	-	75,000
Net income from CADC	-	96,255	96,255
Municipal Capital Expenditure Grant	1,639,757	-	1,639,757
Surplus (prior year)	2,546,742	(2,546,742)	-
Parkland reserve transfer	43,000	-	43,000
Tourism Accommodation levy	1,400,000	-	1,400,000
Total Revenues	83,877,523	84,390	83,961,913
Expenses			
Amortization	-	8,324,659	8,324,659
Development, heritage and other	12,240,464	(2,153,700)	10,086,764
General government	7,785,294	(95,196)	7,690,098
Interest on long term debt	8,392,335	(4,032,707)	4,359,628
Parks and recreation	4,641,206	5,467,198	10,108,404
Protective services	18,215,784	(937,125)	17,278,659
Street maintenance	15,497,064	-	15,497,064
Tourism accommodation levy	1,400,000	-	1,400,000
Water and sewer	16,821,781	(4,709,413)	10,712,368
Total Expenses	82,193,928	1,863,716	85,457,644
Operating Surplus	283,595	(1,779,326)	(1,495,731)
Government transfers for Capital	27,272,738		27,272,738
Annual Surplus	\$27,556,333	\$(1,779,326)	\$25,777,007

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

15. Government Transfers For Operations

	Budget March 31 2019	Actual March 31 2019	Actual December 31 2017
Municipal support grant	\$ 15,294,336	\$ 16,589,189	\$ 11,838,681
Transit funding	180,000	180,000	180,000
Grant in lieu of property taxes (QEH)	140,000	140,000	140,000
	<u>\$ 15,614,336</u>	<u>\$ 16,909,189</u>	<u>\$ 12,158,681</u>

16. Government Transfers For Capital

Infrastructure funding	\$ 23,781,246	\$ 6,616,604	\$ 8,378,538
New Deal Gas Tax	3,491,492	2,379,384	3,260,844
	<u>\$ 27,272,738</u>	<u>\$ 8,995,988</u>	<u>\$11,639,382</u>

17. Accounting Changes

Opening surplus has been increased by \$21,757,315 relating to application of the new Tangible Capital Asset policy. The threshold for capitalization for costs in excess of \$2,500 has been applied which has resulted in additional assets being capitalized rather than expensed. As well, amortization has been adjusted to reflect new amortization rates and methods for all applicable asset classes, change to declining balance method and additional assets capitalized.

Opening surplus has also been increased by \$279,651 for inventory of supplies for City Public Works and Parks and Recreation departments which was not recognized in previous consolidated financial statements.

18. Accumulated Surplus

	March 31 2019	December 31 2017
Unrestricted surplus (deficit)	\$ (15,158,231)	\$ (30,516,554)
Restricted surplus		
Sick and post-employment benefits reserve	3,091,877	3,608,187
Special events attraction reserve	5,981	12,831
Investment in tangible capital assets	<u>154,711,760</u>	<u>154,086,847</u>
Total accumulated surplus	<u>\$142,651,387</u>	<u>\$127,191,311</u>

19. 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, 2019, a total liability for the decommissioning of the East Royalty Lagoon of \$1,017,405 (2017 - \$455,000) has been recorded in accounts payable and accrued liabilities.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019

20. 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, 2019, a total liability for the closure of East Royalty Landfill of \$4,826,439 (2017 - \$4,826,439) has been recorded in accounts payable and accrued liabilities. As at March 31, 2019, a total liability for the annual monitoring for the East Royalty Landfill of \$558,877 (2017 - \$558,877) was recorded in accounts payable and accrued liabilities.

21. 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:

	March 31 2019	December 31 2017
Internally restricted cash available for benefits - beginning of period	\$ 3,608,187	\$ 4,183,468
Due to operating fund for benefit payments	<u>(516,310)</u>	<u>(575,281)</u>
Internally restricted cash available for benefits - end of period	<u>\$ 3,091,877</u>	<u>\$ 3,608,187</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 period	\$ 549,162	\$ 800,346
Contributions	3,491,492	-
Interest earned	26,492	-
Payments and transfers	<u>(2,000,019)</u>	<u>(251,184)</u>
Externally restricted cash - end of period	<u>\$ 2,067,127</u>	<u>\$ 549,162</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 period	\$ 560,423	\$ 521,822
Contributions	<u>40,850</u>	<u>38,601</u>
Externally restricted cash - end of period	<u>\$ 601,273</u>	<u>\$ 560,423</u>
Total Externally restricted cash	<u>\$ 2,668,400</u>	<u>\$ 1,109,585</u>

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

22. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period presentation.

23. Non-Monetary Transactions

During the period, City Council received an in-kind contribution with a fair market value of \$1,070,310 from Canadian Tire Foundation for playground equipment. This amount has been recognized as miscellaneous revenue on the statement of operations and in equipment tangible capital assets.

24. 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.

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
15 MONTHS ENDED MARCH 31, 2019**

25. Future Changes in Accounting Standards

The Public Sector Accounting Board of CPA Canada has issued new standards or amendments to standards that are not in effect as of the dates of these consolidated financial statements, and they are as follows:

Effective April 1, 2019:

PS 1201 Financial Statement Presentation - establishes general reporting principles and standards for the disclosure of information;

PS 2601 Foreign Currency Translation - establishes standards on how to account for and report transactions that are denominated in a foreign currency;

PS 3041 Portfolio Investments - establishes standards on how to account for and report portfolio investments;

PS 3450 Financial Instruments - establishes standards on how to account for and report all types of financial instruments, including derivatives.

The City of Charlottetown is currently analyzing the impact of these new amended standards, and plans to adopt them on the effective dates.

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

	General Government	Protective Services & Environment	Street Maintenance	Parks and Recreation	Development, Heritage and Other	Water and Sewer	Schedule 1 Total
Revenues							
Property tax	\$ 41,439,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,439,771
Government transfers for operations	16,909,189	-	-	-	-	-	16,909,189
Municipal Capital Expenditure Grant	1,448,228	-	-	-	-	1,062,454	2,510,682
Sales of goods and services	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	10,854,730	10,854,730
Parking (net)	-	-	2,124,308	-	-	-	2,124,308
Police Court	-	1,404,187	-	-	-	-	1,404,187
Licenses	1,382,160	-	-	-	-	-	1,382,160
Other income	-	-	-	-	-	-	-
Tourism accommodation levy	-	-	-	-	1,449,856	-	1,449,856
Rentals	-	-	-	-	676,276	-	676,276
Recreation	-	-	-	5,773,026	-	-	5,773,026
Net income from CADC	-	-	-	-	391,142	-	391,142
Interest and other	-	-	-	-	65,444	-	65,444
Miscellaneous	-	-	-	-	2,496,912	-	2,496,912
	61,179,348	1,404,187	2,124,308	5,773,026	5,079,630	11,917,184	87,477,683
Expenses							
Salaries and benefits	3,594,418	12,349,641	6,317,998	5,822,898	1,916,577	4,294,227	34,295,759
Goods and services	3,884,910	2,633,583	7,711,980	4,572,440	4,762,091	4,721,446	28,286,450
Tourism accommodation levy	-	-	-	-	1,338,135	-	1,338,135
Interest on long term debt	3,069,263	-	-	-	-	1,570,785	4,640,048
Amortization	5,402,800	-	-	956,077	-	3,584,821	9,943,698
	15,951,391	14,983,224	14,029,978	11,351,415	8,016,803	14,171,279	78,504,090
Annual surplus (deficit)	\$ 45,227,957	\$ (13,579,037)	\$ (11,905,670)	\$ (5,578,389)	\$ (2,937,173)	\$ (2,254,095)	\$ 8,973,593

M|R|S|B

MRS B

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

	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	Schedule 2 Net Book Value
City of Charlottetown	\$ 10,143,877	\$ 1,929,649	\$ -	\$ 12,073,526	\$ -	\$ -	\$ -	\$ -	\$ 12,073,526
Land									
Land	9,122,919	937,416	-	10,060,335	3,908,511	23,666	-	3,932,177	6,128,158
Improvements 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	958,476	-	7,346,538	2,197,879	233,471	-	2,431,350	4,915,188
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	14,298,222	(29,330)	189,226,000	56,917,920	5,402,800	(23,464)	72,297,256	116,928,744

M|R|S|B

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

Schedule 2 (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	437,265	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	-	62,309,795	120,188,428
	\$ 343,138,276	\$ 23,899,855	\$ (29,330)	\$ 367,008,801	\$ 119,971,395	\$ 9,943,698	\$ (23,464)	\$ 129,891,629	\$ 237,117,172

M|R|S|B

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2017

Schedule 2 (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
City of Charlottetown									
Land	\$ 9,182,354	\$ 961,523	\$ -	\$ 10,143,877	\$ -	\$ -	\$ -	\$ -	\$ 10,143,877
Land improvements	8,666,944	455,975	-	9,122,919	3,646,068	262,443	-	3,908,511	5,214,408
Assets under construction	-	222,751	-	222,751	-	-	-	-	222,751
Buildings	41,806,083	891,584	-	42,697,667	23,633,802	519,701	-	24,153,503	18,544,164
Computers	899,902	27,710	-	927,612	740,262	34,699	-	774,961	152,651
Computer software	-	109,205	-	109,205	-	10,920	-	10,920	98,285
Road infrastructure	48,001,874	3,306,478	-	51,308,352	17,457,918	1,609,860	-	19,067,778	32,240,574
Furniture and fixtures	239,384	57,355	-	296,739	197,381	14,136	-	211,517	85,222
Motor vehicles	2,381,582	284,314	-	2,665,896	1,232,958	201,101	-	1,434,059	1,231,837
Fire trucks	3,390,741	-	-	3,390,741	1,270,884	84,795	-	1,355,679	2,035,062
Streets/sidewalks	5,449,065	938,997	-	6,388,062	2,042,850	155,029	-	2,197,879	4,190,183
Storm sewers	31,897,167	3,798,925	-	35,696,092	7,689,273	522,147	-	8,211,420	27,484,672
Equipment	10,505,939	1,481,256	-	11,987,195	4,474,675	1,117,018	-	5,591,693	6,395,502
	162,421,035	12,536,073	-	174,957,108	62,386,071	4,531,849	-	66,917,920	108,039,188

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2017

Schedule 2 (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	1,551,045	2,097	-	1,553,142	-	-	-	-	1,553,142
Land improvements	7,829	-	-	7,829	3,252	229	-	3,481	4,348
Buildings	3,834,465	212,391	-	4,046,856	1,290,315	66,258	-	1,356,573	2,690,283
Vehicles	1,161,984	46,982	-	1,208,966	716,077	93,031	-	809,108	399,858
Equipment	5,230,095	1,998,812	-	7,228,907	3,162,670	3,776,037	-	3,776,037	3,452,870
Computers									
and software	16,539	12,410	-	28,949	16,539	6,205	-	22,744	6,205
Furniture	554,612	-	-	554,612	407,915	29,340	-	437,255	117,357
Water, sewer, and treatment plant	115,270,353	11,561,485	-	126,831,838	31,283,012	1,795,361	-	33,078,373	93,753,465
	127,626,922	13,834,177	-	141,461,099	36,879,780	2,603,791	-	39,483,571	101,977,528
CARI	23,630,190	342,388	-	23,972,578	10,357,768	681,745	-	11,039,513	12,933,065
CCCCMI	2,621,956	125,535	-	2,747,491	2,388,811	141,580	-	2,530,391	217,100
	153,879,088	14,302,100	-	168,181,188	49,626,359	3,427,116	-	53,063,475	115,127,693
	\$ 316,300,103	\$ 26,838,173	\$ -	\$ 343,138,276	\$ 112,012,430	\$ 7,958,965	\$ -	\$ 119,971,395	\$ 223,166,881

M|R|S|B

