

**CITY OF CHARLOTTETOWN
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023**

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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 2, 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MAYOR AND MEMBERS OF COUNCIL

Opinion

We have audited the consolidated financial statements of the City of Charlottetown (the "City"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations, changes in net debt and cash flow for the year then ended, and accompanying schedules 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, 2023, 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 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 City'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 City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City'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 City'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 City'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 City 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 2, 2023**

M|R|S|B

CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023


	2023	2022
Financial Assets		
Cash (Note 5)	\$ 13,673,393	\$ 9,983,802
Restricted cash (Note 5)	19,564,998	16,291,044
Accounts receivable (Note 6)	5,863,597	4,597,327
Capital grants receivable (Note 7)	11,519,548	5,218,845
Inventory for resale	30,727	21,226
Other assets	14,594	28,061
Investment in Government Business Enterprise (Note 8)	1,855,598	1,693,912
Loans receivable	4,456,817	501,936
Total Financial Assets	<u>56,979,272</u>	<u>38,336,153</u>
Liabilities		
Bank indebtedness (Note 5)	34,666,355	7,496,666
Accounts payable and accrued liabilities	39,163,435	19,307,826
Accrued pension liability (Note 9)	29,228	77,960
Deferred revenue (Note 10)	13,477,199	13,193,379
Sick leave and post employment benefits (Note 11)	6,416,586	6,972,003
Due to related parties (Note 12)	68,869	68,869
Long term debt (Note 13)	91,485,773	95,837,924
Total Liabilities	<u>185,307,445</u>	<u>142,954,627</u>
Net Debt - Statement 3	<u>(128,328,173)</u>	<u>(104,618,474)</u>
Non-Financial Assets		
Tangible capital assets - Schedule 1	338,911,585	299,429,149
Inventory of supplies	3,290,419	2,896,740
Prepaid expenses	256,956	741,257
Intangible assets	277,159	6,127
Total Non-Financial Assets	<u>342,736,119</u>	<u>303,073,273</u>
Accumulated Surplus - Statement 2	<u>\$214,407,946</u>	<u>\$198,454,799</u>

Commitments and Contingencies (Note 14)

ON BEHALF OF THE CITY OF CHARLOTTETOWN:



Mayor



Chair, Finance, Audit and Tendering Committee

Notes 1 - 25 are an integral part of these consolidated financial statements

M|R|S|B

CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2023

	Budget 2023 (Note 15)	Actual 2023	Actual 2022
Revenues - Schedule 2			
Property taxes	\$ 40,144,645	\$ 44,118,086	\$ 38,596,294
Government transfers for operations (Note 16)	16,175,677	24,062,341	16,516,460
Water and sewer	12,967,340	13,000,243	12,083,352
Recreation	3,906,098	5,680,806	4,551,982
Licenses	1,099,300	2,013,775	1,243,158
Tourism accommodation levy	1,165,650	1,685,084	737,003
Miscellaneous	-	1,589,032	613,335
Police protection services	1,243,737	1,479,198	1,471,010
Parking	1,025,000	1,174,484	906,397
Switch program	853,000	854,790	716,210
Rentals	686,070	534,204	557,705
Interest and other	70,000	168,363	7,828
Net income from CADC (Note 8)	-	161,686	109,525
	<u>79,336,517</u>	<u>96,522,092</u>	<u>78,110,259</u>
Expenditures - Schedule 2			
Amortization of tangible capital assets - Schedule 1	10,200,000	11,629,475	10,497,545
Development, heritage, and other	10,755,683	10,287,306	10,245,193
Fiona	-	8,472,772	-
General government	8,198,985	8,046,454	6,801,254
Interest on long term debt	4,055,000	3,426,480	3,637,410
Parks and recreation	11,106,933	9,200,535	7,876,070
Protective services	14,399,198	15,849,727	13,276,809
Street maintenance and environment	15,553,198	14,833,799	12,624,155
Switch program	780,000	787,165	783,835
Tourism accommodation levy	1,165,650	1,636,003	608,944
Water and sewer	9,698,218	8,597,026	8,068,528
	<u>85,912,865</u>	<u>92,766,742</u>	<u>74,419,743</u>
Operating Surplus (Deficit)	<u>(6,576,348)</u>	<u>3,755,350</u>	<u>3,690,516</u>
Other revenues (expenditures)			
Government transfers for capital (Note 17)	39,555,897	10,382,213	10,915,890
Municipal capital expenditure grant (Note 18)	3,000,000	4,049,675	2,109,702
Extraordinary item	(2,765,000)	-	-
Gain on disposal of tangible capital assets	-	74,212	1,071,110
Pension expense (Note 9)	-	(1,286,317)	(868,094)
Sick and post employment benefits	-	555,417	(353,377)
Pension valuation allowance (Note 9)	-	(792,142)	(1,030,563)
	<u>39,790,897</u>	<u>12,983,058</u>	<u>11,844,668</u>
Annual Surplus	<u>\$ 33,214,549</u>	<u>16,738,408</u>	<u>15,535,184</u>
Accumulated Surplus - Beginning of Year		198,454,799	183,173,299
Payments from reserves		(785,261)	(253,684)
Accumulated Surplus - End of Year (Note 20)		<u>\$ 214,407,946</u>	<u>\$ 198,454,799</u>

Notes 1 - 25 are an integral part of these consolidated financial statements

CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2023

	Budget 2023	Actual 2023	Actual 2022
Net Debt - Beginning of Year	\$ 104,618,474	\$104,618,474	\$100,949,324
Annual surplus	(33,214,549)	(16,738,408)	(15,535,184)
Amortization of tangible capital assets	(10,200,000)	(11,629,475)	(10,497,545)
Purchase of tangible capital assets	103,810,342	51,113,531	29,335,338
Proceeds from sale of tangible capital assets	-	(75,832)	(1,284,296)
Purchase of intangible assets	-	271,032	6,127
Gain on disposal of tangible capital assets	-	74,212	1,071,110
Increase (decrease) in prepaid expenses	-	(484,301)	61,023
Increase in inventory of supplies	-	393,679	258,893
Payments from reserves	-	785,261	253,684
Change in Net Debt	80,795,793	23,709,699	3,669,150
Net Debt - End of Year	\$ 185,414,267	\$128,328,173	\$104,618,474

Notes 1 - 25 are an integral part of these consolidated financial statements

**CITY OF CHARLOTTETOWN
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2023**

	2023	2022
Cash Flows From Operating Activities		
Annual surplus	\$ 16,738,408	\$ 15,535,184
Amortization of tangible capital assets	11,629,475	10,497,545
Gain on disposal of tangible capital assets	(74,212)	(1,071,110)
	<u>28,293,671</u>	<u>24,961,619</u>
Change in Non-Cash Working Capital		
(Increase) decrease in accounts receivable	(7,566,971)	4,522,836
(Increase) decrease in inventory for resale	(9,501)	3,297
Decrease in other assets	13,467	12,172
Decrease in accrued pension liability	(48,732)	(28,081)
Increase in accounts payable and accrued liabilities	19,855,620	3,780,604
Increase in deferred revenue	283,820	1,467,614
Increase (decrease) in sick leave and post employment benefits	(555,417)	353,377
Increase in due to related parties	-	27,590
Increase in inventory of supplies	(393,679)	(258,893)
(Increase) decrease in prepaid expenses	484,286	(61,023)
Increase in loans receivable	(3,954,881)	(501,936)
	<u>8,108,012</u>	<u>9,317,557</u>
	<u>36,401,683</u>	<u>34,279,176</u>
Cash Flows From Capital Activity		
Purchase of tangible capital assets	(51,113,531)	(29,335,338)
Proceeds from sale of tangible capital assets	75,832	1,284,296
Purchase of intangible assets	(271,032)	(6,127)
	<u>(51,308,731)</u>	<u>(28,057,169)</u>
Cash Flows From Investing Activity		
Increase in investment in Government Business Enterprise	(161,686)	(109,525)
Cash Flows From Financing Activities		
Proceeds from long term debt	3,248,785	902,440
Repayment of long term debt	(7,600,934)	(8,001,647)
Payments from reserves	(785,261)	(253,684)
	<u>(5,137,410)</u>	<u>(7,352,891)</u>
Decrease in Cash (Bank Indebtedness)	<u>(20,206,144)</u>	<u>(1,240,409)</u>
Cash (Bank Indebtedness) - Beginning of Year	<u>18,778,180</u>	<u>20,018,589</u>
Cash (Bank Indebtedness) - End of Year (Note 5)	<u>\$ (1,427,964)</u>	<u>\$ 18,778,180</u>

Notes 1 - 25 are an integral part of these consolidated financial statements

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

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 consolidated 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 annual surplus 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. ("CARI")
- 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, 2023**

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), Switch Program and Canada Community Building 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.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

3. Accounting Policies (continued)

Loans Receivable

During the year, the City received funding from the Federation of Canadian Municipalities' Green Municipal Fund to provide residents with interest free loans to complete home upgrades relating to energy efficiency, renewable energy, and energy storage projects. Residents have access to borrow up to 15% of the assessed value of their home to finance such upgrades. Repayments are made in monthly installments with maximum repayment period of up to 15 years. At March 31, 2023, the City has not recorded a valuation allowance for any expected collectibility issues.

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.

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 and Inventory for Resale

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.

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.

Intangible Assets

Intangible assets, which consists of the City's official plan, are stated at cost and will be amortized over the estimated useful life once the official plan is complete.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

3. Accounting Policies (continued)

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%

The City 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. One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

Contributions of tangible capital assets are recorded at their fair market value at the date of contribution.

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.

Asset Retirement Obligations

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Consolidated Statement of Operations. Refer to Notes 21 and 22 for the City's estimated obligation for decommissioning of the lagoon in East Royalty and the landfill closure plan for East Royalty Landfill site.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

3. Accounting Policies (continued)

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.

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.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

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, inventory values, 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. Uncertainty exists in the amount recorded for inventory values as inventory may become obsolete or unusable.

5. Cash (Bank Indebtedness)

	2023	2022
Externally restricted cash (Note 23)	\$ 18,098,758	\$ 14,039,542
Unrestricted cash	13,673,393	9,983,802
Internally restricted cash (Note 23)	1,466,240	2,251,502
Bank indebtedness	<u>(34,666,355)</u>	<u>(7,496,666)</u>
	<u>\$ (1,427,964)</u>	<u>\$ 18,778,180</u>

The City has approved credit facilities with RBC of \$16,000,000; 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 an approved line of credit with National Bank for \$10,000,000 for short term financing on capital projects.

6. Accounts Receivable

	2023	2022
Trade receivables	\$ 3,780,427	\$ 3,467,507
Harmonized sales tax receivable	2,205,507	1,156,821
Other receivables	<u>527,613</u>	<u>542,077</u>
	6,513,547	5,166,405
Allowance for doubtful accounts	<u>(649,950)</u>	<u>(569,078)</u>
	<u>\$ 5,863,597</u>	<u>\$ 4,597,327</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

7. Capital Grants Receivable

	2023	2022
Province of PEI - Fiona relief	\$ 7,279,064	\$ -
Municipal Capital Expenditure Grant	3,740,238	2,120,447
Active Transportation Fund	323,517	51,412
Province of PEI - Other	157,188	255,020
Atlantic Canada Opportunities Agency	19,541	-
Investing in Canada Infrastructure Program	-	2,791,966
	<u>\$ 11,519,548</u>	<u>\$ 5,218,845</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, 2023 and March 31, 2022 is as follows:

	2023	2022
Consolidated Statement of Financial Position		
Assets		
Current assets	\$ 4,732,388	\$ 8,126,322
Property inventory	2,392,744	2,573,292
Property and equipment	32,948	30,478
Investment properties	73,972,800	69,207,373
Mortgages receivable, less current portion	232,671	217,499
	<u>\$ 81,363,551</u>	<u>\$ 80,154,964</u>
Liabilities		
Current liabilities	\$ 10,388,415	\$ 16,581,932
Long term debt	18,440,255	12,132,914
Deferred revenues	40,164,228	40,147,368
	<u>68,992,898</u>	<u>68,862,214</u>
Shareholders' Equity		
Capital stock	2,500	2,500
Contributed surplus	4,526,706	4,526,706
Retained earnings	7,841,447	6,763,544
	<u>12,370,653</u>	<u>11,292,750</u>
	<u>\$ 81,363,551</u>	<u>\$ 80,154,964</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

8. Investment in Government Business Enterprise (continued)

	2023	2022
Consolidated Statement of Comprehensive Income		
Revenue		
Operating revenue	\$ 1,702,916	\$ 1,345,044
Other	302,981	363,311
	2,005,897	1,708,355
Expenditures	927,994	978,181
Net earnings for the year	1,077,903	730,174
Retained earnings - beginning of year	6,763,544	6,033,370
Retained earnings - end of year	\$ 7,841,447	\$ 6,763,544
Investment - beginning of year	\$ 1,693,912	\$ 1,584,387
Share of net income (15%)	161,686	109,525
Investment - end of year	\$ 1,855,598	\$ 1,693,912

Key Activities and Commitments:

Demand loans of \$7,131,601 (2022 - \$11,976,067) are due on demand, interest at prime minus .1% and bankers' acceptance rate plus .75%, with interest paid monthly.

The 2.95%, 2.92%, 3.11%, 4.18% and 2.48% 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. A first mortgage on land and buildings located in the BioCommons Park, a promissory note and general assignment of rents representing a first charge on rents on the Bio Manufacturing Incubator have been pledged as security for the 3% mortgage due December 2026.

The debt agreement contains certain restrictive covenants which require the maintenance of a specific ratio. As at March 31, 2023, 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, the Town of Stratford, and the Town of Cornwall are minority shareholders. Included in accounts receivables was \$66,063 (2022 - \$23,756) due from City of Charlottetown and included in accounts payable was \$47,566 (2022 - \$Nil) due to City of Charlottetown.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

9. Accrued Pension Liability

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, 2019 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, 2022.

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, 2023	March 31, 2022
Pre-retirement discount rate	City - 5.85% per annum Water & Sewer - 5.55% per annum	City - 5.85% per annum Water & Sewer - 5.55% per annum
Post-retirement discount rate	City - 5.85% per annum prior to age 60 5.50% per annum after age 60 Water & Sewer - 5.50% per annum	City - 5.85% 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 - 5.85% per annum Water & Sewer - 5.55% per annum	City - 5.85% per annum Water & Sewer - 5.55% 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 - \$3,092.22 per year of service in 2020 with increase of 3.50% per annum after 2020 Water and Sewer - Lesser of 2% or \$1,722.22 per year of service	City - \$3,092.22 per year of service in 2020 with increase of 3.50% per annum after 2020 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, 2023

9. Accrued Pension Liability (continued)

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

	2023	2022
Change in fair value of plan assets:		
Balance - beginning of year	\$107,678,242	\$101,116,483
Employer contributions	2,094,422	1,874,133
Employee contributions	2,094,575	1,874,133
Employee past service contributions	-	35,835
Investment return	6,294,455	5,911,081
Actuarial gain (loss) on plan assets	(5,406,290)	795,404
Benefits paid	<u>(4,350,440)</u>	<u>(3,928,827)</u>
Balance - end of year	<u>108,404,964</u>	<u>107,678,242</u>
Changes in accrued benefit obligation:		
Balance - beginning of year	99,220,385	91,242,355
Current service costs	3,853,267	3,447,859
Interest on liabilities	5,789,851	5,324,658
Employee past service contributions	-	35,835
Actuarial gains (losses)	(141,985)	3,098,505
Benefits paid	<u>(4,350,440)</u>	<u>(3,928,827)</u>
Balance - end of year	<u>104,371,078</u>	<u>99,220,385</u>
Change in unamortized actuarial gains and losses:		
Balance - beginning of year	(1,339,578)	(3,786,412)
Experience gains and losses	5,264,306	2,303,101
Amortization of actuarial gains and losses	<u>(48,193)</u>	<u>143,733</u>
Balance - end of year	<u>3,876,535</u>	<u>(1,339,578)</u>
Pension valuation allowance	<u>(7,910,421)</u>	<u>(7,118,279)</u>
Accrued pension asset	<u>\$ -</u>	<u>\$ -</u>
The expense for the defined benefit plans is as follows:		
Current service costs	\$ 3,853,267	\$ 3,447,859
Amortization of actuarial gains and losses	48,192	(143,733)
Employee contributions	(2,094,575)	(1,874,133)
Interest on liabilities	5,789,851	5,324,658
Expected investment return	<u>(6,294,455)</u>	<u>(5,911,081)</u>
Pension expense	<u>\$ 1,302,280</u>	<u>\$ 843,570</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

9. Accrued Pension Liability (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:

	2023	2022
Change in fair value of plan assets:		
Balance - beginning of year	\$ 10,425,311	\$ 10,359,293
Employer contributions	32,769	52,605
Employee contributions	5,608	7,312
Investment return	558,476	557,351
Actuarial gain (loss) on plan assets	(553,887)	142,551
Benefits paid	(763,752)	(693,801)
	<u>9,704,525</u>	<u>10,425,311</u>
Changes in accrued benefit obligation:		
Balance - beginning of year	10,055,089	10,059,682
Current service costs	38,249	49,872
Interest on liabilities	537,924	540,443
Actuarial (gains) losses	288	98,893
Benefits paid	(763,752)	(693,801)
	<u>9,867,798</u>	<u>10,055,089</u>
Change in unamortized actuarial gains and losses:		
Balance - beginning of year	(448,182)	(405,652)
Experience gains and losses	554,175	(43,658)
Amortization of actuarial gains and losses	28,052	1,128
	<u>134,045</u>	<u>(448,182)</u>
Accrued pension liability	<u>\$ (29,228)</u>	<u>\$ (77,960)</u>
The expense for the defined benefit plans is as follows:		
Current service costs	\$ 38,249	\$ 49,872
Amortization of actuarial gains and losses	(28,052)	(1,128)
Employee contributions	(5,608)	(7,312)
Interest on liabilities	537,924	540,443
Expected investment return	(558,476)	(557,351)
	<u>\$ (15,963)</u>	<u>\$ 24,524</u>
Consolidated Pension Expense	\$ 1,286,317	\$ 868,094
Consolidated Accrued Pension Liability	\$ (29,228)	\$ (77,960)
Consolidated Pension Valuation Allowance	\$ 792,142	\$ 1,030,563

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

9. Accrued Pension Liability (continued)

Employee Future Benefits - Defined Contribution Pension Plan

The City provides the Mayor 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, 2023 contribution rate was 12.25% (2022 - 12.25%) and contributions for Mayor and Council for 2023 are \$64,517 (2022 - \$58,893).

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, 2023 is \$16,040 (2022 - \$10,717) 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, 2023 is \$74,456 (2022 - \$66,062) and is included in payroll expenses.

10. Deferred Revenue

	2023	2022
Canada Mortgage and Housing Corporation - Rapid Housing Initiative	\$ 5,000,000	\$ -
Canada Community Building Fund	4,474,059	9,199,170
CARI - deferred contributions	1,335,794	1,358,428
Province of PEI	813,008	812,412
Special Events Reserve Funds (SERF)	768,750	556,089
CCCMI - deferred contributions	424,140	355,877
Federation of Canadian Municipalities - Switch funding	278,381	-
Other	226,042	754,378
Active Transportation Fund	157,025	157,025
	<u>\$ 13,477,199</u>	<u>\$ 13,193,379</u>

Under the Canada Community Building Fund for Incorporated Communities, the City was allocated \$3,489,829 for fiscal year ending March 31, 2023 and \$7,172,694 for fiscal year ending March 31, 2022. 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 Canada Community Building funding of \$3,489,829 (2022 - \$7,172,694), incurred eligible expenditures of \$8,443,606 (2022 - \$4,042,665), and earned interest of \$228,742 (2022 - \$49,097).

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, 2023

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, 2023 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, 2022 for comparative information and to March 31, 2023 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 12 years as at March 31, 2023.

The actuarial valuation was done using the following assumptions:

Assumption	March 31, 2023	March 31, 2022
Discount rate	3.09% per annum	3.00% 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, 2023**

11. Sick Leave and Post Employment Benefits (continued)

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

	2023	2022
Changes in accrued benefit obligations:		
Sick leave - beginning of year	\$ 3,658,693	\$ 3,492,951
Current service costs	348,818	340,279
Interest on liabilities	118,467	111,060
Actuarial gains	(209,033)	(23,112)
Benefits paid	<u>(347,291)</u>	<u>(262,485)</u>
Sick leave - end of year	<u>3,569,654</u>	<u>3,658,693</u>
Post employment benefits - beginning of year	3,313,310	3,125,675
Current service costs	244,906	239,514
Interest on liabilities	100,944	99,060
Actuarial gains	(229,374)	(24,601)
Benefits paid	<u>(582,854)</u>	<u>(126,338)</u>
Post employment benefits - end of year	<u>2,846,932</u>	<u>3,313,310</u>
Accrued benefit obligations - end of year	<u>\$ 6,416,586</u>	<u>\$ 6,972,003</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 2023 was determined to be \$96,223 (2022 - \$132,267).

12. Due To Related Parties

	2023	2022
City of Charlottetown Superannuation Plan	\$ 55,058	\$ 55,058
Charlottetown Water and Sewer Corporation Superannuation Plan	<u>13,811</u>	<u>13,811</u>
	<u>\$ 68,869</u>	<u>\$ 68,869</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

13. Long Term Debt

	2023	2022
TD - 2.87%; repayable in monthly blended installments of \$163,599; maturing February 2, 2045	\$ 31,906,417	\$ 32,937,823
CIBC - prime less 0.5%; Bankers Acceptance; repayable in monthly principal installments of \$91,667 plus interest; maturing January 2038	16,408,333	17,508,333
RBC - 4.06%; Bankers Acceptance; maturing August 2030	10,536,000	11,704,000
RBC - 2.25%; Bankers Acceptance; maturing December 2036	6,689,000	7,085,000
TD - 4.465%; Bankers Acceptance; maturing August 19, 2033	6,295,829	6,760,324
CMHC - 4.12%; repayable in blended annual installments of \$633,100; maturing March 2031	4,241,457	4,681,669
Federation of Canadian Municipalities - 0%; repayable in semi-annual principal installments commencing in 2026. The loan matures on February 10, 2045	4,151,225	902,440
TD - 2.9%; Bankers Acceptance; maturing June 2032	3,949,970	4,316,998
CMHC - 3.7%; repayable in blended annual installments of \$530,410; maturing September 2030	3,615,770	3,996,092
CDS Clearing and Depository Services Inc. - 5.79%; repayable in blended semi-annual installments of \$850,623; debenture maturing July 2024	2,410,947	3,907,310
TD - 3.25%; repayable in monthly blended installments of \$6,164; maturing September 9, 2039	945,856	987,868
TD & RBC - Various rates 1.981% - 3.49%; payments and maturity dates from 2020 through 2028	245,215	467,261
Scotiabank - prime plus 0.25%; repayable in monthly installments of \$3,208 plus interest; maturing July 2024	49,754	86,822
RBC - (CARI) 0%; Canada Emergency Business Account (CEBA) loan maturing January 18, 2024, after such time the loan will automatically be converted to a 5% term loan, due December 2025, with interest payments due monthly, unsecured	40,000	40,000
TD - 3.17%; Bankers Acceptance; repaid during the year	-	362,885
TD - 2.26%; Bankers Acceptance; repaid during the year	-	93,099
	\$ 91,485,773	\$ 95,837,924

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

13. Long Term Debt (continued)

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

2024	\$ 7,358,731
2025	6,599,656
2026	5,928,265
2027	6,088,438
2028	6,270,521
Thereafter	55,088,115

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

14. 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, 2023, this amounted to total property tax reductions of \$1,157,381 (2022 - \$1,072,404).

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.

The City 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) 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. For the year ended March 31, 2023, the annual subsidy provided by the City to Trius Tours is \$1,741,946 (2022 - \$1,157,320). 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.

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

14. Commitments and Contingencies (continued)

e) City Contracts

Through resolutions of City Council, the City has committed to spend \$3,420,163 for various capital projects and \$1,204,635 for annual commitments. Included in capital projects is \$2,256,235 in outstanding costs for a contract with Honeywell Limited to have energy upgrades completed on various buildings. The Water and Sewer Corporation has awarded tenders totaling \$2,452,936 for capital projects to be completed over the next fiscal year and committed \$262,071 for annual commitments.

f) 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, 2024. Also, as part of the agreement, the City receives \$70,000 for the naming rights of CARI.

g) 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, 2024 fiscal year is \$32,000.

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

15. 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 2023 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	\$40,144,645	\$-	\$40,144,645
Government transfers for operations	16,175,677	-	16,175,677
Water and sewer	14,179,198	(1,211,858)	12,967,340
Parking	1,025,000	-	1,025,000
Licenses	1,099,300	-	1,099,300
Police protection services	1,243,737	-	1,243,737
Recreation	634,025	3,727,073	3,906,098
Rentals	891,070	(205,000)	686,070
Interest and other	70,000	-	70,000
Switch program	-	853,000	853,000
Tourism accommodation levy	1,165,650	-	1,165,650
Total Revenues	76,628,302	2,708,215	79,336,517
Expenditures			
Amortization of tangible capital assets	6,700,000	3,500,000	10,200,000
Development, heritage and other	10,682,683	73,000	10,755,683
General government	8,198,985	-	8,198,985
Interest on long term debt	2,475,000	1,580,000	4,055,000
Parks and recreation	5,977,676	5,129,257	11,106,933
Protective services	15,611,056	(1,211,858)	14,399,198
Street maintenance	15,553,198	-	15,553,198
Switch program	-	780,000	780,000
Tourism accommodation levy	1,165,650	-	1,165,650
Water and sewer	14,983,218	(5,285,000)	9,698,218
Total Expenditures	81,347,466	4,565,399	85,912,865
Operating Surplus (Deficit)	(4,719,164)	(1,857,184)	(6,576,348)
Municipal Capital Expenditure Grant	3,000,000	-	3,000,000
Government transfers for Capital	39,555,897	-	39,555,897
Extraordinary item	(2,765,000)	-	(2,765,000)
Annual Surplus	35,071,333	(1,857,184)	33,214,549
Prior year surplus	4,494,808	(4,494,808)	-
Annual Surplus	\$39,566,541	\$(6,351,992)	\$33,214,549

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

16. Government Transfers For Operations

	Budget 2023	Actual 2023	Actual 2022
Municipal support grant	\$ 16,035,677	\$ 16,363,998	\$ 16,076,460
Fiona relief funds	-	7,086,283	-
Covid 19 funding	-	292,060	120,000
Transit funding	-	180,000	180,000
Grant in lieu of property taxes (QEH)	140,000	140,000	140,000
	<u>\$ 16,175,677</u>	<u>\$ 24,062,341</u>	<u>\$ 16,516,460</u>

17. Government Transfers For Capital

Canada Community Building Fund	\$ 7,830,000	\$ 8,443,607	\$ 3,930,250
Investing in Canada Infrastructure Program	27,897,642	1,459,804	4,850,164
Active Transportation Fund	1,415,450	398,517	670,162
Atlantic Canada Opportunities Agency	-	80,285	185,187
Other	2,412,805	-	46,943
Clean Water and Wastewater Fund	-	-	645,244
Covid 19 funding	-	-	587,940
	<u>\$ 39,555,897</u>	<u>\$ 10,382,213</u>	<u>\$ 10,915,890</u>

18. 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.

19. Prior Period Adjustments

During the year, an adjustment was identified to correct misstatements in the fiscal 2022 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, 2022 audited financial statements. The comparative figure for Cash has been increased by \$44,622 and the comparative figure for Tourism Accommodation Levy revenue has been decreased by \$44,622.

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

20. Accumulated Surplus

	2023	2022
Unrestricted (deficit)	\$ (162,901)	\$ (78,029)
Restricted surplus		
Sick and post-employment benefits reserve	1,466,241	2,251,502
Special events attraction reserve	5,981	5,981
Parkland reserve	3,800	3,800
Investment in tangible capital assets	<u>213,094,825</u>	<u>196,271,545</u>
Total accumulated surplus	<u>\$214,407,946</u>	<u>\$198,454,799</u>

21. 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, 2023, a total liability for the decommissioning of the East Royalty Lagoon of \$180,993 (2022 - \$181,323) has been recorded in accounts payable and accrued liabilities.

22. 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, 2023, a total liability for the closure of East Royalty Landfill of \$4,825,247 (2022 - \$4,825,247) has been recorded in accounts payable and accrued liabilities. As at March 31, 2023, a total liability for the annual monitoring for the East Royalty Landfill of \$529,532 (2022 - \$535,582) was recorded in accounts payable and accrued liabilities.

23. 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:

	2023	2022
Internally restricted cash available for benefits - beginning of year	\$ 2,251,502	\$ 2,505,186
Due to operating fund for benefit payments	<u>(785,262)</u>	<u>(253,684)</u>
Internally restricted cash available for benefits - end of year	<u>\$ 1,466,240</u>	<u>\$ 2,251,502</u>

CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

23. Restricted Cash (continued)

Also, restricted cash is comprised of cash held in a separate bank account for Canada Community Building Fund. These funds have been externally restricted. The continuity of restricted cash is as follows:

Externally restricted cash - beginning of year	\$12,822,123	\$ 6,435,090
Contributions	3,489,829	7,172,694
Interest earned	282,900	49,097
Payments and transfers	-	(834,758)
Externally restricted cash - end of year	<u>\$16,594,852</u>	<u>\$12,822,123</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	\$ 556,089	\$ 597,046
Contributions	528,818	340,640
Payments	(316,157)	(381,597)
Externally restricted cash - end of year	<u>\$ 768,750</u>	<u>\$ 556,089</u>

Also, restricted cash is comprised of cash held in a separate bank account for Switch program funding. These funds have been externally restricted. The continuity of restricted cash is as follows:

Externally restricted cash - beginning of year	\$ 661,330	\$ -
Contributions	4,381,956	1,618,650
Payments	(4,308,130)	(957,320)
Externally restricted cash - end of year	<u>\$ 735,156</u>	<u>\$ 661,330</u>
Total externally restricted cash	<u>\$18,098,758</u>	<u>\$14,039,542</u>

24. 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, 2023.

Credit risk

Credit risk arises from the potential that a party will fail to fulfill its obligations. The City 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 City has a significant number of customers which minimizes concentration of credit risk.

**CITY OF CHARLOTTETOWN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

24. Risk Management and Financial Instruments (continued)

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 City manages exposure through its normal operating and financing activities. The City 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 City is exposed to this risk mainly in respect of receipt of government funding, long term debt and accounts payable.

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.

**CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2023**

	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	\$ 13,285,637	\$ 1,426,754	\$ -	\$ 14,712,391	\$ -	\$ -	\$ -	\$ -	\$ 14,712,391
Land									
Land improvements	13,513,048	2,637,933	-	16,150,981	5,313,464	475,928	-	5,789,392	10,361,589
Assets under construction	5,690,957	17,338,357	-	23,029,314	-	-	-	-	23,029,314
Buildings	51,050,364	3,728,771	-	54,779,135	26,314,869	664,997	-	26,979,866	27,799,269
Computers	1,718,025	316,755	-	2,034,780	1,128,618	149,557	-	1,278,175	756,605
Computer software	926,796	118,069	-	1,044,865	253,449	146,476	-	399,925	644,940
Road infrastructure	68,202,649	7,918,127	-	76,120,776	26,842,471	2,265,962	-	29,108,433	47,012,343
Furniture and fixtures	477,922	31,285	-	509,207	321,510	34,411	-	355,921	153,286
Motor vehicles	10,536,276	1,761,895	(400,814)	11,897,357	2,583,754	1,116,817	(399,194)	3,301,377	8,595,980
Fire trucks	7,727,457	-	-	7,727,457	1,784,653	237,712	-	2,022,365	5,705,092
Streets/sidewalks	9,573,737	2,365,796	-	11,939,533	3,108,701	305,918	-	3,414,619	8,524,914
Storm sewers	43,336,325	4,199,934	-	47,536,259	10,856,410	691,598	-	11,548,008	35,988,251
Equipment	17,327,837	700,746	-	18,028,583	9,656,087	1,047,300	-	10,703,387	7,325,196
	243,367,030	42,544,422	(400,814)	285,510,638	88,163,986	7,136,676	(399,194)	94,901,468	190,609,170

**CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2023**

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	1,263,805	-	-	1,263,805	-	-	-	-	1,263,805	
Land improvements	7,829	-	-	7,829	4,334	175	-	4,509	3,320	
Buildings	4,727,309	-	-	4,727,309	1,691,581	80,143	-	1,771,724	2,955,585	
Vehicles	1,631,344	190,471	-	1,821,815	1,111,710	119,478	-	1,231,188	590,627	
Equipment	7,815,925	172,034	-	7,987,959	6,134,761	353,436	-	6,488,197	1,499,762	
Computers and software	46,164	2,585	-	48,749	38,284	1,834	-	40,118	8,631	
Furniture	572,882	-	-	572,882	518,898	10,797	-	529,695	43,187	
Water, sewer, and treatment plant	164,865,788	2,055,080	-	166,920,868	42,632,154	2,465,224	-	45,097,378	121,823,490	
Assets under construction	1,572,278	3,818,689	-	5,390,967	-	-	-	-	5,390,967	
	182,503,324	6,238,859	-	188,742,183	52,131,722	3,031,087	-	55,162,809	133,579,374	
CARI	26,871,797	950,497	-	27,822,294	13,904,677	961,336	-	14,866,013	12,956,281	
CCCM	3,927,521	1,379,753	-	5,307,274	3,040,138	500,376	-	3,540,514	1,766,760	
	214,874,920	8,569,109	-	221,871,751	69,076,537	4,492,799	-	73,569,336	148,302,415	
	\$ 458,241,950	\$ 51,113,531	\$ (400,814)	\$ 507,382,389	\$ 157,240,523	\$ 11,629,475	\$ (399,194)	\$ 168,470,804	\$ 338,911,585	

**CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2022**

	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	\$ 13,307,064	2,285	(23,712)	\$ 13,285,637	-	-	-	\$ -	\$ 13,285,637
Land improvements	12,204,744	1,308,304	-	13,513,048	4,916,336	397,128	-	5,313,464	8,199,584
Assets under construction	632,892	5,058,065	-	5,690,957	-	-	-	-	5,690,957
Buildings	48,090,785	2,959,579	-	51,050,364	25,718,569	596,300	-	26,314,869	24,735,495
Computers	1,509,754	208,271	-	1,718,025	1,007,300	121,318	-	1,128,618	589,407
Computer software	496,649	430,147	-	926,796	138,881	114,568	-	253,449	673,347
Road infrastructure	63,441,090	4,761,559	-	68,202,649	24,790,924	2,051,547	-	26,842,471	41,360,178
Furniture and fixtures	342,372	135,550	-	477,922	288,946	32,564	-	321,510	156,412
Motor vehicles	8,121,102	3,256,063	(840,889)	10,536,276	2,424,261	922,571	(763,078)	2,583,754	7,952,522
Fire trucks	6,037,120	1,840,299	(149,962)	7,727,457	1,720,242	209,481	(145,070)	1,784,653	5,942,804
Streets/sidewalks	8,893,075	680,662	-	9,573,737	2,853,505	255,196	-	3,108,701	6,465,036
Storm sewers	42,646,058	690,267	-	43,336,325	10,200,598	655,812	-	10,856,410	32,479,915
Equipment	17,182,249	700,588	(555,000)	17,327,837	9,015,794	1,089,537	(449,244)	9,656,087	7,671,750
	222,904,954	22,031,639	(1,569,563)	243,367,030	83,075,356	6,446,022	(1,357,392)	88,163,986	155,203,044

**CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2022**

	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	1,263,805	-	-	1,263,805	-	-	-	-	1,263,805	
Land improvements	7,829	-	-	7,829	4,150	184	-	4,334	3,495	
Buildings	4,727,309	-	-	4,727,309	1,611,439	80,142	-	1,691,581	3,035,728	
Vehicles	1,480,942	191,315	(40,913)	1,631,344	1,069,996	81,331	(39,617)	1,111,710	519,634	
Equipment construction	7,691,308	124,617	-	7,815,925	5,730,048	404,713	-	6,134,761	1,681,164	
Computers and software	42,726	3,438	-	46,164	36,744	1,540	-	38,284	7,880	
Furniture	572,024	858	-	572,882	505,509	13,389	-	518,898	53,984	
Water, sewer, and treatment plant	161,770,649	3,095,147	-	164,865,788	40,153,129	2,479,025	-	42,632,154	122,233,634	
	177,556,592	4,987,653	(40,913)	182,503,324	49,111,015	3,060,324	(39,617)	52,131,722	130,371,602	
CARI	25,431,366	1,440,431	-	26,871,797	13,094,952	809,725	-	13,904,677	12,967,120	
CCCOMI	3,051,906	875,615	-	3,927,521	2,858,953	181,474	-	3,040,138	887,383	
	206,039,864	7,303,699	(40,913)	213,302,642	65,064,920	4,051,523	(79,234)	69,076,537	144,226,105	
	\$ 428,944,818	\$ 29,335,338	\$ (1,610,476)	\$ 456,669,672	\$ 148,140,276	\$ 10,497,545	\$ (1,476,243)	\$ 157,240,523	\$ 299,429,149	

CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEGMENT OPERATING DISCLOSURES
YEAR ENDED MARCH 31, 2023

	General Government	Protective Services	Maintenance & Environment	Street	Parks and Recreation	Development, Heritage and Other	Water and Sewer	Schedule 2 Total
Revenues								
Property tax	\$ 44,118,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,118,086
Government transfers for operations	24,062,341	-	-	-	-	-	-	24,062,341
Sales of goods and services	-	-	-	-	-	-	13,000,243	13,000,243
Water and sewer	-	-	1,174,484	-	-	-	-	1,174,484
Parking (net)	-	1,479,198	-	-	-	-	-	1,479,198
Police	-	-	-	-	-	-	-	2,013,775
Licenses	2,013,775	-	-	-	-	-	-	2,013,775
Other revenues	-	-	-	-	-	1,685,084	-	1,685,084
Tourism accommodation levy	854,790	-	-	-	-	-	-	854,790
Switch	-	-	-	-	-	534,204	-	534,204
Rentals	-	-	-	-	5,680,806	-	-	5,680,806
Recreation	-	-	-	-	-	161,686	-	161,686
Net income from CADC	-	-	-	-	-	168,363	-	168,363
Interest and other	-	-	-	-	-	1,589,032	-	1,589,032
Miscellaneous	-	-	-	-	-	-	-	1,589,032
	71,048,992	1,479,198	1,174,484	1,174,484	5,680,806	4,138,369	13,000,243	96,522,092
Expenditures								
Salaries and benefits	3,437,127	13,510,918	8,888,253	8,888,253	5,531,050	2,670,782	3,859,449	37,897,579
Goods and services	4,609,327	2,338,809	5,945,546	5,945,546	3,669,485	7,616,524	4,737,577	28,917,268
Fiona	8,172,830	-	-	-	-	-	299,942	8,472,772
Tourism accommodation levy	-	-	-	-	-	1,636,003	-	1,636,003
Switch	-	-	-	-	-	787,165	-	787,165
Interest on long term debt	2,152,107	-	-	-	-	-	1,274,373	3,426,480
Amortization of tangible capital assets	7,136,676	-	-	-	1,461,712	-	3,031,087	11,629,475
	25,508,067	15,849,727	14,833,799	14,833,799	10,662,247	12,710,474	13,202,428	92,766,742
Operating surplus (deficit)	\$ 45,540,925	\$ (14,370,529)	\$ (13,659,315)	\$ (13,659,315)	\$ (4,981,441)	\$ (8,572,105)	\$ (202,185)	\$ 3,755,350

**CITY OF CHARLOTTETOWN
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEGMENT OPERATING DISCLOSURES
YEAR ENDED MARCH 31, 2022**

	Schedule 2 (continued)						
	General Government	Protective Services	Street Maintenance & Environment	Parks and Recreation	Development, Heritage and Other	Water and Sewer	Total
Revenues							
Property tax	\$ 38,596,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,596,294
Government transfers for operations	16,516,460	-	-	-	-	-	16,516,460
Sales of goods and services	-	-	-	-	-	12,083,352	12,083,352
Water and sewer	-	-	906,397	-	-	-	906,397
Parking (net)	-	1,471,010	-	-	-	-	1,471,010
Police	-	-	-	-	-	-	1,243,158
Licenses	1,243,158	-	-	-	-	-	-
Other revenues	-	-	-	-	737,003	-	737,003
Tourism accommodation levy	-	-	-	-	557,705	-	557,705
Rentals	-	-	-	-	-	-	716,210
Switch	716,210	-	-	-	-	-	-
Recreation	-	-	-	4,551,982	-	-	4,551,982
Net income from CADC	-	-	-	-	109,525	-	109,525
Interest and other	-	-	-	-	7,828	-	7,828
Miscellaneous	-	-	-	-	613,335	-	613,335
	57,072,122	1,471,010	906,397	4,551,982	2,025,396	12,083,352	78,110,259
Expenditures							
Salaries and benefits	3,013,278	11,144,872	6,945,400	4,644,373	2,346,917	3,741,361	31,836,201
Goods and services	3,787,976	2,131,937	5,678,755	3,231,697	7,898,276	4,327,167	27,055,808
Tourism accommodation levy	-	-	-	-	608,944	-	608,944
Switch	-	-	-	-	783,835	-	783,835
Interest on long term debt	2,238,763	-	-	-	-	1,398,647	3,637,410
Amortization	6,446,022	-	-	991,200	-	3,060,325	10,497,545
	15,486,039	13,276,809	12,624,155	8,867,270	11,637,972	12,527,500	74,419,743
Operating surplus (deficit)	\$ 41,586,083	\$ (11,805,799)	\$ (11,717,758)	\$ (4,315,288)	\$ (9,612,576)	\$ (444,148)	\$ 3,690,516

