



Financial Statements

December 31, 2008



Table of Contents

	Page
Consolidated Financial Statements	
Auditors' Report	1
Consolidated Statement of Financial Activities	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Changes in Financial Position	4
Consolidated Statement of Change in Net Debt	5
Notes to the Consolidated Financial Statements	6-12
Supplemental Schedules	
General Fund	
Statement of Financial Activities	13
Revenue Fund Statement of Financial Position	14
Capital Fund Statement of Financial Position	15
Statement of Investment in Tangible Capital Assets	16
Notes to the General Fund	17-19
Electric Utility	
Statement of Financial Activities	20
Revenue Fund Statement of Financial Position	21
Capital Fund Statement of Financial Position	22
Notes to the Electric Utility	23
Water and Sewer Utilities	
Water Utility – Statement of Financial Activities	24
Sewer Utility – Statement of Financial Activities	25
Combined Revenue Fund – Statement of Financial Position	26
Water Utility – Capital Fund – Statement of Financial Position	27
Sewer Utility – Capital Fund – Statement of Financial Position	28
Notes to the Water and Sewer Utilities	29-30
Summerside Community Network	
Statement of Financial Activities	31
Revenue Fund Statement of Financial Position	32
Capital Fund Statement of Financial Position	33
Notes to the Summerside Community Network	34

Auditors' report

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His Worship The Mayor and
Members of the City Council

We have audited the balance sheet of The City of Summerside at December 31, 2008, and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Summerside, Prince Edward Island
March 16, 2009

Chartered accountants



Consolidated Statement of Financial Activities
Year Ended December 31

	Page	2008 Budget	2008 Actual	2007 Actual
Revenue				
General Fund	13	\$ 13,023,667	\$ 14,332,999	\$ 12,743,510
Electric Utility	20	17,318,157	19,505,994	15,636,666
Water Utility	24	1,553,047	1,541,752	1,502,715
Sewer Utility	25	2,330,903	2,338,181	1,719,698
Summerville Community Network	31	580,930	573,218	442,831
		<u>34,806,704</u>	<u>38,292,144</u>	<u>32,045,420</u>
Expenditures, Financing and Transfers				
General Fund	13	13,023,514	14,332,745	12,743,311
Electric Utility	20	17,318,157	20,819,051	16,612,114
Water Utility	24	1,553,047	1,541,752	1,502,715
Sewer Utility	25	2,330,903	2,338,181	1,719,698
Summerville Community Network	31	546,541	573,218	429,556
		<u>34,772,162</u>	<u>39,604,947</u>	<u>33,007,394</u>
Excess of Revenues over Expenditures, Financing and Transfers		\$ <u>34,542</u>	(1,312,803)	(961,974)
Eliminations, Transfers and Other (Note 6)			<u>7,352,933</u>	<u>6,485,594</u>
Change in Total Fund Balances (see below)			<u>6,040,130</u>	<u>5,523,620</u>
Opening Fund Balances			<u>129,186,309</u>	<u>123,662,689</u>
Closing Fund Balances			<u>\$135,226,439</u>	<u>\$129,186,309</u>

Changes in Fund Balances

General (Page 13)	\$ 153	\$ 254	\$ 199
Electric (Page 20)	-	(1,313,057)	(975,448)
Water (Page 24)	-	-	-
Sewer (Page 25)	-	-	-
Summerville Community Network (Page 31)	<u>34,389</u>	-	<u>13,275</u>
	\$ <u>34,542</u>	(1,312,803)	(961,974)
Change in Reserve Funds		<u>1,112,078</u>	<u>1,554,988</u>
Change in Investment in Tangible Capital Assets (Page 16)		<u>6,240,855</u>	<u>4,930,606</u>
Change in Fund Balances		\$ <u>6,040,130</u>	\$ <u>5,523,620</u>



Consolidated Statement of Financial Position
December 31

	2008	2007
Financial Assets		
Receivables	\$ 11,582,497	\$ 22,366,196
Restricted Short Term Investments	1,859,436	1,090,443
Investment in Summerside Regional Development Corporation, at Cost	375	375
Sinking Fund Investments, at Market Value	<u>1,750,773</u>	<u>2,131,165</u>
	15,193,081	25,588,179
Liabilities		
Bank Indebtedness	9,415,766	6,758,032
Payables and Accruals		
Trade and Customer Deposits	2,791,760	6,275,169
Accrued Interest	369,935	610,769
Long Term Debt	<u>64,145,544</u>	<u>71,376,712</u>
	76,723,005	85,020,682
NET DEBT	(61,529,924)	(59,432,503)
Non-Financial Assets		
Intangibles, Net of Amortization	22,846	27,689
Tangible Capital Assets	<u>195,470,492</u>	<u>187,519,676</u>
	195,493,338	187,547,365
Inventory of Materials and Supplies, at Cost	<u>1,263,025</u>	<u>1,071,447</u>
	196,756,363	188,618,812
NET ASSETS	\$ 135,226,439	\$ 129,186,309
Fund Balances		
Revenue Funds	\$ (3,517,801)	\$ (2,204,997)
Reserves and Reserve Funds	28,503,496	27,391,417
Equity in Summerside Raceway Inc.	<u>1,035,629</u>	<u>1,035,629</u>
	26,021,324	26,222,049
Capital Funds – Investment in Tangible Capital Assets	<u>109,205,115</u>	<u>102,964,260</u>
	\$ 135,226,439	\$ 129,186,309

Commitments and Contingencies (Note 3)

On Behalf of the Council

On Behalf of Management



Consolidated Statement of Changes in Financial Position
Year Ended December 31

	2008	2007
Increase (Decrease) in Cash and Cash Equivalents		
Operating		
Change in Fund Balances	\$ 6,040,130	\$ 5,523,620
Depreciation and Amortization	4,843	4,843
Change in Non-Cash Operating Working Capital	6,867,882	(4,884,798)
Change in Short Term Investments	(768,993)	(776,085)
Change in Sinking Funds	380,392	106,470
	<u>12,524,254</u>	<u>(25,950)</u>
Financing		
Change in Long Term Debt and Related Sinking Fund	<u>(7,231,168)</u>	<u>15,973,499</u>
Investing		
Purchase of Tangible Capital Assets		
General Fund	(5,989,343)	(10,023,175)
Electric Utility	(421,959)	(1,062,007)
Water Utility	(332,255)	(146,221)
Sewer Utility	(1,098,019)	(7,771,552)
Summerside Community Network	(109,244)	(148,760)
	<u>(7,950,820)</u>	<u>(19,151,715)</u>
Net Decrease in Bank Indebtedness	(2,657,734)	(3,204,166)
Bank Indebtedness, Beginning of Year	<u>(6,758,032)</u>	<u>(3,553,866)</u>
Bank Indebtedness, End of Year	\$ (9,415,766)	\$ (6,758,032)



Consolidated Statement of Change in Net Debt
Year Ended December 31

	2008	2007
Consolidated Change in Fund Balances	\$ 6,040,130	\$ 5,523,620
Change in Intangibles	4,843	4,843
Change in Inventory	(191,575)	(64,824)
Acquisition of Tangible Capital Assets	<u>(7,950,819)</u>	<u>(19,151,716)</u>
Increase in Net Debt	(2,097,421)	(13,688,077)
Net Debt, Beginning of Year	<u>(59,432,503)</u>	<u>(45,744,426)</u>
Net Debt, End of Year	\$ <u>(61,529,924)</u>	\$ <u>(59,432,503)</u>



Notes to the Consolidated Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies

The consolidated financial statements of the City of Summerside are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the City for administration of their financial affairs and resources, and which are owned or controlled by the City.

b) Consolidated Entities

In addition to the General Fund, the organizations included in the consolidated financial statements are as follows:

City of Summerside Electric Utility	City of Summerside Sewer Utility
City of Summerside Water Utility	Summerside Community Network
Summerside Raceway Inc.	

c) Revenue Recognition

The accrual basis of accounting is used for all funds. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of legal obligation to pay.

d) Investments

Short term investments consist of Guaranteed Investment Certificates and are recorded at quoted market value. Sinking fund investments consist of equity and fixed income investments and are recorded at quoted market value.

e) Tangible Capital Assets

Effective January 1, 2007, the City adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the City continued to work towards compliance with the new recommendations for accounting for tangible capital assets. The task force that was put in place in December of 2007 continues to work towards determining the values and estimated net book value of the various asset categories. Their work is expected to be completed by December 31, 2009. At the current time, there is no additional information available for disclosure.



Notes to the Consolidated Financial Statements December 31, 2008

1. Summary of Significant Accounting Policies (cont'd)

e) Tangible Capital Assets (cont'd)

Tangible capital assets and projects in progress are recorded at cost. During construction, the City capitalizes interest as part of the costs of its capital assets. Interest capitalized during the year was \$229,648.

The City records depreciation on the assets funded through debt issuance at various rates on a straight line basis within the utilities. Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase. The City does not record depreciation on these assets.

f) Management Estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

g) New Accounting Standards

PS 1200 – Financial Statement Presentation

Effective January 1, 2008, the City adopted PS 1200 Financial Statement Presentation. This section establishes standards for recognition, presentation and disclosure in government financial statements. Governments are required to present a statement of financial position, statement of financial activities, statement of changes in net debt and a statement of changes in financial position. In addition, current year budget and actual figures are to be presented on both the statement of financial activities and the statement of changes in net debt.



Notes to the Consolidated Financial Statements
December 31, 2008

1. Summary of Significant Accounting Policies (cont'd)

h) Sick Leave

Accumulated sick leave credits earned up to December 31, 2008 are not recognized in the financial statements except for a reserve of \$1,187,103 at December 31, 2008. The costs will be recognized in the financial statements only when payments are made. The accumulated credits and reserves are allocated as follows:

2008			
	Accumulated Credits		
	Early Retirement	Regular Retirement	2008 Reserves
General Fund	\$ 907,070	\$ 1,300,028	\$ 399,787
Electric Fund	218,476	345,479	545,053
Water and Sewer	87,521	120,249	242,263
	<u>\$ 1,213,067</u>	<u>\$ 1,765,756</u>	<u>\$ 1,187,103</u>

2007			
	Accumulated Credits		
	Early Retirement	Regular Retirement	2007 Reserves
General Fund	\$ 859,553	\$ 1,230,520	\$ 465,045
Electric Fund	209,495	321,129	634,022
Water and Sewer	77,498	118,306	281,807
	<u>\$ 1,146,546</u>	<u>\$ 1,669,955</u>	<u>\$ 1,380,874</u>

Fair market value of the sinking funds total \$1,187,103 (2007 - \$1,380,874).



Notes to the Consolidated Financial Statements December 31, 2008

2. Pension Plans

The City maintains a non-contributory defined benefit final average pension plan, which covers employee services prior to November 1966. The plan provides pensions based on length of service and the final five-year average earnings. The most recent actuarial report was completed as of December 31, 1999. Based upon information provided by the actuaries, the actuarial present value of accrued pension benefits as at December 31, 1999 is \$1,471,075. The actuarial unfunded liability as at December 31, 1999 is \$251,681. The net assets available for benefits at December 31, 2008 are \$563,670.

The City maintains a separate contributory defined benefit career average pension plan which covers employee service after November 1966. The plan provides pensions based on a specific percentage of an individual's salary during all years of service. The plan was amended effective October 1, 2003 to increase contributions by both the City and members to 9% of pensionable earnings. The amendment did not directly increase liabilities under the plan. Under the terms of the plan, should the required contributions exceed 18%, the City has the right to amend the plan to reduce benefits accordingly for service accruing after the next anniversary date of the plan or to temporarily increase the City's contributions. Total contributions are used to provide basic benefits under the plan, including amortization of any deficits. Any remaining contributions are allocated to members as Member Contribution Credits (MCC's). The MCC's vest with the members. Accumulated MCC's will be used by the member to improve entitlements under the plan in the following order:

1. Increase normal retirement benefits by increasing earnings used in formula to maximum of highest average three-year earnings.
2. Reduce or eliminate early retirement reduction subject to *Income Tax Act* limit.
3. Provide pre- and post-retirement indexation to maximum levels permitted under the *Income Tax Act*.
4. Provide temporary bridge benefit from retirement date to age 65 subject to *Income Tax Act* limits.
5. Improve survivor benefits up to limits specified in *Income Tax Act*.

The superannuation plan is a registered pension plan which allows employee contributions to be tax deductible by the employee and invest earnings in the trust funds to be tax sheltered. In order to maintain their registered status, the pension administrators must agree to administer the plan in accordance with certain rules set forth by Canada Revenue Agency. As at December 31, 2007, the actuary determined that the pension plan's surplus was not in excess of the maximum surplus permitted.



Notes to the Consolidated Financial Statements December 31, 2008

2. Pension Plans (cont'd)

The most recent actuarial report was completed in August 2008 for the year ended December 31, 2007 and indicates the present value of the accrued pension benefits and the net assets available to provide for these benefits as shown below. Actuarial reports are prepared annually and the report for the year ended December 31, 2008 is expected to be completed in mid 2009.

	2007
Accrued Benefit Obligations	<u>\$ 17,954,047</u>
Plan Assets	
Fair Value, Beginning of Year	17,663,523
Return on Plan Assets	6,945
Administrative and Investment Management Fees	(131,327)
Benefits Paid	(583,986)
Employee Contributions	453,391
Employer Contributions	<u>453,391</u>
 Fair Value, End of Year	 <u>17,861,937</u>
 Funded Status – Plan Surplus	 (92,110)
Investment Valuation Reserve	<u>367,634</u>
 Actuarial Surplus	 <u>\$ 275,524</u>

The basis used to determine the present value of accrued pension benefits is the projected unit credit cost method with a 0% salary assumption. The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

Expected long term rate of return on plan assets	6.75%
Inflation rate	2.75%



Notes to the Consolidated Financial Statements

December 31, 2008

3. Commitments and Contingencies

Two agreements for the purchase of power have been signed. The first agreement, which terminates in October 2028, is with West Cape Wind Energy Inc. for the purchase of wind generation power. The second agreement, which is with NB Power, will terminate on September 30, 2009.

The City has been named as defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. The City is defending itself against these legal actions. The likelihood of any liability is not determinable at this time. The City has incurred costs of defending itself and its executives from certain actions. As at December 31, 2008, certain of these costs have been deferred pending the outcome of the related legal actions.

The City has provided a \$250,000 loan guarantee to a lender in support of a loan obtained by Downtown Summerside Inc. The principal balance of the loan at December 31, 2008 was \$150,000. A new Loan Guarantee for \$240,000 was signed on January 23, 2009 to replace the existing loan.

The City agreed to provide financial support in the form of a loan guarantee and operational funding to the Harbourfront Theatre. The City has provided a loan guarantee of \$150,000, which has a principal balance of \$45,000 at December 31, 2008.

4. Financial Instruments

The City's financial instruments consist of cash, receivables, investments, bank indebtedness, payables and accruals, and long-term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The City's financial instruments that are exposed to credit risk include accounts receivable. The City mitigates credit risk associated with its trade receivables through establishing credit approval limits and a regular monitoring process. The City generally considers the credit quality of its financial assets that are neither past due nor impaired to be solid. Credit risk is mitigated due to the large number of customers.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the City to interest rate risk include financial liabilities with floating interest rates. The City currently has lines of credit and demand notes which are exposed to interest rate risk due to floating rates.



Notes to the Consolidated Financial Statements December 31, 2008

4. Financial Instruments (Cont'd)

Foreign exchange

The City's foreign currency exchange risk relates to electrical purchases made in U.S. dollars. As at December 31, 2008, the City did not have any foreign exchange contracts to manage its foreign exchange risk.

5. Comparative Figures

Certain of the comparative figures for 2007 have been reclassified to conform to the 2008 financial statement presentation.

6. Eliminations, Transfers and Other

	2008	2007
Contributions from Government	\$ 2,940,708	\$ 2,816,595
Increase in Parkland Dedication Reserve	16,383	9,318
Debt Principal Repayments	1,901,082	1,015,160
Capital Spending	2,494,867	3,062,900
Decrease in Sinking Funds	(380,392)	(106,469)
Electric Depreciation	508,000	508,000
Net Transfers for Capital Expenditures	<u>(127,715)</u>	<u>(819,910)</u>
Total Eliminations, Transfers and Other	<u>\$ 7,352,933</u>	<u>\$ 6,485,594</u>



**General Fund
Statement of Financial Activities
Year Ended December 31**

	2008 Budget	2008 Actual	2007 Actual
Revenue	\$ <u>13,023,667</u>	\$ <u>14,332,999</u>	\$ <u>12,743,510</u>
Expenditures			
General Government	350,310	360,744	458,624
Finance	2,098,008	1,820,869	1,815,033
Human Resources	152,257	148,216	187,279
Economic Development and Heritage	503,298	604,478	737,116
Technical Services	198,843	180,098	169,707
Fire Services	527,840	534,563	516,162
Police Services	2,722,419	2,861,944	2,539,791
Public Works	1,573,060	2,032,973	1,660,161
Community Services	1,474,488	2,093,807	1,677,011
Capital Spending	<u>2,186,991</u>	<u>2,494,867</u>	<u>3,062,900</u>
	11,787,514	13,132,559	12,823,784
Financing and Transfers			
Debt Principal Repayments	1,450,000	1,414,186	545,527
Reserve to Future Expenditures	<u>(214,000)</u>	<u>(214,000)</u>	<u>(626,000)</u>
Expenditures, Financing and Transfers	<u>13,023,514</u>	<u>14,332,745</u>	<u>12,743,311</u>
Change in General Revenue Fund Balance	153	254	199
Opening Fund Balance	<u>922</u>	<u>922</u>	<u>723</u>
Ending Fund Balance	\$ <u>1,075</u>	\$ <u>1,176</u>	\$ <u>922</u>



General Fund
Revenue Fund Statement of Financial Position
December 31

	2008	2007
Financial Assets		
Receivables	\$ 4,009,926	\$ 3,002,826
Restricted Short Term Investments	86,323	62,000
Receivable from Other Funds		
General Capital Fund	-	1,021,496
Electricity Revenue Fund	3,067,899	2,612,810
Water and Sewer Revenue Fund	1,038,183	1,152,993
Summerville Community Network Capital Fund	129,216	148,672
Electric Utility Equity	461,754	461,754
Sinking Fund Investments, at Market Value	465,999	604,585
	<u>9,259,300</u>	<u>9,067,136</u>
Liabilities		
Bank Indebtedness (Note 2)	4,778,292	3,296,117
Payables and Accruals		
Trade	2,429,407	3,541,535
Accrued Interest	369,935	610,769
Payable to Other Funds		
Summerville Community Network Revenue Fund	59,050	13,275
General Capital Fund	313,846	-
	<u>7,950,530</u>	<u>7,461,696</u>
NET FINANCIAL ASSETS	1,308,770	1,605,440
Non-Financial Assets		
Inventory of Materials and Supplies, at Cost	<u>29,772</u>	<u>3,511</u>
NET ASSETS	\$ 1,338,542	\$ 1,608,951
Fund Balances		
Reserves for Future Expenditures (Note 3)	\$ 875,612	\$ 1,146,275
Appropriated Surplus for Electric Utility Equity	461,754	461,754
Fund Balance	1,176	922
	<u>\$ 1,338,542</u>	<u>\$ 1,608,951</u>



**General Fund
Capital Fund Statement of Financial Position
December 31**

	2008	2007
Financial Assets		
Government Grants Receivable	\$ 1,657,606	\$ 5,175,000
Restricted Short Term Investments	1,773,112	1,028,443
Investment in		
Electric Utility	6,847,867	6,847,867
Water Utility	8,083,890	8,416,312
Sewer Utility	17,119,001	16,743,165
Summerville Community Network	6,042,162	6,146,196
Summerville Regional Development Corporation, at Cost	375	375
Receivable from Other Funds		
General Revenue Fund	<u>313,846</u>	<u>-</u>
	<u>41,837,859</u>	<u>44,357,358</u>
Liabilities		
Bank Indebtedness (Note 2)	1,937,500	1,517,500
Long Term Debt (Note 4)	41,382,376	44,296,563
Payable to Other Funds		
General Revenue Fund	<u>-</u>	<u>1,021,496</u>
	<u>43,319,876</u>	<u>46,835,559</u>
NET DEBT	(1,482,017)	(2,478,201)
Non-Financial Assets		
Tangible Capital Assets	<u>112,460,244</u>	<u>106,470,904</u>
NET ASSETS	\$ <u>110,978,227</u>	\$ <u>103,992,703</u>
Fund Balances		
Reserves (Note 3)	\$ 1,773,112	\$ 1,028,443
Investment in Tangible Capital Assets (Page 16)	<u>109,205,115</u>	<u>102,964,260</u>
	\$ <u>110,978,227</u>	\$ <u>103,992,703</u>



General Fund
Statement of Investment in Tangible Capital Assets
Year Ended December 31

	2008	2007
Add:		
Long Term Debt Retired	\$ 1,414,186	\$ 545,527
Increase (Decrease) in Investment in		
Water Utility	(332,422)	(307,350)
Sewer Utility	749,996	(67,204)
Pollution Control Centre	(374,160)	1,641,927
Summerside Community Network	(104,034)	(90,194)
Parkland Dedication	16,383	9,318
Contributed Capital Assets		
Canada Games	1,507,606	-
Trails – Public Transit Fund	704,816	-
Capital Expenditures out of Revenue Fund	2,494,867	3,057,900
Reduction of Fire Pumper/Tanker Reserve	180,000	-
ACOA Funding and Contributed Assets	-	150,000
	<u>6,257,238</u>	<u>4,939,924</u>
Deduct:		
Increase in Parkland Dedication Reserve	<u>16,383</u>	<u>9,318</u>
Change in Investment in Tangible Capital Assets	6,240,855	4,930,606
Balance, Beginning of Year	<u>102,964,260</u>	<u>98,033,654</u>
Balance, End of Year	<u>\$ 109,205,115</u>	<u>\$ 102,964,260</u>



Notes to the General Fund December 31, 2008

1. Summary of Significant Accounting Policies

Tangible Capital Assets

Tangible capital assets and projects in progress are recorded at cost. The City does not record depreciation on its property and equipment.

Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase.

2. Bank Indebtedness

Bank indebtedness consists of a \$1,719,472 advance on an operating line of credit and \$3,034,661 of outstanding deposits, transfers, cheques and other bank balances. The City has an authorized operating line of credit of \$6,000,000, with an interest rate of prime less .50% of which, \$1,245,867 was unused at December 31, 2008.

The City also has an authorized capital line of credit of \$2,500,000, of which, \$162,000 was used to finance General Fund long term debt and \$400,000 was used to finance the Electric Fund long term debt at December 31, 2008. \$1,937,500 was used as interim funding for the construction of the 2009 Canada Games facilities. The interest rate is prime less .50%.

At December 31, 2008 prime was 3.5%.



Notes to the General Fund
December 31, 2008

3. Reserves for Future Expenditures		
	2008	2007
<u>General Revenue Fund</u>		
Funded Through Sinking Fund		
Accumulated Sick Leave	\$ 399,787	\$ 465,044
Pensions	<u>66,212</u>	<u>139,541</u>
	<u>465,999</u>	<u>604,585</u>
Funded Through Restricted Short Term Investments		
Accumulated Funds – World Softball	62,164	62,000
Accommodation Levy	<u>24,159</u>	<u>-</u>
Total General Revenue Funded Reserves	<u>552,322</u>	<u>666,585</u>
Unfunded		
Community Access	13,482	13,482
PeeWee Baseball	17,208	17,208
Venture Centre	60,000	60,000
Business Park Fund	177,600	120,000
Attraction Fund	55,000	55,000
Future Expenditures	<u>-</u>	<u>214,000</u>
Total General Revenue Unfunded Reserves	<u>323,290</u>	<u>479,690</u>
Total General Revenue Reserves	<u>\$ 875,612</u>	<u>\$ 1,146,275</u>
<u>General Capital Fund</u>		
Funded Through Restricted Short Term Investments		
Parkland Dedication	\$ 74,301	\$ 57,918
Gas Tax	<u>1,698,811</u>	<u>970,525</u>
Total General Capital Funded Reserves	<u>\$ 1,773,112</u>	<u>\$ 1,028,443</u>



Notes to the General Fund
December 31, 2008

4. Long Term Debt

	Interest Rate %	Maturity Date	2008	2007
Loans and Mortgages				
Bank of Montreal	5.76	2012	\$ 475,438	\$ 577,145
Bank of Montreal	5.76	2012	2,357,044	2,456,109
Bank of Montreal	5.69	2013	2,526,425	2,633,165
Pacific & Western	5.73	2013	71,150	83,152
Bank of Montreal	4.99	2014	1,434,931	1,493,288
Bank of Montreal	5.06	2016	1,766,008	1,891,204
National Bank	4.85	Demand	-	5,000,000
C.I.B.C	4.96	2027	29,088,880	30,000,000
Royal Bank	P-.65%	Demand	162,500	162,500
Metro Credit Union	P-1.00%	Demand	3,500,000	-
			\$ 41,382,376	\$ 44,296,563

Prime rate at December 31, 2008 was 3.5%.

Scheduled principal repayments in each of the next five years are due as follows:
 2009 - \$1,542,628; 2010 - \$1,691,111; 2011 - \$1,645,774; 2012 - \$1,682,960;
 2013 - \$1,635,424.

5. Federal Gas Tax

Under the New Deal Gas Tax Funding for Incorporated Communities, funding will be allocated to incorporated communities for eligible project categories including public transit infrastructure, water infrastructure, wastewater treatment systems, storm sewer drainage systems, energy systems (including wind power), solid waste management and local roads and bridges. These amounts, along with future amounts to be received, have been set aside in a reserve fund. The City plans to use these funds for future expenditures related to wind generation. In prior years the following allocations have been received: 2006/07 \$412,702; 2007/08 \$550,270. During 2008, the City received \$687,837 for 2008/09 and earned interest on reserve funds of \$40,447.



Electric Utility
Statement of Financial Activities
Year Ended December 31

	2008 Budget	2008 Actual	2007 Actual
Distribution and Generation Revenue	\$ <u>17,318,157</u>	\$ <u>19,505,994</u>	\$ <u>15,636,666</u>
Expenditures			
Distribution			
Power Purchased	12,203,613	14,492,778	11,925,601
Operations	220,249	218,231	212,786
Substation	48,920	43,769	64,294
Underground Conduit and Cables	3,434	8,143	3,126
Overhead Conductors	82,575	168,440	88,057
Poles and Fixtures	34,996	58,089	40,955
Transformers	15,444	15,176	20,504
Services	30,155	39,000	33,122
Street Lighting	38,436	68,977	43,408
Meters	39,891	47,879	42,464
Customer Service	52,482	45,374	50,475
Administration	725,296	771,506	735,235
Fiscal and Other	3,211,916	4,283,284	2,746,583
	<u>16,707,407</u>	<u>20,260,646</u>	<u>16,006,610</u>
Generation			
Salaries and Benefits	217,350	198,691	225,195
Material and Supplies	145,400	111,714	132,309
Fiscal and Other	248,000	248,000	248,000
	<u>610,750</u>	<u>558,405</u>	<u>605,504</u>
	<u>17,318,157</u>	<u>20,819,051</u>	<u>16,612,114</u>
Change in Electric Utility Revenue Fund Balance	-	(1,313,057)	(975,448)
Opening Fund Balance	(2,680,949)	(2,680,949)	(1,705,501)
Ending Fund Balance	\$ <u>(2,680,949)</u>	\$ <u>(3,994,006)</u>	\$ <u>(2,680,949)</u>



Electric Utility
Revenue Fund Statement of Financial Position
December 31

	2008	2007
Financial Assets		
Receivables	\$ 1,718,310	\$ 1,224,908
Receivable from Other Funds		
Electric Utility Capital Fund	399,314	1,135,794
Sinking Fund Investments, at Market Value	<u>960,932</u>	<u>1,150,478</u>
	<u>3,078,556</u>	<u>3,511,180</u>
Liabilities		
Bank Indebtedness (Note 2)	2,699,975	1,944,415
Payables and Accruals		
Trade and Customer Deposits	94,425	95,435
Payable to Other Funds		
General Revenue Fund	<u>3,067,899</u>	<u>2,612,810</u>
	<u>5,862,299</u>	<u>4,652,660</u>
NET DEBT	(2,783,743)	(1,141,480)
Non-Financial Assets		
Inventories, at Cost	<u>1,130,473</u>	<u>990,813</u>
NET DEFICIENCY	\$ <u>(1,653,270)</u>	\$ <u>(150,667)</u>
Fund Balances		
Reserve for Deferred Line Maintenance	\$ 53,748	\$ 53,748
Reserve for Deferred Engine Maintenance	50,000	50,000
Reserve for Sick Leave	545,053	634,022
Reserve for Future Pension Payments	415,879	516,456
Reserve for Future Capital Expenditure	814,302	814,302
Equity Investment from General Revenue Fund	461,754	461,754
Fund Balance	<u>(3,994,006)</u>	<u>(2,680,949)</u>
	<u>\$ (1,653,270)</u>	<u>\$ (150,667)</u>



Electric Utility
Capital Fund Statement of Financial Position
December 31

	2008	2007
Liabilities		
Long Term Debt (Note 3)	\$ 5,397,003	\$ 4,746,564
Payable to Other Funds		
Electric Utility Revenue Fund	<u>399,314</u>	<u>1,135,794</u>
NET FINANCIAL LIABILITIES	(5,796,317)	(5,882,358)
Non-Financial Assets		
Land	66,613	66,613
Buildings	1,475,543	1,475,543
Generating Equipment	8,204,932	8,204,932
Distribution Equipment	12,551,458	12,152,403
Office Equipment	1,651,560	1,628,657
Transportation Equipment	<u>810,094</u>	<u>810,093</u>
	<u>24,760,200</u>	<u>24,338,241</u>
NET ASSETS	\$ <u>18,963,883</u>	\$ <u>18,455,883</u>
Fund Balances		
Reserve for Depreciation	\$ 12,116,016	\$ 11,608,016
Investment in Tangible Capital Assets	<u>6,847,867</u>	<u>6,847,867</u>
	\$ <u>18,963,883</u>	\$ <u>18,455,883</u>



Notes to the Electric Utility
December 31, 2008

1. Summary of Significant Accounting Policies

Tangible Capital Assets

Tangible capital assets and projects in progress are recorded at cost. The City records depreciation on the assets funded through debt issuance at various rates on a straight line basis.

Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase. The City does not record depreciation on these assets.

2. Bank Indebtedness

Bank indebtedness consists of a \$2,699,975 advance on an operating line of credit at December 31, 2008 with an interest rate of prime less .50%. At December 31, 2008 prime was 3.5%.

3. Long Term Debt

	Interest Rate %	Maturity Date	2008	2007
Loans and Mortgages				
Bank of Montreal	4.82	2009	\$ 442,371	\$ 460,810
Pacific & Western	4.63	2009	472,439	533,008
Bank of Montreal	3.87	2010	455,345	482,130
Pacific & Western	5.73	2013	199,220	232,827
Bank of Montreal	5.06	2016	1,505,578	1,718,389
Bank of Montreal	4.92	2017	873,450	919,400
Royal Bank	P-.65%	Demand	1,448,600	400,000
Total payable			\$ <u>5,397,003</u>	\$ <u>4,746,564</u>

Prime rate at December 31, 2008 was 3.5%.

Scheduled principal repayments in each of the next five years are as follows:
 2009 - \$677,718; 2010 - \$602,020; 2011 - \$446,531; 2012 - \$351,262; 2013 - \$356,226.



Water Utility
Statement of Financial Activities
Year Ended December 31

	2008 Budget	2008 Actual	2007 Actual
Revenue			
Sales to Customers	\$ 1,056,047	\$ 1,046,404	\$ 1,007,867
Fire Protection	483,000	483,000	483,000
Other	14,000	12,348	11,848
	<u>1,553,047</u>	<u>1,541,752</u>	<u>1,502,715</u>
Expenditures			
Distribution Expenses	417,349	435,930	451,090
Pumping	143,691	150,497	135,635
Administration and Other	34,787	39,946	47,223
Overhead	267,843	260,880	272,723
Interfund Allocations	375,077	442,687	304,172
	<u>1,238,747</u>	<u>1,329,940</u>	1,210,843
Financing and Transfers			
Debt Principal Repayments	314,300	300,024	291,872
Reserve for Future Capital Expenditure	-	(88,212)	-
Expenditures, Financing and Transfers	<u>1,553,047</u>	<u>1,541,752</u>	<u>1,502,715</u>
Change in Water Utility Revenue Fund Balance	-	-	
Opening Fund Balance	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**Sewer Utility
Statement of Financial Activities
Year Ended December 31**

	2008 Budget	2008 Actual	2007 Actual
Revenue	\$ <u>2,330,903</u>	\$ <u>2,338,181</u>	\$ <u>1,719,698</u>
Expenditures			
Distribution - Sewer	274,422	345,294	315,408
Operations – Pollution	964,203	1,232,229	526,562
Administration and Other	46,100	45,668	71,859
Overhead	474,300	370,968	189,082
Interfund Allocations	<u>335,309</u>	<u>267,698</u>	<u>304,669</u>
	2,094,334	2,261,857	1,407,580
Financing and Transfers			
Debt Principal Repayments	189,600	181,973	174,242
Reserve for Future Capital Expenditure	<u>46,969</u>	<u>(105,649)</u>	<u>137,876</u>
Expenditures, Financing and Transfers	<u>2,330,903</u>	<u>2,338,181</u>	1,719,698
Change in Sewer Utility Revenue Fund Balance	-	-	-
Opening Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Closing Fund Balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>



Water and Sewer Utilities
Combined Revenue Fund Statement of Financial Position
December 31

	2008	2007
Financial Assets		
Receivables	\$ 933,168	\$ 863,462
Sinking Fund Investments, at Market Value	323,842	376,102
Receivable from Other Funds		
Water Utility Capital Fund	541,947	764,237
Sewer Utility Capital Fund	<u>194,449</u>	<u>3,505,932</u>
	<u>1,993,406</u>	<u>5,509,733</u>
 Liabilities		
Payables and Accruals		
Trade and Customer Deposits	267,928	2,638,199
Payable to Other Funds		
General Revenue Fund	<u>1,038,184</u>	<u>1,152,994</u>
	<u>1,306,112</u>	<u>3,791,193</u>
 NET FINANCIAL ASSETS	 687,294	 1,718,540
 Non-Financial Assets		
Inventories of Materials and Supplies, at Cost	<u>102,780</u>	<u>77,123</u>
 NET ASSETS	 \$ 790,074	 \$ 1,795,663
 Fund Balances		
Reserve for Sick Leave	\$ 242,263	\$ 281,807
Reserve for Future Pension Payments	81,579	94,295
Reserve for Future Capital Expenditure	<u>466,232</u>	<u>1,419,561</u>
	<u>\$ 790,074</u>	<u>\$ 1,795,663</u>



Water Utility
Capital Fund Statement of Financial Position
December 31

	2008	2007
Financial Assets		
Receivables	\$ 202,090	\$ 1,200,000
Receivable from Other Funds		
Sewer Utility Capital Fund	<u>344,666</u>	<u>344,666</u>
	<u>546,756</u>	<u>1,544,666</u>
Liabilities		
Long Term Debt (Note 2)	4,691,689	5,439,920
Payable to Other Funds		
Water and Sewer Utilities	<u>541,947</u>	<u>764,237</u>
	<u>5,233,636</u>	<u>6,204,157</u>
NET DEBT	(4,686,880)	(4,659,491)
Non-Financial Assets		
Land	189,095	189,095
Wells and Springs	1,340,984	1,340,984
Pumping Structures	2,850,929	2,850,929
Distribution System	14,261,190	13,928,935
Transportation Equipment	266,247	266,247
Maintenance Equipment	70,673	70,673
Intangible Assets, net of Amortization	<u>22,846</u>	<u>27,689</u>
	<u>19,001,964</u>	<u>18,674,552</u>
NET ASSETS	\$ <u>14,315,084</u>	\$ <u>14,015,061</u>
Fund Balances		
Reserve for Depreciation	\$ 6,231,195	\$ 5,598,749
Investment in Tangible Capital Assets		
Contributed	7,475,888	7,475,888
Non-Contributed	<u>608,001</u>	<u>940,424</u>
	\$ <u>14,315,084</u>	\$ <u>14,015,061</u>



**Sewer Utility
Capital Fund Statement of Financial Position
December 31**

	2008	2007
Financial Assets		
Receivables	\$ <u>3,061,397</u>	\$ <u>10,900,000</u>
Liabilities		
Long Term Debt (Note 2)	12,456,194	16,799,184
Payable to Other Funds		
Water Utility Capital Fund	344,666	344,666
Water and Sewer Utilities Revenue Funds	<u>194,449</u>	<u>3,505,932</u>
	<u>12,995,309</u>	<u>20,649,782</u>
NET FINANCIAL LIABILITIES	(9,933,912)	(9,749,782)
Non-Financial Assets		
Land	22,540	22,540
Structures and Improvements	20,515,866	19,665,730
Sewers	7,534,100	7,534,100
Pumping Stations	320,062	320,062
Equipment	3,116,317	2,868,434
Vehicles	<u>56,019</u>	<u>56,019</u>
	<u>31,564,904</u>	<u>30,466,885</u>
NET ASSETS	\$ <u>21,630,992</u>	\$ <u>20,717,103</u>
Fund Balances		
Reserve for Depreciation	\$ 4,511,992	\$ 3,973,938
Reserve for Plant Upgrade	-	1,068,083
Investment in Tangible Capital Assets		
Contributed	11,976,255	11,976,255
Non-Contributed	<u>5,142,745</u>	<u>3,698,827</u>
	<u>\$ 21,630,992</u>	<u>\$ 20,717,103</u>



Notes to the Water and Sewer Utilities December 31, 2008

1. Summary of Significant Accounting Policies

Tangible Capital Assets

Tangible capital assets and projects in progress are recorded at cost. The City records depreciation through the investment in tangible capital assets account on the assets funded through debt issuance at various rates on a straight line basis.

Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase. The City does not record depreciation on these assets.

2. Long Term Debt

	Interest Rate %	Maturity Date	2008	2007
Water Utility				
Loans and Mortgages				
Loans Repaid During Year			-	\$ 35,400
Bank of Montreal	4.82	2009	\$ 236,202	246,048
Pacific & Western	4.63	2009	72,927	82,276
Consolidated CU	P-1.00%	Demand	605,593	1,200,000
Bank of Montreal	3.87	2010	170,850	180,900
Bank of Montreal	3.85	2010	300,000	350,000
Bank of Montreal	5.69	2013	607,677	633,351
Bank of Montreal	5.06	2016	1,486,790	1,604,945
Bank of Montreal	4.92	2017	789,450	831,000
Royal Bank	3.57	2013	422,200	276,000
			\$ 4,691,689	\$ 5,439,920

Prime rate at December 31, 2008 was 3.5%.

Scheduled principal repayments in each of the next five years are as follows:

2009 - \$281,765; 2010 - \$284,368; 2011 - \$287,103; 2012 - \$289,978; 2013 - \$292,999.



Notes to the Water and Sewer Utilities
December 31, 2008

2. Long Term Debt (cont'd)

Sewer Utility	Interest Rate %	Maturity Date	2008	2007
Loans and Mortgages				
Loans Repaid During Year			\$ -	\$ 3,564
Bank of Montreal	3.63	2009	41,400	113,600
Pacific & Western	4.63	2009	234,635	264,716
Bank of Montreal	4.82	2009	29,341	30,564
Bank of Montreal	5.69	2013	59,465	61,978
Pacific & Western	5.73	2013	85,380	99,783
Bank of Montreal	5.06	2016	320,462	338,681
Bank of Montreal	4.92	2017	183,825	193,500
Royal Bank	3.57	2013	462,100	144,000
Bank of Montreal	4.82	2009	44,748	46,613
Consolidated CU	P-1.00%	Demand	744,200	744,200
Bank of Montreal	3.87	2010	204,425	216,450
Bank of Montreal	5.69	2013	383,573	399,778
Royal Bank	P- 0.65%	Demand	7,300,000	7,300,000
Royal Bank	P- 0.65%	Demand	2,362,640	6,841,757
			\$ 12,456,194	\$ 16,799,184

Prime rate at December 31, 2008 was 3.5%.

Scheduled principal repayments in each of the next five years are as follows:
 2009 - \$366,083; 2010 - \$327,440; 2011 - \$330,341; 2012 - \$333,396; 2013 - \$336,608.

The above mentioned demand loans are bridge financing for construction projects. It is management's intention that these loans, with the exception of the Royal Bank Demand loan of \$7,300,000, will be paid from contributions by other orders of government.



**Summerside Community Network
Statement of Financial Activities
Year Ended December 31**

	2008 Budget	2008 Actual	2007 Actual
Revenue	\$ 580,930	\$ 573,218	\$ 442,831
Expenditures			
Customer Service Costs	65,139	54,691	45,312
Contracted Services	72,000	72,001	44,283
Bandwidth Costs	99,600	66,943	93,557
Installation and Service	116,533	130,763	118,361
Equipment and System Maintenance	74,069	82,388	82,163
Building Maintenance and Operations	103,200	107,922	89,076
Debt Servicing	11,100	7,836	4,856
	541,641	522,544	477,608
Financing and Transfers			
Debt Principal Repayments	4,900	4,899	3,519
Debt Reduction Allocation	-	45,775	-
Reduction of Reserves from Prior Years	-	-	(51,571)
Expenditures, Financing and Transfers	546,541	573,218	429,556
Change in Summerside Community Network Revenue Fund Balance	34,389	-	13,275
Opening Fund Balance	13,275	13,275	-
Closing Fund Balance	\$ 47,664	\$ 13,275	\$ 13,275



Summerville Community Network
Revenue Fund Statement of Financial Position
December 31

	2008	2007
Financial Assets		
Receivable from Other Funds		
General Revenue Fund	\$ <u>59,050</u>	\$ <u>13,275</u>
NET ASSETS	\$ <u>59,050</u>	\$ <u>13,275</u>
Fund Balances		
Reserve for Debt Reduction	\$ 45,775	\$ -
Fund Balance	<u>13,275</u>	<u>13,275</u>
	\$ <u>59,050</u>	\$ <u>13,275</u>



**Summerside Community Network
Capital Fund Statement of Financial Position
December 31**

	2008	2007
Liabilities		
Long Term Debt (Note 3)	\$ 218,282	\$ 94,481
Payable to Other Funds		
General Revenue Fund	129,216	148,672
	<hr/>	<hr/>
NET FINANCIAL LIABILITIES	(347,498)	(243,153)
Non-Financial Assets		
Infrastructure	6,286,643	6,286,643
Vehicles	102,542	47,955
Equipment	281,213	226,556
	<hr/>	<hr/>
	6,670,398	6,561,154
	<hr/>	<hr/>
NET ASSETS	\$ 6,322,900	\$ 6,318,001
Fund Balances		
Reserve for Depreciation	\$ 280,738	\$ 171,805
Investment in Tangible Capital Assets	6,042,162	6,146,196
	<hr/>	<hr/>
	\$ 6,322,900	\$ 6,318,001
	<hr/>	<hr/>



**Notes to the Summerside Community Network
December 31, 2008**

1. Nature of Operations

Summerside Community Network operates a wireless data transmission network and is an internet service provider to residential and business customers in Prince and Queen's Counties in Prince Edward Island. The provision of internet services commenced commercial operations in 2006 under the trade name of Route 2. Summerside Community Network also provides information technology, infrastructure, equipment and support to all City departments.

2. Summary of Significant Accounting Policies

Tangible Capital Assets

Tangible capital assets and projects in progress are recorded at cost. The City records depreciation on the assets funded through debt issuance at various rates on a straight line basis.

Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase. The City does not record depreciation on these assets.

3. Long Term Debt

	Interest Rate %	Maturity Date	2008	2007
Loans and Mortgages				
Bank of Montreal	5.06	2016	\$ 63,362	\$ 66,881
Bank of Montreal	4.92	2017	26,220	27,600
Royal Bank	3.57	2013	<u>128,700</u>	<u>-</u>
			\$ <u>218,282</u>	\$ <u>94,481</u>

Scheduled principal repayments in each of the next five years are as follows:
2009 - \$9,390; 2010 - \$9,553; 2011 - \$9,722; 2012 - \$9,897; 2013 - \$10,078.
