



**Consolidated Financial Statements**

March 31, 2019



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## Management's Responsibility For Financial Reporting

March 31, 2019

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The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods.

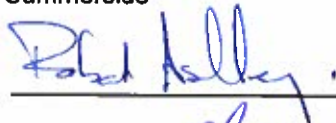
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited consolidated financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

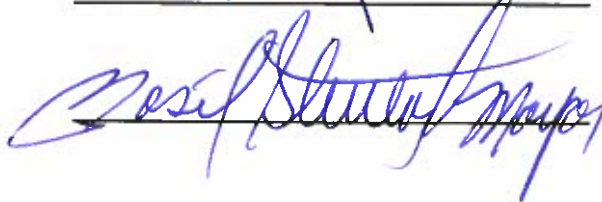
The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the City of Summerside and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the City of Summerside

CAO

  
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Mayor

  
\_\_\_\_\_

# Independent Auditor's Report

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To His Worship the Mayor and  
Members of the City Council

## Opinion

We have audited the consolidated financial statements of City of Summerside ("the City"), which comprise the consolidated statements of financial position as at March 31, 2019, and the consolidated statements of operations, change in net debt and cash flow for the 15 month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the City as at March 31, 2019, and its results of operations, its changes in its net debt, and its cash flows for the 15 month period then ended in accordance with Canadian public sector accounting standards.

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

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 related 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 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Summerside, Canada

July 4, 2019

Chartered Professional Accountants



**Consolidated Statement of Operations**  
**15 month period ended March 31**

	2019 Budget (Note 9)	2019 Actual	December 31 2017 Actual
<b>Revenue</b>			
Property taxes (Note 6)	\$ 10,320,045	\$ 10,608,183	\$ 8,268,316
Government transfers			
Equalization	3,539,196	3,632,271	2,330,115
Municipal support	5,468,966	6,042,582	4,897,467
Infrastructure	1,490,163	5,847,805	8,623,931
Other	-	70,631	244,419
Sale of electricity	26,455,633	27,956,031	19,732,962
Sale of water & sewer services	6,411,969	6,628,189	5,169,172
Fines and costs	120,000	175,463	123,979
Third party revenue	2,866,485	3,346,722	2,833,140
	<u>56,672,457</u>	<u>64,307,877</u>	<u>52,223,501</u>
<b>Expenses</b>			
General government	2,295,555	2,353,428	1,959,277
Recreation programs	9,271,083	9,873,903	9,018,370
Protective services	6,110,894	6,887,608	5,409,537
Transportation services	5,279,577	5,638,687	4,426,685
Electric utility	24,079,764	21,588,707	15,753,171
Water & sewer utility	6,307,708	5,884,615	4,986,396
	<u>53,344,581</u>	<u>52,226,948</u>	<u>41,553,436</u>
Annual surplus before undernoted	\$ <u>3,327,876</u>	<u>12,080,929</u>	10,670,065
Pension obligation		<u>600,000</u>	<u>1,000,000</u>
Annual surplus		<u>\$ 12,680,929</u>	<u>\$ 11,670,065</u>
<hr/>			
Accumulated surplus, beginning of year		<u>\$136,678,693</u>	\$ 125,008,628
Annual surplus		<u>12,680,929</u>	<u>11,670,065</u>
Accumulated surplus, end of year		<u>\$149,359,622</u>	<u>\$ 136,678,693</u>



**Consolidated Statement of Financial Position**  
**March 31**

	2019	December 31 2017
<b>Financial Assets</b>		
Receivables	\$ 6,753,870	\$ 9,993,635
Restricted short term Investments	327,152	269,053
Sinking fund investments, at market value	<u>2,337,203</u>	<u>2,219,859</u>
	<u>9,418,225</u>	<u>12,482,547</u>
<b>Liabilities</b>		
Bank indebtedness (Note 2)	1,358,893	7,807,259
Payables and accruals		
Trade and customer deposits	5,722,005	8,004,201
Accrued interest	69,811	283,007
Long term debt (Note 3)	68,878,641	66,676,436
Sick leave (Note 4)	1,915,000	1,814,000
Pension benefit obligation (Note 5)	<u>288,513</u>	<u>940,920</u>
	<u>78,232,863</u>	<u>85,525,823</u>
<b>NET FINANCIAL DEBT</b>	<u>(68,814,638)</u>	<u>(73,043,276)</u>
<b>Non-Financial Assets</b>		
Tangible capital assets, net of amortization (Note 7)	216,059,271	207,939,740
Prepays	125,753	-
Inventory of materials and supplies, at cost	<u>1,989,236</u>	<u>1,782,229</u>
	<u>218,174,260</u>	<u>209,721,969</u>
<b>Accumulated surplus (Note 8)</b>	<u>\$ 149,359,622</u>	<u>\$ 136,678,693</u>

Commitments and contingencies (Note 10)

On Behalf of the Council

On Behalf of Management



**Consolidated Statement of Cash Flows**  
**15 Month Period Ended March 31**

	2019	December 31 2017
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Annual surplus	\$ 12,680,929	\$ 11,670,065
Loss on sale of capital assets	21,131	66,673
Amortization	7,677,672	7,431,797
Change in non-cash operating working capital	411,615	(2,063,022)
Change in sick leave	101,000	82,000
Change in short term investments	(58,098)	(57,406)
Change in sinking funds	(117,344)	(143,743)
Change in pension obligation	(652,407)	(1,119,738)
	<u>20,064,498</u>	<u>15,866,626</u>
<b>Financing</b>		
Repayment of long term debt	(6,516,295)	(8,260,470)
Issuance of long term debt	8,718,500	6,295,620
(Decrease)/increase in bank indebtedness	(6,448,369)	2,208,313
	<u>(4,246,164)</u>	<u>243,463</u>
<b>Capital</b>		
Purchase of capital assets	(15,899,279)	(16,136,950)
Proceeds on sale of capital assets	80,945	26,861
	<u>(15,818,334)</u>	<u>(16,110,089)</u>
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ <u>-</u>	\$ <u>-</u>





**Consolidated Statement of Change in Net Debt**  
**Year Ended March 31**

	2019 Budget (Note 9)	2019 Actual	December 31 2017 Actual
Annual surplus	\$ 3,327,875	\$ 12,680,929	\$ 11,670,065
Change in prepaids	-	(125,753)	-
Change in inventory	(207,007)	(207,007)	(210,043)
Loss on sale of capital assets	-	21,131	232,673
Proceeds on sale of capital assets	-	80,945	311,860
Acquisition of tangible capital assets, net	(10,381,212)	(15,899,279)	(16,302,950)
Amortization of tangible capital assets	<u>7,677,672</u>	<u>7,677,672</u>	<u>7,431,797</u>
Decrease (increase) in net debt	417,328	4,228,638	3,133,402
Net debt, beginning of year	<u>(73,043,276)</u>	<u>(73,043,276)</u>	<u>(76,176,678)</u>
Net debt, end of year	\$ <u>(72,625,948)</u>	\$ <u>(68,814,638)</u>	\$ <u>(73,043,276)</u>



## Notes to the Consolidated Financial Statements March 31, 2019

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### 1. Summary of significant accounting policies

The consolidated financial statements of the City of Summerside are prepared by management in accordance with Canadian Public Sector Accounting Standards of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the City are as follows:

#### a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and surplus 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.

#### Amendment to Municipality Act

Effective December 23, 2017, the *Municipal Government Act* ("The Act") came into effect in Prince Edward Island. The Act requires the Community to report on a March 31 fiscal year end starting in 2019.

#### 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	Electro Thermal Storage Program

#### c) Basis of accounting

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

#### d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with financial institutions. Bank borrowings are considered to be financing activities.

#### e) Revenues and expenditures

Major revenue and expenditure items are recorded on an accrual basis. Certain sources of revenue are recorded on a cash basis.

#### f) 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.



## Notes to the Consolidated Financial Statements March 31, 2019

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### 1. Summary of significant accounting policies (cont'd)

#### g) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for 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 excess of revenue over expenses, provides the consolidated change in net financial assets (net debt) for the year.

#### h) Tangible capital assets

Tangible capital assets and projects in progress are recorded at cost.

In compliance with Section 3150 the City records amortization of its assets over their estimated useful lives. The straight-line method of amortization is used. Amortization begins in the year following acquisition, except for major projects with revenue streams, for which amortization begins upon substantial completion.

#### Asset useful lives (in years)

Plants, Buildings, Structures	20-40
Equipment and Vehicles	
Engines – Generation	50
Internet/IT	5
Other Equipment and Vehicles	10-20
Electro Thermal Storage Equipment	10
Distribution and Collection Systems	
Electric	40
Water	83
Sewer	83
Summerside Community Network	7
Streets	
Local	25
Collector	10
Sidewalks	40
Storm lines	83
Wind Farm	25
Solar Panels	25

#### i) Revenue recognition

- a) Tax revenue is property tax billings which are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates set by the City. Taxation revenue is recorded as it is received in monthly instalments from the Province of Prince Edward Island. Assessments and the related property taxes are subject to appeal to the Province of Prince Edward by residents. The City's revenue is adjusted for any of these appeals using a yearly statement.



## **Notes to the Consolidated Financial Statements**

### **March 31, 2019**

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

##### **Revenue recognition (cont'd)**

- b) Government transfers are transfers of monetary assets or tangible assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the City are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

- c) Utility revenues are recorded when billed and receivable and collectability is reasonably assured.
- d) Other revenue is recorded when it is earned and collectability is reasonably assured.

##### **j) Management estimates**

The presentation of consolidated 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 expenses during the reported period. Significant estimates include pension amounts, severance amounts and the useful lives of tangible capital assets.

These estimates and assumptions are based on the City's best information and judgement and may differ significantly from actual results.

##### **k) Employee future benefits**

The City accrues its obligations under employee future benefit plans and the related costs, net of plan assets. The costs of pensions earned by employees are actuarially determined using the accrued benefit method. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Past service costs from plan amendments are netted with outstanding unamortized actuarial gains/losses and recognized immediately. Current service costs are expensed during the year.

The excess of net actuarial gains/losses is amortized over the average remaining service period of active employees.



**Notes to the Consolidated Financial Statements  
March 31, 2019**

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**l) Interest rate swap arrangements**

The City has entered into several interest rate swap arrangements with chartered banks to reduce interest rate exposure associated with certain long term debt obligations. The agreements have the effect of converting the floating rate of interest on certain debt to a fixed rate. It is the City's policy not to use derivative financial instruments for trading or speculative purposes.

**m) Liability for contaminated sites**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met: i. an environmental standard exists; ii. Contamination exceeds the environmental standard; iii. the Municipality is directly responsible or accepts responsibility; and iv. a reasonable estimate of the amount can be made. Management has reviewed potential sites where they feel a material liability may exist and has concluded there is no known liability at this time.

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**2. Bank indebtedness**

Bank indebtedness consists of a \$2,991,958 advance on the City's line of credit and \$19,654 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, \$3,027,696 was unused at March 31, 2019. The City has a capital line of credit of \$5,000,000, which was unused. The interest rate is prime rate plus .25%.

At March 31, 2019 prime was 3.95%.

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**3. Long term debt**

	2019	December 31 2017
Long term		
Loans repaid during year.	\$ -	\$ 26,235
Prime -0.65% Royal Bank demand loan, interest payable monthly.	5,450,000	5,650,000
4.51% TD Canada Trust loan, payable in equal monthly instalments of \$5,468.86 including principal and interest, maturing in December 2019, amortized to December 2024.	336,020	397,255



**Notes to the Consolidated Financial Statements**  
**March 31, 2019**

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3. Long term debt (cont'd)	2019	December 31 2017
4.66% TD Canada Trust loan, payable in equal monthly instalments of \$1,578.54 including principal and interest, maturing in December 2019, amortized to December 2029 .	<b>\$ 161,637</b>	\$ 175,525
4.468% TD Canada Trust loan, payable in equal monthly instalments of \$22,818.61 including principal and interest, maturing in December 2019, amortized to December 2024.	<b>1,402,032</b>	1,657,529
3.13% Royal Bank loan, payable in equal monthly instalments of \$10,807.87 including principal and interest, maturing in December 2021, amortized to December 2021 .	<b>341,422</b>	487,129
3.57% Royal Bank loan, payable in equal monthly instalments of \$5,415.78 including principal and interest, maturing in December 2021, amortized to December 2031.	<b>661,781</b>	713,971
3.57% Royal Bank loan, payable in equal monthly instalments of \$5,950.35 including principal and interest, maturing in December 2021, amortized to December 2031.	<b>726,894</b>	784,235
3.08% TD Canada Trust loan, payable in equal monthly instalments of \$9,886.79 including principal and interest, maturing in December 2022, amortized to December 2032.	<b>1,328,580</b>	1,423,661
3.08% TD Canada Trust loan, payable in equal monthly instalments of \$4,796.47 including principal and interest, maturing in December 2022, amortized to December 2032.	<b>644,547</b>	690,675
2.74% TD Canada Trust loan, payable in equal monthly instalments of \$438.70 including principal and interest, maturing in December 2022, amortized to December 2022.	<b>18,752</b>	24,572
2.74% TD Canada Trust loan, payable in equal monthly instalments of \$10,183.55 including principal and interest, maturing in December 2022, amortized to December 2022.	<b>435,266</b>	570,363
2.74% TD Canada Trust loan, payable in equal monthly instalments of \$17,471.68, including principal and interest, maturing in December 2022, amortized to December 2022.	<b>746,770</b>	978,559
2.63% TD Canada Trust loan, payable in equal monthly instalments of \$11,038.64 including principal and interest, maturing in December 2023, amortized to December 2023.	<b>591,113</b>	734,472
2.63% TD Canada Trust loan, payable in equal monthly instalments of \$998.95 including principal and interest, maturing in December 2023, amortized to December 2023.	<b>53,492</b>	66,466



**Notes to the Consolidated Financial Statements**  
**March 31, 2019**

3. Long term debt (cont'd)	2019	2017
2.97% TD Canada Trust loan, payable in equal monthly instalments of \$2,406.09 including principal and interest, maturing in December 2023, amortized to December 2033.	\$ 344,517	\$ 367,342
2.97% TD Canada Trust loan, payable in equal monthly instalments of \$3,764.56 including principal and interest, maturing in December 2023, amortized to December 2033.	539,031	574,742
2.63% TD Canada Trust loan, payable in equal monthly instalments of \$25,329.28 including principal and interest, maturing in December 2023, amortized to December 2023.	1,356,370	1,685,322
3% TD Canada Trust loan, payable in equal monthly instalments of \$10,282.84 including principal and interest, maturing in May 2024, amortized to May 2024.	590,110	719,823
3% TD Canada Trust loan, payable in equal monthly instalments of \$17,998.02 including principal and interest, maturing in May 2024, amortized to May 2024.	1,032,867	1,259,903
3.22% TD Canada Trust loan, payable in equal monthly instalments of \$3,046.78 including principal and interest, maturing in May 2024, amortized to May 2034.	438,834	466,445
3.22% TD Canada Trust loan, payable in equal monthly instalments of \$986.74 including principal and interest, maturing in May 2024, amortized to May 2034.	142,122	151,063
2.20% TD Canada Trust loan, payable in equal monthly instalments of \$669.64 including principal and interest, maturing in May 2019, amortized to May 2019.	1,335	11,199
3.00% TD Canada Trust loan, payable in equal monthly instalments of \$348.50 including principal and interest, maturing in May 2024, amortized to May 2024.	19,999	24,396
3.01% TD Canada Trust loan, payable in equal monthly instalments of \$11,575.86 including principal and interest, maturing in Dec. 2023, amortized to December 2028.	1,172,623	1,299,384
4.96% CIBC loan, total annual payment of \$2,399,120 with interest payable monthly and an annual principal payment, maturing in December 2027, amortized to December 2027.	17,082,932	18,561,406
4.28% CMHC loan, payable in equal annual instalments of \$603,341.07 including principal and interest, maturing in February 2030, amortized to February 2030.	5,206,628	5,921,414
3.28% CIBC loan, payable in equal monthly instalments of \$25,417.75 including principal and interest, maturing in December 2035, amortized to December 2035.	3,926,773	4,142,298



**Notes to the Consolidated Financial Statements**  
**March 31, 2019**

3. Long term debt (cont'd)	2019	December 31 2017
2.64% CIBC loan, payable in equal monthly instalments of \$16,056.04 including principal and interest, maturing in December 2025, amortized to December 2025.	<b>\$ 1,190,053</b>	\$ 1,388,118
2.64% CIBC loan, payable in equal monthly instalments of \$1,127.51 including principal and interest, maturing in December 2025, amortized to December 2025.	<b>83,569</b>	97,478
3.28% CIBC loan, payable in equal monthly instalments of \$2,896.20 including principal and interest, maturing in December 2035, amortized to December 2035.	<b>447,432</b>	471,990
3.28% CIBC loan, payable in equal monthly instalments of \$9,435.61 including principal and interest, maturing in December 2035, amortized to December 2035.	<b>1,457,702</b>	1,537,710
2.10% CIBC loan, payable in equal monthly instalments of \$778.42 including principal and interest, maturing in December 2020, amortized to December 2020.	<b>16,037</b>	27,136
2.40% Royal Bank loan, principal of \$47,000 payable monthly, interest paid monthly, maturing in January 2027, amortized to January 2027.	<b>6,553,000</b>	7,293,000
2.322% TD Canada Trust loan, payable in equal monthly Instalments of \$26,254 including principal and interest, maturing in December 2028, amortized to December 2028	<b>2,490,806</b>	2,807,580
2.633% TD Canada Trust loan, payable in equal monthly Instalments of \$18,735 including principal and interest, maturing in December 2028, amortized to January 2028.	<b>3,319,095</b>	3,488,040
Prime rate, Consolidated Credit Union demand loan, annual principal payment of \$255,555 and interest payable monthly.	<b>2,350,000</b>	-
3.48% TD Canada Trust loan, payable in equal monthly Instalments of \$21,278 including principal and interest, maturing in October 2038, amortized to October 2038.	<b>3,675,350</b>	-
3.48% TD Canada Trust loan, payable in equal monthly Instalments of \$13,038 including principal and interest, maturing in October 2038, amortized to October 2038.	<b>2,252,050</b>	-
3.48% TD Canada Trust loan, payable in equal monthly Instalments of \$1,685 including principal and interest, maturing in October 2038, amortized to October 2038.	<b>291,100</b>	-
<b>Total long term debt</b>	<b>\$ 68,878,641</b>	<b>\$ 66,676,436</b>

Prime rate at March 31, 2019 was 3.95 % (December 31, 2017 – 3.20%).





**Notes to the Consolidated Financial Statements**  
**March 31, 2019**

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**3. Long term debt (cont'd)**

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

2020	\$ 5,896,264
2021	6,018,471
2022	6,185,261
2023	6,218,421
2024	6,069,114
	<u>\$ 30,387,531</u>

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**4. Sick leave**

Employees of the City earn annual sick days that can accumulate to a maximum of 150 days during their employment. Employees are eligible for a pay-out of earned sick leave at their retirement. A maximum amount equal to 125 sick days is payable at the regular retirement date while a maximum pay-out based on 75 days is payable at early retirement. Amounts paid are calculated using the employee salary amounts at the time of retirement.

An actuarial valuation of the plan was prepared as of March 31, 2019. The principal long-term assumptions on which the valuation was based were:

	2019	December 31 2017
Discount rate	5.5%	5.5%
General pay increases	3.0%	3.0%
Terminations prior to eligibility	Based on Ontario Light Scale	
Accrued Liability	1,915,000	1,814,000
Sick leave sinking fund, market value	<u>2,337,203</u>	2,219,859

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**5. Pension plans**

**Pre 1966 service**

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. During the year management performed a sensitivity analysis on the remaining pensioners and adjusted the pension obligation based on the results of this analysis (\$88,513 compared to \$140,920 in 2017).

	2019	December 31 2017
Pension benefits paid	\$ 200,000	\$ 51,922
Net assets available for benefits	-	-
Accrued benefit obligation	88,513	140,920



## Notes to the Consolidated Financial Statements March 31, 2019

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### 5. Pension plans (cont'd)

#### Post 1966 service

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 average age of the 123 active employees covered by the plan is 45. There are 4 former employees who are entitled to deferred pension benefits. At present, the plans provide benefits for 86 retirees.

Effective July 1, 2018 both the City and plan members agreed to decrease contributions from 11% to 10% of pensionable earnings. Future contribution rates will be subject to an annual review. In 2018, total contributions for current year's service were \$1,700,025 (2017 - \$1,726,088). Total benefit payments to retirees during the year were \$1,855,161 (2017 - \$2,776,618). A separate pension fund is maintained. Pension fund assets are invested primarily in marketable investments of organizations external to the government reporting entity, with some invested in fixed income instruments. The pension liability at March 31, 2019 includes the following components:

	2019	December 31 2017
Accrued benefit obligation	\$ 35,400,000	\$ 36,200,000
Actuarial value of assets	<u>(35,200,000)</u>	<u>(35,400,000)</u>
Pension plan deficit	\$ 200,000	800,000

Actuarial valuations for accounting purposes are performed annually using the accrued benefits actuarial cost method. The most recent actuarial report was prepared at December 31, 2018. The accrued benefit obligation shown for 2018 is based on an extrapolation of that 2018 valuation. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups (15 years).

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the City's best estimates. The expected inflation rate is 2.20 (2.20 percent in the 2017 actuarial valuation) percent. The discount rate used to determine the accrued benefit obligation is 6.00 (6.00 percent in the 2017 actuarial valuation) percent.

Pension fund assets are valued at actuarially determined market values. The expected rate of return on plan assets is 6.90 percent. The actual return on plan assets was -2.1% percent in 2018. Plan assets include Canadian, US and International Equities and Fixed Income estimated market value of \$35,092,034 (2017 - \$35,989,055).



**Notes to the Consolidated Financial Statements**  
**March 31, 2019**

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**5. Pension plans (cont'd)**

The superannuation plan is a registered pension plan which allows employee contributions to be tax deductible by the employee and investment 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.

	2018
Current year benefit cost	\$ 1,297,056
Interest on accrued benefit obligation	20,000
Actuarial gain	<u>(184,000)</u>
Employee future benefit (gain) expense	<u>\$ 1,133,056</u>

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**6. Property taxes**

	2019	December 31 2017
Commercial property tax	<b>\$ 3,920,075</b>	\$ 3,078,110
Non-commercial property tax	<u>6,688,108</u>	<u>5,190,206</u>
	<b><u>\$ 10,608,183</u></b>	<b><u>\$ 8,268,316</u></b>

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# Notes to the Consolidated Financial Statements

## March 31, 2019

### 7. Tangible capital assets

	2019							Net Book Value
	Beginning of Year	Cost	End of Year	Beginning of Year	Amortization Expenses	Amortization Adjustments	End of Year	
Land	\$ 4,995,974	\$ -	\$ 4,995,974	\$ -	\$ -	\$ -	\$ -	4,995,974
Plants, Buildings and Structures	127,815,571	9,990,012	137,530,797	41,530,455	3,232,853	(153,791)	44,608,517	92,921,280
Equipment and Vehicles	12,753,517	1,444,880	13,787,914	5,983,875	969,158	(275,395)	6,677,438	7,110,476
Distribution and Collection Systems	57,829,116	3,238,405	60,508,776	15,967,048	1,074,375	(591,758)	16,450,265	44,058,511
Streets	37,328,917	962,433	38,108,397	24,797,730	1,128,534	(182,953)	25,743,311	12,365,088
Sidewalks	7,823,104	411,109	8,145,179	1,812,998	189,885	(80,034)	1,913,047	6,231,532
Stormlines	28,869,370	436,043	29,308,504	4,653,673	358,227	(197,500)	4,814,391	24,094,113
Wind Farm	29,379,161	-	29,379,161	5,797,560	734,935	-	6,532,425	22,846,736
Deferred Contribution	1,898,777	1,428,317	1,888,531	-	-	-	-	1,435,563
Work in Progress	308,493,507	17,768,790	322,800,295	100,553,767	7,677,887	(1,490,439)	106,740,994	218,059,271
Deferred Contributions	\$ 308,493,507	\$ 17,768,790	\$ 322,800,295	\$ 100,553,767	\$ 7,677,887	\$ (1,490,439)	\$ 106,740,994	\$ 218,059,271

	December 31, 2017							Net Book Value
	Beginning of Year	Cost	End of Year	Beginning of Year	Amortization Expenses	Amortization Adjustments	End of Year	
Land	\$ 4,970,091	\$ 80,883	\$ 4,995,974	\$ -	\$ -	\$ -	\$ -	4,995,974
Plants, Buildings and Structures	127,006,885	478,094	127,815,571	38,494,300	3,250,419	(214,294)	41,530,455	88,285,116
Equipment and Vehicles	11,884,592	1,035,523	12,753,517	5,184,326	944,545	(135,196)	5,983,875	6,759,842
Distribution and Collection Systems	51,719,095	7,215,170	57,829,116	16,167,064	908,333	(1,105,740)	15,967,048	41,851,468
Streets	36,736,125	786,136	37,328,917	23,888,800	1,104,474	(103,344)	24,797,730	12,531,187
Sidewalks	7,540,217	484,633	7,823,104	1,835,012	188,731	(210,747)	1,812,998	6,010,108
Stormlines	24,756,804	4,445,829	28,869,370	4,884,536	302,400	(533,323)	4,653,673	24,015,697
Wind Farm	29,432,300	-	29,379,161	5,062,755	734,935	-	5,797,500	23,581,571
Deferred Contribution	75,885	1,827,892	1,898,777	-	-	-	-	1,898,777
Work in Progress	295,127,714	16,391,150	308,493,507	95,514,593	7,431,797	(2,392,623)	100,553,767	207,939,740
	\$ 295,127,714	\$ 16,391,150	\$ 308,493,507	\$ 95,514,593	\$ 7,431,797	\$ (2,392,623)	\$ 100,553,767	\$ 207,939,740



**Notes to the Consolidated Financial Statements**  
**March 31, 2019**

**8. Accumulated surplus**

The city aggregates its accumulated surplus in the following categories:

	2019	December 31 2017
Reserve funds	\$ 11,930,691	\$ 6,436,063
Operating funds	<u>137,428,931</u>	<u>130,242,630</u>
	<u>\$ 149,359,622</u>	<u>\$ 136,678,693</u>
<b>Reserve funds</b>		
Balance, beginning of year	\$ 6,436,063	\$ 4,566,277
Allocations to reserves (net)	<u>5,494,628</u>	<u>1,869,786</u>
Balance, end of year	<u>\$ 11,930,691</u>	<u>\$ 6,436,063</u>
Comprised of		
City		
World Softball	\$ 49,172	\$ 46,600
Land Bank	16,503	16,503
Summerside Raceway	394,240	338,489
54/56 Central St (Central Suites)	74,053	36,804
Economic Development	205,000	175,000
Culture Summerside	75,000	-
Parkland Dedication	84,338	80,170
Parks and Greenspaces	933	-
Financial Reserve	2,114,903	1,027,500
Financial Reserve – Future Capital Expenditures	1,959,230	753,230
Future Spending – Public Works	240,000	240,000
Capital Campaign – Debt Reduction	207,237	108,631
Debt Reduction	387,952	-
Electric Utility		
Electric Generator	50,000	50,000
Electric Distribution	53,748	53,748
Future Spending	3,716,665	2,133,107
Water & Sewer Utility		
Future Spending	2,238,724	1,363,286
Debt Reduction	50,000	-
SCN Utility		
Debt reduction	<u>12,995</u>	<u>12,995</u>
	<u>\$ 11,930,691</u>	<u>\$ 6,436,063</u>



## Notes to the Consolidated Financial Statements March 31, 2019

### 9. Budget

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations and statement of changes in net debt has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the consolidated financial statements:

	Approved Budget	Less: Principal Debt Repayments	Add: Amortization	Add: Allocation of Long Term Debt Interest	Less: Eliminations	Budget per Financial Statements
<b>Revenue</b>						
Property Taxes	10,320,045					10,320,045
Government Transfers						
Equalization	3,539,196					3,539,196
Municipal Support Credit	5,468,966					5,468,966
Infrastructure	1,490,163					1,490,163
Other	-					-
Wind Energy Sales	3,316,821				3,316,821	-
Sale of Electricity	28,679,808				2,417,180	26,262,628
Sale of Water & Sewer Services	7,086,660				674,691	6,411,969
ETS Program Sales	194,774				1,769	193,005
Fines and costs	120,000					120,000
Loss on sale	-					-
Third Party Revenue	3,147,149				280,664	2,866,485
<b>Total Revenue</b>	<b>63,363,582</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,691,125</b>	<b>56,672,457</b>
<b>Expenses</b>						
General Government	6,760,397	3,216,099	1,254,937	(1,691,661)	812,019	2,295,555
Recreation programs	6,645,758		2,056,997	1,345,680	777,353	9,271,082
Protective services	5,905,587		249,350	35,587	79,629	6,110,895
Transportation Services	3,806,478		1,811,641	310,394	648,934	5,279,579
Electric Utility	28,703,036	2,018,883	1,046,263		3,650,653	24,079,763
Water & Sewer Utility	7,086,660	1,314,900	1,258,484		722,537	6,307,707
<b>Total Expense</b>	<b>58,907,916</b>	<b>6,549,882</b>	<b>7,677,672</b>	<b>-</b>	<b>6,691,125</b>	<b>53,344,581</b>
Annual Surplus/(Deficit)	4,455,666					3,327,876
Capital Expenditures	(4,281,089)					
Approved Budget	174,577					
				Approved Fiscal Plan	Adjustments	Adjusted Plan
Annual Surplus				174,577	3,153,299	3,327,876
Change in Intangible					-	-
Change in Inventory					(207,007)	(207,007)
Acquisition of Tangible Capital Assets				(10,381,212)		(10,381,212)
Amortization of Tangible Capital Assets					7,677,672	7,677,672
Debt Principal Repayment				6,549,882	(6,549,882)	-
Change in Net Financial Debt				(3,656,753)	4,074,082	417,329



## **Notes to the Consolidated Financial Statements**

### **March 31, 2019**

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#### **10. Commitments and contingencies**

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.

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 August 31, 2019.

The City has a maintenance agreement with Vestas–Canadian Wind Technology, Inc. Under the terms of the agreement the City is committed to an annual fee of \$99,637 per turbine until December 2024. The annual fee shall be adjusted annually using the CPI index. In 2019 this fee will be \$106,579 per turbine.

The City has agreed to pay Slemon Park Corporation \$85,000 annually until 2029 in connection with the development and operation of the wind farm.

During 2014, the City sold its internet service utility (SCN) to a third party. Under the terms of the agreement the City will receive a base price for the customer base and the operational assets. If the utility reaches certain future operational benchmarks additional consideration could be received by the City. The City has recorded the base proceeds in 2014. Any additional revenues will be recognized when the City is entitled to future payment.

In 2017 the City entered into the PEI-NB Interconnection Facilities Debt Collection Agreement with the Province of Prince Edward Island, Prince Edward Island Energy Corporation and Maritime Electric. This agreement, with a term of March 1, 2017 to February 28, 2056 or until such time the debt has been paid in full, outlines the City's share of entitlement of available import capacity (10.1%) from NB to PEI over the Interconnection Facilities and the contributing payments towards the debt. From March 1, 2017 until the end of the first five years of this agreement the monthly payment will be \$30,123.41 plus HST. At the end of the first five year period and each subsequent five year period the debt collection rate will be adjusted based on the contribution ratio and interest rate available to the Energy Corporation.

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## **Notes to the Consolidated Financial Statements**

### **March 31, 2019**

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#### **11. Segmented Reporting**

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 fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. City services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

##### General Government

This segment includes departments that are responsible for the overall financial and local government administration. The tasks include, but are not limited to, daily accounting functions, preparation and coordination of the annual audited financial statements, coordination of the development of the annual budget, human resource functions for the entire municipal unit, economic development initiatives and maintenance of bylaws and policies. This would also include administrative and policy support for the Mayor and all members of City Council.

##### Recreation Programs

This segment is responsible for providing sports, recreation, cultural and leisure opportunities to the City's residents.

##### Protective Services

The City is responsible for providing police and fire protection for its residents. Other protective services provided include animal control.

##### Transportation Planning and Engineering

Services provided by our Public Works and Technical Services department are included in this segment. The following tasks are delivered by these departments: street maintenance, snow removal, planning and engineering services in the areas of land use and development and infrastructure.

##### Electric Utility

The City owns and operates its own electric utility, Summerville Electric. Operations include the purchase, sale, production, transmission and distribution of electricity to utility customers.

##### Water and Sewer Utilities

The City owns and operates its own water and sewer utilities. Operations of these two utilities include: provision of potable water to residents, maintenance and operation of the wastewater treatment plant, lagoons and sewer lift stations.

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#### **12. Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

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# Schedule of Segmented Disclosure

March 31, 2019

	General Government	Recreation Programs	Protective Services	Transportation Planning & Engineering	Electric Utility	Water & Sewer Utility	Elimination	Consolidated 2019
<b>Revenues</b>								
Property taxes	\$ 10,608,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	10,608,183
Government transfers								
Equalization	3,632,271	-	-	-	-	-	-	3,632,271
Municipal Support Grant	6,042,582	-	-	-	-	-	-	6,042,582
Infrastructure	129,958	212,995	76,077	1,688,634	-	3,740,141	-	5,847,805
Other	-	41,996	(6,955)	25,500	10,090	-	-	70,631
Wind Energy sales	4,210,273	-	-	-	-	-	(4,210,273)	-
Sale of Electricity	-	-	-	-	30,310,886	-	(2,458,734)	27,852,152
Sale of Water & Sewer Services	-	-	-	-	-	7,293,338	(665,149)	6,628,189
Electro Thermal Storage Program Sales	-	-	-	-	105,648	-	(1,769)	103,879
Fines and costs	-	-	175,463	-	-	-	-	175,463
Third party revenue	1,186,114	2,056,594	140,413	242,403	-	-	(278,802)	3,346,722
	<u>25,809,381</u>	<u>2,311,585</u>	<u>384,998</u>	<u>1,956,537</u>	<u>30,426,624</u>	<u>11,033,479</u>	<u>(7,614,727)</u>	<u>64,307,877</u>
<b>Expenditures</b>								
Salaries & Benefits	2,191,316	3,316,017	5,064,386	981,729	3,335,826	1,647,041	-	16,536,315
Goods & Services	1,474,018	3,135,883	1,549,342	2,579,416	20,592,605	2,278,012	(7,614,727)	23,994,549
Amortization	1,254,937	2,056,997	249,350	1,811,641	1,046,263	1,258,484	-	7,677,672
Interest	493,512	1,365,007	24,530	265,899	769,592	699,833	-	3,618,373
Other	344,101	-	-	-	54,694	1,244	-	400,039
	<u>5,757,883</u>	<u>9,873,903</u>	<u>6,887,609</u>	<u>5,638,686</u>	<u>25,798,980</u>	<u>5,884,614</u>	<u>(7,614,727)</u>	<u>52,226,948</u>
Annual surplus (deficit)	\$ 20,051,498	\$ (7,562,318)	\$ (6,502,611)	\$ (3,682,149)	\$ 4,627,644	\$ 5,148,865	\$ -	\$ 12,080,929



# Schedule of Segmented Disclosure

March 31, 2019

	General Government	Recreation Programs	Protective Services	Transportation Planning & Engineering	Electric Utility	Water & Sewer Utility	Elimination	Consolidated December 31, 2017
<b>Revenues</b>								
Property taxes	\$ 8,268,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,268,316
Government transfers								
Equalization	2,330,115	-	-	-	-	-	-	2,330,115
Municipal Support Grant	4,897,467	-	-	-	-	-	-	4,897,467
Infrastructure	26,890	14,000	17,700	4,223,258	1,500,000	2,842,083	-	8,623,931
Other	316,264	(178,876)	-	-	104,131	2,900	-	244,419
Wind Energy sales	3,141,282	-	-	-	-	-	(3,141,282)	-
Sale of Electricity	-	-	-	-	21,492,579	-	(1,825,839)	19,666,740
Sale of Water & Sewer Services	-	-	-	-	-	5,701,885	(532,713)	5,169,172
Electro Thermal Storage Program Sales	-	-	-	-	85,137	-	(18,914)	66,223
Fines and costs	-	-	123,979	-	-	-	-	123,979
Third party revenue	758,849	1,857,832	100,303	219,197	-	-	(103,042)	2,833,139
	<u>19,739,183</u>	<u>1,692,956</u>	<u>241,982</u>	<u>4,442,455</u>	<u>23,181,847</u>	<u>8,546,868</u>	<u>(5,621,790)</u>	<u>52,223,501</u>
<b>Expenditures</b>								
Salaries & Benefits	1,774,335	2,535,856	3,917,104	683,438	2,541,563	1,282,432	-	12,734,728
Goods & Services	1,173,882	2,853,392	1,191,717	1,781,918	14,818,577	1,906,090	(5,621,790)	18,103,786
Amortization	1,248,978	2,064,067	277,782	1,721,399	894,402	1,225,167	-	7,431,795
Interest	301,259	1,206,943	22,934	239,930	565,681	563,530	-	2,900,277
Other	299,442	-	-	-	74,229	9,179	-	382,850
	<u>4,797,896</u>	<u>8,660,258</u>	<u>5,409,537</u>	<u>4,426,687</u>	<u>18,894,452</u>	<u>4,986,398</u>	<u>(5,621,790)</u>	<u>41,553,436</u>
<b>Annual surplus (deficit)</b>	<u>\$ 14,941,287</u>	<u>\$ (6,967,302)</u>	<u>\$ (5,167,555)</u>	<u>\$ 15,768</u>	<u>\$ 4,287,395</u>	<u>\$ 3,560,470</u>	<u>\$ -</u>	<u>\$ 10,670,065</u>