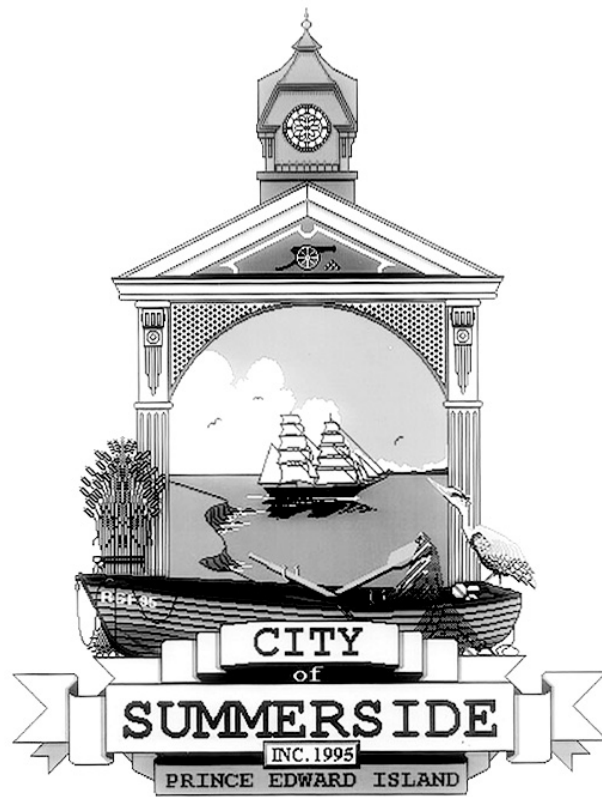


City of Summerside

Financial Statements

December 31, 2006

Grant Thornton 



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Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

His Worship The Mayor and Members of the City Council

We have audited the consolidated statement of financial position and the statement of financial position for the revenue fund and capital fund of the General, Electric Utility, Water and Sewer Utilities, Pollution Control Centre and Summerside Community Network funds of the City of Summerside as at December 31, 2006 and the related statements of financial activities, consolidated statement of changes in financial position, statement of investment in capital assets and the statement of source and application of capital financing for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of Summerside as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Summerside, Prince Edward Island
March 9, 2007

Grant Thornton LLP
Chartered Accountants

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City of Summerside

Consolidated Statement of Financial Activities

Year Ended December 31

2006

2005

	<u>Page</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue				
General Fund	10	\$ 13,344,392	\$ 13,299,641	\$ 13,105,277
Electric Utility	18	14,299,691	13,959,665	13,641,205
Water Utility	23	1,489,208	1,474,420	1,435,368
Sewer Utility	24	749,257	750,713	793,339
Pollution Control Centre	25	863,265	960,022	754,454
Summerside Community Network	34	972,630	572,004	309,849
		<u>31,718,443</u>	<u>31,016,465</u>	<u>30,039,492</u>
Expenditures				
General Fund	10	12,935,586	12,104,455	12,664,358
Electric Utility	18	13,571,506	13,682,404	12,428,591
Water Utility	23	1,090,594	1,132,820	964,915
Sewer Utility	24	527,308	569,914	542,137
Pollution Control Centre	25	635,465	627,323	530,857
Summerside Community Network	34	972,630	572,004	309,849
		<u>29,733,089</u>	<u>28,688,920</u>	<u>27,440,707</u>
Excess of revenue over expenditures		<u>1,985,354</u>	<u>2,327,545</u>	<u>2,598,785</u>
Financing and transfers				
Debt principal repayments net of proceeds from debt issue		(829,500)	(829,387)	(735,360)
Net transfers from Capital Funds		-	-	-
Net transfers to Reserves		(696,163)	(1,488,982)	(1,199,918)
Net financing and transfers		<u>(1,525,663)</u>	<u>(2,318,369)</u>	<u>(1,935,278)</u>
Change in Consolidated Revenue Fund balance		<u>\$ 459,691</u>	<u>\$ 9,176</u>	<u>\$ 663,507</u>
Change in Revenue Fund balance represented by:				
General	10	\$ (94)	\$ 315	\$ (3,205)
Electric	18	459,785	8,861	666,712
Water	23	-	-	-
Sewer	24	-	-	-
Pollution	25	-	-	-
Summerside Community Network	34	-	-	-
		<u>\$ 459,691</u>	<u>\$ 9,176</u>	<u>\$ 663,507</u>

See accompanying notes to the consolidated financial statements.

City of Summerside

Consolidated Statement of Financial Position

December 31

2006

2005

Assets

Receivables	\$ 21,017,203	\$ 7,215,833
Inventory of materials and supplies, at cost	1,006,623	869,625
Restricted short term investments	314,358	85,084
Investment in Summerside Regional Development Corporation, at cost	375	375
Sinking fund investments, at market value	2,237,635	2,389,875
Intangibles, net of amortization	32,532	37,375
Capital assets	<u>168,367,960</u>	<u>134,273,533</u>
	<u>\$ 192,976,686</u>	<u>\$ 144,871,700</u>

Liabilities and Equity

Bank indebtedness	\$ 3,553,866	\$ 6,921,976
Payables and accruals		
Trade and customer deposits	9,706,597	8,316,945
Accrued interest	650,321	434,052
Long term debt	<u>55,403,213</u>	<u>27,317,882</u>
	<u>69,313,997</u>	<u>42,990,855</u>
Reserves and reserve funds	<u>25,836,427</u>	<u>23,331,935</u>
Equity in Summerside Raceway Inc.	<u>1,035,629</u>	<u>1,035,629</u>
Revenue funds	<u>(1,243,021)</u>	<u>(1,252,199)</u>
Capital funds – Investment in capital assets	<u>98,033,654</u>	<u>78,765,480</u>
	<u>\$ 192,976,686</u>	<u>\$ 144,871,700</u>

Commitments and contingencies (Note 3)

On behalf of the Council

On behalf of management

See accompanying notes to the consolidated financial statements.

City of Summerside

Consolidated Statement of Changes in Financial Position

Year Ended December 31

2006

2005

Increase (decrease) in cash and cash equivalents

Operating

Net expenditures	\$ 2,327,546	\$ 2,598,785
Depreciation and amortization	512,843	512,844
Change in non-cash operating working capital	<u>(12,332,445)</u>	<u>(375,854)</u>
	<u>(9,492,056)</u>	<u>2,735,775</u>

Financing

Change in long term debt and related sinking fund	<u>28,342,430</u>	<u>6,520,835</u>
---	-------------------	------------------

Investing

Capital grants received	15,092,758	4,334,954
Purchase of capital assets		
General	(17,986,082)	(11,329,123)
Electric	(919,377)	(826,524)
Water	(830,989)	(2,089,422)
Sewer	(193,461)	(250,345)
Pollution	(10,617,549)	(744,174)
Summerside Community Network	<u>(27,564)</u>	<u>(47,955)</u>
	<u>(15,482,264)</u>	<u>(10,952,589)</u>

Net decrease (increase) in bank indebtedness	3,368,110	(1,695,979)
Bank indebtedness, beginning of year	<u>(6,921,976)</u>	<u>(5,225,997)</u>
Bank indebtedness, end of year	<u>\$ (3,553,866)</u>	<u>\$ (6,921,976)</u>

See accompanying notes to the consolidated financial statements.

City of Summerside

Notes to the Consolidated Financial Statements

December 31, 2006

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. This includes Summerside Raceway Inc. which is a wholly owned subsidiary of the City. Interdepartmental and organizational transactions and balances are eliminated.

b) 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.

c) Investments

Short term investments consist of Guaranteed Investment Certificates and are recorded at quoted market value.

Sinking fund investments consists of equity and fixed income investments and are recorded at quoted market value.

d) Property and equipment

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 within the utilities.

Capital expenditures funded from current revenues are treated as additions to investment in 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.

e) 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.

City of Summerside

Notes to the Consolidated Financial Statements

December 31, 2006

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

f) Sick leave

Accumulated sick leave credits earned up to December 31, 2006 are not recognized in the financial statements except for a reserve of \$1,349,947 at December 31, 2006. The costs will be recognized in the financial statements only when payments are made.

The accumulated credits and reserves are allocated as follows:

	Accumulated Credits		<u>2006</u>
	Early Retirement	Regular Retirement	<u>Reserves</u>
General Fund	\$ 830,569	\$ 1,184,958	\$ 454,629
Electric Fund	193,246	297,888	619,822
Water, Sewer and Pollution Fund	<u>70,273</u>	<u>107,364</u>	<u>275,496</u>
	<u>\$1,094,088</u>	<u>\$ 1,590,210</u>	<u>\$ 1,349,947</u>
			<u>2005</u>
	Accumulated Credits Early Retirement	Regular Retirement	<u>Reserves</u>
General Fund	\$ 917,006	\$ 1,305,149	\$ 393,370
Electric Fund	203,173	319,245	536,305
Water, Sewer and Pollution Fund	<u>61,302</u>	<u>94,208</u>	<u>238,374</u>
	<u>\$1,181,481</u>	<u>\$ 1,718,602</u>	<u>\$ 1,168,049</u>

Fair market value of the sinking funds total \$1,348,892 (2005 - \$1,268,871).

City of Summerside

Notes to the Consolidated Financial Statements

December 31, 2006

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, 2006 is \$887,688.

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 rules, 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, 2005, the actuary determined that the pension plan's surplus was not in excess of the maximum surplus permitted.

City of Summerside

Notes to the Consolidated Financial Statements

December 31, 2006

2. Pension Plan (cont'd)

The most recent actuarial report was completed as of December 31, 2005 and indicate the present value of the accrued pension benefits and the net assets available to provide for these benefits are market valued as shown below. Since an actuarial report was not available as of December 31, 2006, an extrapolation was used to compute the expected accrued benefit obligation and related expenditures as follows:

	Extrapolation 2006	Actual 2005
Accrued benefit obligations	\$ <u>16,200,943</u>	\$ <u>14,884,726</u>
Plan assets		
Fair value, beginning of year	15,458,260	13,444,645
Return on plan assets	1,854,991	1,551,145
Administrative and investment management fees	(100,002)	(113,937)
Benefits paid	(469,197)	(392,832)
Employee contributions	495,008	444,825
Employer contributions	495,008	444,784
Contributions in transit	<u>-</u>	<u>79,630</u>
Fair value, end of year	<u>17,734,068</u>	<u>15,458,260</u>
Funded status – plan surplus	1,533,125	573,534
Investment valuation reserve	<u>1,178,336</u>	<u>405,423</u>
Actuarial surplus	<u>\$ 354,789</u>	<u>\$ 168,111</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	7%
Inflation rate	3%

3. Commitments and contingencies

The City has pledged a total of \$1,500,000 to the capital equipment fund for the New East Prince Health Facility. \$1,300,000 of the amount pledged has been satisfied with a balance of \$200,000 remaining for future years.

\$8,500,000 remains in the commitment for construction of Phase II of the Wellness Centre.

The City has committed a total of \$20,000,000 for the construction of a Wastewater Treatment Plant. \$7,000,000 of the amount has been provided with a balance of \$13,000,000 remaining.

City of Summerside

Notes to the Consolidated Financial Statements

December 31, 2006

3. Commitments and contingencies (cont'd)

Two agreements for the purchase of power have been signed. The first agreement, which terminates in October 2028, is with Ventus Energy Inc. for the purchase of wind generation power. The second agreement, which is with NB Power, will terminate on March 31, 2008.

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, 2006, 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, 2006 was \$200,000.

The City agreed to provide financial support in the form of a loan guarantee and operational funding to the Jubilee Theatre. The City has provided a loan guarantee of \$150,000, which has a principal balance of \$105,000 at December 31, 2006, and an operational subsidy in the amount of \$57,500 in 2007 and 2008.

The City has provided a letter of credit to New Brunswick System Operator for \$15,000.

4. Financial instruments

The City's financial instruments consist of cash, receivables, investments, bank indebtedness, payables and accruals, deferred revenue 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.

5. Comparative figures

Certain of the comparative figures for 2005 have been reclassified to conform to the 2006 financial statement presentation.

City of Summerside
General Fund
Statement of Financial Activities

Year Ended December 31

2006

2005

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation	\$ 11,026,282	\$ 11,096,360	\$ 10,350,657
Street assessments	27,000	11,837	8,833
Service buildings	30,000	30,000	30,000
Licenses and permits	83,750	93,234	75,395
Rentals	158,300	140,109	158,219
Administration of justice	90,000	95,270	186,335
Provincial grants	669,836	669,836	669,836
Federal gas tax	-	-	412,702
Other grants and revenue	275,000	264,401	368,221
Recreation	711,574	695,840	619,886
Police Services	105,000	83,784	-
Public works	22,000	17,211	17,009
Economic development and heritage	145,650	101,759	208,184
	<u>13,344,392</u>	<u>13,299,641</u>	<u>13,105,277</u>
Expenditures			
General government	380,847	457,059	382,437
Finance	1,479,137	1,494,671	1,166,885
Human resources	154,823	140,664	126,718
Economic development and heritage	957,745	902,579	1,052,032
Technical services	196,871	163,506	177,502
Fire services	522,303	533,445	497,227
Police services	2,638,688	2,589,952	2,502,514
Public works	1,586,719	1,543,950	1,678,620
Recreation and public relations	1,839,882	1,970,846	1,801,251
Capital spending	3,178,771	2,307,783	3,279,172
	<u>12,935,586</u>	<u>12,104,455</u>	<u>12,664,358</u>
Excess of revenue over expenditures	<u>408,806</u>	<u>1,195,186</u>	440,919
Financing and transfers			
Debt principal repayments	(408,900)	(408,871)	(390,124)
Transfer from the Capital Fund	-	-	-
Reserve to future expenditures	-	(786,000)	(54,000)
Net financing and transfers	<u>(408,900)</u>	<u>(1,194,871)</u>	<u>(444,124)</u>
Change in General Revenue Fund balance	(94)	315	(3,205)
Opening Fund balance	<u>408</u>	<u>408</u>	<u>3,613</u>
Ending Fund balance	<u>\$ 314</u>	<u>\$ 723</u>	<u>\$ 408</u>

See accompanying notes to the General Fund.

City of Summerside
General Fund
Revenue Fund Statement of Financial Position

December 31 2006 2005

Assets		
Receivables	\$ 2,661,060	\$ 2,581,481
Inventory of materials and supplies, at cost	5,625	15,504
Restricted short term investments	59,340	57,084
Receivable from other funds		
General Capital Fund	5,185,151	6,624,901
Electricity Revenue Fund	2,991,222	2,413,609
Water, Sewer and Pollution Revenue Fund	2,541,888	2,933,756
Summerside Community Network Revenue Fund	9,883	45,712
Summerside Community Network Capital Fund	27,512	70,348
Electric Utility Equity	461,754	461,754
Sinking fund investments, at market value	659,228	645,402
	<u>\$ 14,602,663</u>	<u>\$ 15,849,551</u>

Liabilities and Fund Balances

Bank indebtedness (Note 2)	\$ 3,484,685	\$ 5,550,883
Payables and accruals		
Trade	8,000,922	8,001,074
Accrued interest	650,321	434,052
	<u>12,135,928</u>	<u>13,986,009</u>
Reserves for future expenditures (Note 3)	2,004,258	1,401,380
Appropriated surplus for Electric Utility Equity	461,754	461,754
Fund balance	723	408
	<u>\$ 14,602,663</u>	<u>\$ 15,849,551</u>

On behalf of the Council

On behalf of management

See accompanying notes to the General Fund.

City of Summerside

General Fund

Capital Fund Statement of Financial Position

December 31 2006 2005

Assets

Government grants receivable	\$ 6,250,000	-
Restricted short term investments	255,019	\$ 28,000
Property and equipment	96,447,727	74,942,241
Investment in		
Electric Utility	6,847,867	6,847,867
Water Utility	8,723,662	9,048,253
Sewer Utility	2,915,383	2,959,347
Pollution Control Centre and plant upgrade reserve	12,253,061	3,893,449
Summerside Community Network	6,236,390	6,314,482
Summerside Regional Development Corporation, at cost	375	375
	<u>\$ 139,929,484</u>	<u>\$ 104,034,014</u>

Liabilities and Equity

Bank indebtedness (Note 2)	-	\$ 468,573
Long term debt (Note 4)	\$ 36,455,660	18,147,060
Payable to other funds		
General Revenue Fund	5,185,151	6,624,901
	<u>41,640,811</u>	<u>25,240,534</u>
Reserves	255,019	28,000
Investment in capital assets (Page 13)	98,033,654	78,765,480
	<u>\$ 139,929,484</u>	<u>\$ 104,034,014</u>

On behalf of the Council

On behalf of management

See accompanying notes to the General Fund.

City of Summerside

General Fund

Statement of Investment in Capital Assets

Year Ended December 31	2006	2005
Add:		
Long term debt retired	\$ 408,871	\$ 390,124
Increase (decrease) in investment in		
Water Utility	(324,591)	782,330
Sewer Utility	(43,964)	(21,642)
Pollution Control Centre	8,359,610	714,178
Summerside Community Network	(78,092)	6,314,482
Increase in sinking funds		
Wellness Centre		
Investment earnings	703	3,104
Parkland Dedication	20,600	24,290
Increase in Capital Receivable	6,250,000	-
Capital expenditures out of Revenue Fund	2,302,783	3,279,172
Reduction of General Revenue Fund reserve	-	40,000
Reduction of Wyatt Foundation Funds	-	69,011
Reduction of Fire Pumper/Tanker Reserve	372,854	-
ACOA funding and contributed assets	2,200,000	1,320,145
	<u>19,468,774</u>	<u>12,915,194</u>
Deduct:		
Increase in Wellness Centre Reserve	-	3,104
Increase in Parkland Dedication Reserve	20,600	24,290
Increase in Fire Rescue Truck Reserve	180,000	-
Increase in Fire Pumper/Tanker Reserve	-	372,854
	<u>200,600</u>	<u>400,248</u>
Change in investment in capital assets	19,268,174	12,514,946
Balance, beginning of year	78,765,480	66,250,534
Balance, end of year	\$ <u>98,033,654</u>	\$ <u>78,765,480</u>

See accompanying notes to the General Fund.

City of Summerside
General Fund
Statement of Source and Application of Capital Financing

Year Ended December 31 2006 2005

Funds provided by:		
Appropriations from General Revenue Fund		
For capital expenditures	\$ 2,302,783	\$ 3,279,172
For debt retirement	408,871	390,124
Use of Revenue Fund Reserves	-	155,886
For increase in investment in utilities	7,912,963	1,474,867
	10,624,617	5,300,049
Loan proceeds	19,848,898	6,750,000
Changes in sinking fund	20,600	(85,710)
Government funding	600,000	1,273,269
Increase in loans from the Revenue Fund	-	2,688,811
Decrease in government grants receivable	-	217,540
Decrease in Fire Pumper/Tanker Reserve	372,854	-
Decrease in Wellness Centre Reserve	-	106,896
Earnings on Wellness Centre Reserve	703	3,104
	\$ 31,467,672	\$ 16,253,959
Funds applied to:		
Redemption of long term debt	\$ 408,871	\$ 390,124
Purchase and construction of capital assets real estate and equipment	21,505,488	13,991,824
Decrease in loans from the Revenue Fund	1,439,749	
Increase in investment in utilities	7,912,964	1,474,867
Increase in Parkland Dedication Reserve	20,600	24,290
Increase in fire rescue truck reserve	180,000	-
Increase in fire pumper/tanker reserve	-	372,854
	\$ 31,467,672	\$ 16,253,959

See accompanying notes to the General Fund.

City of Summerside
General Fund
Notes to the General Fund

December 31, 2006

1. Summary of significant accounting policies

Property and equipment

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 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 \$2,637,696 advance on an operating line of credit and \$846,989 of outstanding deposits, transfers and cheques. The City has an authorized operating line of credit of \$6,000,000, of which, \$3,362,304 was unused at December 31, 2006.

The City also has an authorized capital line of credit of \$2,500,000, of which, \$2,500,000 was unused at December 31, 2006.

City of Summerside

General Fund

Notes to the General Fund

December 31, 2006

3. Reserves for future expenditures - General Revenue Fund

	<u>2006</u>	<u>2005</u>
Funded through sinking fund		
Accumulated sick leave	\$ 454,629	\$ 393,370
Pensions	<u>204,599</u>	<u>252,032</u>
	<u>659,228</u>	<u>645,402</u>
Funded through restricted short term investments		
Accumulated funds – World Softball	<u>59,340</u>	<u>57,084</u>
Total Funded Reserves	<u>718,568</u>	<u>702,486</u>
Unfunded		
Community Access	13,482	13,482
PeeWee Baseball	17,208	23,558
Venture Center	60,000	60,000
Business Park Fund	120,000	120,000
Attraction Fund	55,000	55,000
Fire Pumper/Tanker	-	372,854
Fire Rescue Truck	180,000	-
Future expenditures	<u>840,000</u>	<u>54,000</u>
Total Unfunded Reserves	<u>1,285,690</u>	<u>698,894</u>
Total Reserves	<u>\$ 2,004,258</u>	<u>\$ 1,401,380</u>

City of Summerside

General Fund

Notes to the General Fund

December 31, 2006

4. Long term debt

	Interest Rate %	Maturity Date	<u>2006</u>	<u>2005</u>
Loans and Mortgages				
Loans repaid during the year			-	\$ 195,000
C.I.B.C.	5.59	2007	\$ 178,750	211,150
Bank of Montreal	5.76	2012	682,803	775,424
Bank of Montreal	5.76	2012	2,582,311	2,677,950
Bank of Montreal	5.69	2013	2,736,301	2,829,335
Pacific & Western	5.73	2013	94,504	105,241
Bank of Montreal	4.99	2014	1,551,021	1,602,960
Bank of Montreal	5.06	2016	2,016,400	-
C.I.B.C.	prime -1.25%	Demand	10,150,000	9,750,000
C.I.B.C.	prime - 1.25%	Demand	10,000,000	-
National Bank	prime - 1.15%	Demand	6,463,570	-
			\$ 36,455,660	\$ 18,147,060

Prime rate at December 31, 2006 was 6%.

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

2007 - \$505,146; 2008 - \$509,873; 2009 - \$532,061; 2010 - \$555,533; 2011 - \$580,362.

The above mentioned demand loans are bridge financing for construction projects in progress. It is management's intention that these loans will be replaced with term debt during 2007. Each demand loan has specific repayment obligations if it is not retired during 2007.

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. The amount received in 2005 was recorded as general revenue and used to fund street infrastructure projects. During 2006, the City has received \$206,419 of the \$412,702 allocation planned for 2006/07. This amount, along with future amounts to be received, has been set aside in a reserve fund. The City plans to use these funds for future expenditures related to wind generation.

6. Comparative figures

Certain of the comparative figures for 2005 have been reclassified to conform to the 2006 financial statement presentation.

City of Summerside
Electric Utility
Statement of Financial Activities

Year Ended December 31

2006

2005

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Distribution and generation revenue	\$ <u>14,299,691</u>	\$ <u>13,959,665</u>	\$ <u>13,641,205</u>
Expenditures			
Distribution			
Power purchased	9,051,811	9,199,045	8,489,327
Operations	221,661	247,694	216,857
Substation	81,000	61,204	80,148
Underground Conduit and Cables	3,391	6,468	3,263
Overhead Conductors	70,210	74,212	64,781
Poles and Fixtures	23,194	29,651	22,406
Transformers	10,592	18,625	10,568
Services	25,033	29,325	24,536
Street Lighting	45,148	38,829	46,149
Meters	48,139	45,103	54,461
Customer Service	45,252	45,893	43,837
Administration	684,247	739,881	642,022
Fiscal and other	2,651,424	2,591,850	2,150,277
	<u>12,961,102</u>	<u>13,127,780</u>	<u>11,848,632</u>
Generation			
Salaries and benefits	207,204	203,409	186,091
Material and supplies	155,200	103,215	145,868
Fiscal and other	248,000	248,000	248,000
	<u>610,404</u>	<u>554,624</u>	<u>579,959</u>
	<u>13,571,506</u>	<u>13,682,404</u>	<u>12,428,591</u>
Excess of revenue over expenditures	728,185	277,261	1,212,614
Reserve for future capital expenditure	268,400	268,400	(545,902)
Change in Electric Utility Revenue Fund Balance	459,785	8,861	666,712
Opening Fund balance	(1,714,361)	(1,714,362)	(2,381,074)
Ending Fund balance	\$ <u>(1,254,576)</u>	\$ <u>(1,705,501)</u>	\$ <u>(1,714,362)</u>

City of Summerside

Electric Utility

Revenue Fund Statement of Financial Position

December 31 2006 2005

Assets

Receivables	\$ 895,660	\$ 1,242,965
Inventories, at cost	933,419	796,147
Receivable from other funds		
Electric Utility Capital Fund	1,041,865	821,928
Sinking fund investments, at market value	<u>1,202,255</u>	<u>1,149,100</u>
	\$ 4,073,199	\$ 4,010,140

Liabilities and Fund Balances

Bank indebtedness	\$ 69,180	\$ 902,520
Payables and accruals		
Trade and customer deposits	<u>136,239</u>	<u>147,865</u>
	<u>205,419</u>	<u>1,050,385</u>
Payable to other funds		
General Revenue Fund	<u>2,991,222</u>	<u>2,413,609</u>
Reserve for deferred line maintenance	53,748	53,748
Reserve for deferred engine maintenance	50,000	50,000
Reserve for sick leave	619,822	536,305
Reserve for future pension payments	582,433	612,795
Reserve for future capital	<u>814,302</u>	<u>545,905</u>
	<u>2,120,305</u>	<u>1,798,753</u>
Equity investment from General Revenue Fund	<u>461,754</u>	<u>461,754</u>
Fund balance	<u>(1,705,501)</u>	<u>(1,714,361)</u>
	\$ 4,073,199	\$ 4,010,140

On behalf of the Council

On behalf of management

**City of Summerside
Electric Utility
Capital Fund Statement of Financial Position**

December 31 2006 2005

Assets

Land	\$ 66,613	\$ 66,613
Buildings	1,475,543	1,475,543
Generating equipment	8,095,081	8,063,654
Distribution equipment	11,224,498	10,641,191
Office equipment	1,604,406	1,513,312
Transportation equipment	810,093	596,544
	<u>\$ 23,276,234</u>	<u>\$ 22,356,857</u>

Liabilities and Equity

Long term debt (Note 2)	\$ 4,286,486	\$ 4,095,046
Payable to other funds		
Electric Utility Revenue Fund	1,041,865	821,928
Reserve for depreciation	11,100,016	10,592,016
Investment in capital assets	6,847,867	6,847,867
	<u>\$ 23,276,234</u>	<u>\$ 22,356,857</u>

On behalf of the Council

On behalf of management

City of Summerside
Electric Utility
Statement of Source and Application of Capital Financing

Year Ended December 31 2006 2005

Funds provided by:		
Revenue Fund appropriations for depreciation	\$ 508,000	\$ 508,000
Loan proceeds from term loan	1,931,200	645,700
Increase in loans from the Revenue Fund	219,936	173,053
Equipment transferred to Summerside Community Network	-	70,348
	<u>\$ 2,659,136</u>	<u>\$ 1,397,101</u>
Funds applied to:		
Redemption of long term debt	\$ 1,739,759	\$ 570,577
Purchase of capital assets	919,377	826,524
	<u>\$ 2,659,136</u>	<u>\$ 1,397,101</u>

City of Summerside

Electric Utility

Notes to the Electric Utility

December 31, 2006

1. Summary of significant accounting policies

Property and equipment

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 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

	<u>Interest</u> <u>Rate %</u>	<u>Maturity</u> <u>Date</u>	<u>2006</u>	<u>2005</u>
Loans and mortgages				
Loans repaid during year			-	\$ 1,425,000
C.I.B.C.	5.59	2007	\$ 460,000	580,000
Bank of Montreal	3.23	2007	49,000	110,000
Bank of Montreal	4.82	2009	479,182	495,526
Pacific & Western	4.63	2009	593,577	654,146
Bank of Montreal	3.87	2010	508,915	535,700
Pacific & Western	5.73	2013	264,612	294,674
Bank of Montreal	5.06	2016	<u>1,931,200</u>	-
Total payable			<u>\$ 4,286,486</u>	<u>\$ 4,095,046</u>

Scheduled principal repayments in each of the next five years are as follows: 2007 - \$458,098; 2008 - \$351,765; 2009 - \$354,577; 2010 - \$357,543; 2011 - \$360,672.

3. Comparative figures

Certain of the comparative figures for 2005 have been reclassified to conform to the 2006 financial statement presentation.

City of Summerside
Water Utility
Statement of Financial Activities

Year Ended December 31

2006

2005

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Sales to customers	\$ 996,227	\$ 983,225	\$ 941,569
Fire protection	483,000	483,000	483,000
Other	<u>9,981</u>	<u>8,195</u>	<u>10,799</u>
	<u>1,489,208</u>	<u>1,474,420</u>	<u>1,435,368</u>
Expenditures			
Distribution Expenses	359,486	428,746	354,262
Pumping	121,441	121,418	118,373
Administration & Other	41,402	52,664	34,648
Overhead	285,243	246,970	193,105
Interfund Allocations	<u>283,022</u>	<u>283,022</u>	<u>264,527</u>
	<u>1,090,594</u>	<u>1,132,820</u>	<u>964,915</u>
Excess of revenue over expenditures	<u>398,614</u>	<u>341,600</u>	<u>470,453</u>
Financing and transfers:			
Debt principal repayments	(258,100)	(258,079)	(196,386)
Reserve for future capital	<u>(140,514)</u>	<u>(83,521)</u>	<u>(274,067)</u>
Net financing and transfers	<u>(398,614)</u>	<u>(341,600)</u>	<u>(470,453)</u>
Change in Water Utility Revenue Fund balance	-	-	-
Opening Fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

**City of Summerside
Sewer Utility
Statement of Financial Activities**

Year Ended December 31

2006

2005

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue	\$ <u>749,257</u>	\$ <u>750,713</u>	\$ <u>793,339</u>
Expenditures			
Distribution Expenses	253,807	323,495	290,435
Administration & Other	31,500	28,184	33,956
Overhead	84,000	60,234	71,250
Interfund Allocations	<u>158,001</u>	<u>158,001</u>	<u>146,496</u>
	<u>527,308</u>	<u>569,914</u>	<u>542,137</u>
Excess of revenue over expenditures	<u>221,949</u>	<u>180,799</u>	<u>251,202</u>
Financing and transfers:			
Debt principal repayments	(134,700)	(134,650)	(133,577)
Reserve for future capital	<u>(87,249)</u>	<u>(46,149)</u>	<u>(117,625)</u>
Net financing and transfers	<u>(221,949)</u>	<u>(180,799)</u>	<u>(251,202)</u>
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>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

**City of Summerside
Pollution Control Centre
Statement of Financial Activities**

Year Ended December 31

2006

2005

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue	\$ <u>863,265</u>	\$ <u>960,022</u>	\$ <u>754,454</u>
Expenditures			
Operations	460,647	462,989	408,122
Administration	7,870	5,511	5,921
Overhead	81,300	73,175	39,519
Interfund Allocations	<u>85,648</u>	<u>85,648</u>	<u>77,295</u>
	<u>635,465</u>	<u>627,323</u>	<u>530,857</u>
Excess of revenue over expenditures	<u>227,800</u>	<u>332,699</u>	<u>223,597</u>
Financing and transfers			
Debt principal repayments	(27,800)	(27,788)	(15,273)
Reserve for pollution plant	<u>(200,000)</u>	<u>(304,911)</u>	<u>(208,324)</u>
	<u>(227,800)</u>	<u>(332,699)</u>	<u>(223,597)</u>
Change in Pollution Control Centre Revenue Fund balance	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

City of Summerside
Water and Sewer Utilities and Pollution Control Centre
Combined Revenue Fund Statement of Financial Position

December 31 2006 2005

Assets		
Receivables	\$ 826,094	\$ 834,477
Inventories of materials and supplies, at cost	67,579	57,976
Sinking fund investments, at market value	376,152	338,275
Receivable from other funds		
Water Utility Capital Fund	1,453,859	2,678,723
Sewer Utility Capital Fund	-	36,213
Pollution Control Centre Capital Fund	<u>3,135,566</u>	<u>618,835</u>
	<u>\$ 5,859,250</u>	<u>\$ 4,564,499</u>

Liabilities and Fund Balance

Payables and accruals		
Trade and customer deposits	\$ 1,569,440	\$ 168,006
Payable to other funds		
General Revenue Fund	2,541,889	2,933,757
Sewer Utility Capital Fund	<u>117,636</u>	<u>-</u>
	<u>4,228,965</u>	<u>3,101,763</u>
Reserve for sick leave	275,496	238,374
Reserve for future pension payments	100,655	99,901
Reserve for future capital	<u>1,254,134</u>	<u>1,124,461</u>
	<u>1,630,285</u>	<u>1,462,736</u>
	<u>\$ 5,859,250</u>	<u>\$ 4,564,499</u>

On behalf of the Council

On behalf of management

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

City of Summerside

Water Utility

Capital Fund Statement of Financial Position

December 31 2006 2005

Assets

Receivables	\$ 1,200,000	\$ 1,200,000
Sinking fund investments, at cost plus accrued interest - long term debt	-	156,830
Land	189,095	189,095
Wells and springs	1,340,984	1,340,985
Pumping structures	2,850,929	2,850,929
Distribution system	13,794,027	12,973,713
Transportation equipment	254,934	244,258
Maintenance equipment	70,673	70,673
Intangible assets, net of amortization	32,532	37,375
Receivable from other funds Sewer Utility Capital Fund	<u>344,666</u>	<u>344,666</u>
	\$ <u>20,077,840</u>	\$ <u>19,408,524</u>

Liabilities and Equity

Long term debt (Note 2)	\$ 4,900,792	\$ 3,265,771
Payable to other funds Water and Sewer Utilities and Pollution Control Centre Revenue Funds	<u>1,453,859</u>	<u>2,678,723</u>
	6,354,651	5,944,494
Reserve for depreciation	<u>4,999,528</u>	<u>4,415,777</u>
Investment in capital assets Contributed	<u>7,475,888</u>	<u>7,475,888</u>
Non-contributed	<u>1,247,773</u>	<u>1,572,365</u>
	8,723,661	9,048,253
	\$ <u>20,077,840</u>	\$ <u>19,408,524</u>

On behalf of the Council

On behalf of management

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

**City of Summerside
Sewer Utility
Capital Fund Statement of Financial Position**

December 31 2006 2005

Assets

Sinking fund investments, at cost, plus accrued interest - long term debt	-	\$ 100,268
Land	\$ 5,232	5,232
Structures and improvements	34,978	34,978
Sewers	5,171,445	5,171,445
Equipment	1,007,701	814,240
Receivable from other funds		
Water and Sewer Utilities and Pollution Control Centre Revenue Funds	<u>117,636</u>	<u>-</u>
	\$ <u>6,336,992</u>	\$ <u>6,126,163</u>

Liabilities and Equity

Long term debt (Note 2)	\$ 1,201,585	\$ 1,089,835
Payable to other funds		
Water Utility Capital Fund	344,666	344,666
Water and Sewer Utilities and Pollution Control Centre Revenue Funds	<u>-</u>	<u>36,213</u>
	<u>1,546,251</u>	<u>1,470,714</u>
Reserve for depreciation	<u>1,875,358</u>	<u>1,696,102</u>
Investment in capital assets		
Non-contributed	<u>2,915,383</u>	<u>2,959,347</u>
	\$ <u>6,336,992</u>	\$ <u>6,126,163</u>

On behalf of the Council

On behalf of management

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

**City of Summerside
Pollution Control Centre
Capital Fund Statement of Financial Position**

December 31 2006 2005

Assets		
Receivables	\$ 8,997,511	\$ 754,753
Land	17,308	17,308
Structure and improvements	12,204,760	1,587,211
Sewers	2,362,655	2,362,655
Pumping stations	320,062	320,062
Equipment	1,515,173	1,515,173
Vehicles	<u>56,019</u>	<u>56,019</u>
	\$ 25,473,488	\$ 6,613,181

Liabilities and Equity		
Long term debt (Note 2)	\$ 8,488,290	\$ 720,170
Payable to other funds		
Water and Sewer Utilities and		
Pollution Control Centre Revenue Funds	<u>3,135,566</u>	<u>618,835</u>
	11,623,856	1,339,005
Reserve for depreciation	1,596,571	1,380,726
Reserve for plant upgrade	<u>1,068,083</u>	<u>763,172</u>
	2,664,654	2,143,898
Investment in capital assets		
Contributed	10,073,766	1,831,008
Non-contributed	<u>1,111,212</u>	<u>1,299,270</u>
	11,184,978	3,130,278
	\$ 25,473,488	\$ 6,613,181

On behalf of the Council

On behalf of management

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

City of Summerside

Water and Sewer Utilities and Pollution Control Centre

Combined Statement of Source and Application of Capital Financing

December 31	2006	2005
Funds provided by:		
Infrastructure grants	\$ 8,242,758	\$ 1,679,507
Appropriations from Revenue Fund		
For debt service	420,517	345,693
For reserve for plant upgrade	304,911	208,324
For amortization	4,843	4,843
Loan proceeds from term loan	11,075,907	1,310,500
Increase in loans from the Revenue Fund	1,138,017	2,289,091
Redemption of sinking funds	258,820	-
Income on sinking funds	-	9,971
	<u>\$ 21,445,773</u>	<u>\$ 5,847,929</u>
Funds applied to:		
Changes in Sinking Fund	\$ -	\$ 9,971
Purchase and construction of capital assets		
Pollution Control Centre services and equipment	10,617,548	744,174
Sewer utility services and equipment	193,461	250,345
Water utility services and equipment	830,989	2,089,422
Redemption of long term debt	1,561,017	1,214,693
Increase in receivables	8,242,758	1,539,324
	<u>\$ 21,445,773</u>	<u>\$ 5,847,929</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

City of Summerside

Water and Sewer Utilities and Pollution Control Centre

Notes to the Water and Sewer Utilities and Pollution Control Centre

December 31, 2006

1. Summary of significant accounting policies

Property and equipment

Capital assets and projects in progress are recorded at cost. The City records depreciation through the investment in 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 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	<u>2006</u>	<u>2005</u>
Water Utility				
Loans and mortgages				
Loans repaid during year			-	\$ 1,111,000
CIBC	5.59	2007	\$ 282,900	296,700
Bank of Montreal	3.44	2008	98,200	161,000
Bank of Montreal	4.82	2009	255,858	264,584
Pacific & Western	4.63	2009	91,626	100,975
Consolidated Credit Union	prime – 1%	2009	1,200,000	-
Bank of Montreal	3.87	2010	190,950	201,000
Bank of Montreal	3.85	2010	400,000	450,000
Bank of Montreal	5.69	2013	658,158	680,512
Bank of Montreal	5.06	2016	<u>1,723,100</u>	-
			<u>\$ 4,900,792</u>	<u>\$ 3,265,771</u>

Prime rate at December 31, 2006 was 6%.

Scheduled principal repayments in each of the next five years are as follows: 2007 - \$290,070; 2008 - \$257,603; 2009 - \$224,139; 2010 – \$226,183; 2011 - \$228,343.

City of Summerside

Water and Sewer Utilities and Pollution Control Centre

Notes to the Water and Sewer Utilities and Pollution Control Centre

December 31, 2006

2. Long term debt (cont'd)

	Interest Rate %	Maturity Date	<u>2006</u>	<u>2005</u>
Sewer Utility				
Loans and mortgages				
Loans repaid during year			-	\$ 116,400
C.I.B.C.	5.59	2007	\$ 147,600	154,800
C.M.H.C.	6.88	2008	6,895	10,008
Bank of Montreal	3.63	2008	185,800	258,000
Bank of Montreal	4.82	2009	31,783	32,867
Bank of Montreal	5.69	2013	64,405	66,593
Pacific & Western	5.73	2013	113,405	126,289
Pacific & Western	4.63	2014	294,797	324,878
Bank of Montreal	5.06	2016	356,900	-
			<u>\$ 1,201,585</u>	<u>\$ 1,089,835</u>

Scheduled principal repayments in each of the next five years are as follows: 2007 - \$144,506; 2008 - \$142,110; 2009 - \$108,774; 2010 - \$68,460; 2011 - \$69,607.

	Interest Rate %	Maturity Date	<u>2006</u>	<u>2005</u>
Pollution Control Centre				
Loans and mortgages				
Bank of Montreal	4.82	2009	\$ 48,471	\$ 50,124
Bank of Montreal	3.87	2010	228,475	240,500
Bank of Montreal	5.69	2013	415,436	429,546
Royal Bank	prime -1.26%	Demand	7,051,708	-
Consolidated Credit Union	prime - 1%	Demand	744,200	-
			<u>\$ 8,488,290</u>	<u>\$ 720,170</u>

Prime rate at December 31, 2006 was 6%.

Scheduled principal repayments in each of the next five years are due as follows: 2007 - \$28,693; 2008 - \$29,651; 2009 - \$30,664; 2010 - \$31,735; 2011 - \$32,868.

The above mentioned demand loans are bridge financing for construction projects in progress. It is management's intention that these loans will be replaced with term debt. Each demand loan has specific repayment obligations if it is not retired during 2007.

City of Summerside
Water and Sewer Utilities and Pollution Control Centre
Notes to the Water and Sewer Utilities and Pollution
Control Centre

December 31, 2006

3. Comparative figures

Certain of the comparative figures for 2005 have been reclassified to conform to the 2006 financial statement presentation.

**City of Summerside
Summerside Community Network
Statement of Financial Activities**

Year Ended December 31

2006

2005

	<u>Budget</u>	<u>Actual</u>	
Revenue	\$ 972,630	\$ 572,004	\$ 309,849
Expenditures			
Customer service costs	80,730	69,038	64,890
Contracted services	97,263	30,895	20,276
Bandwidth costs	119,280	82,511	69,764
Installation and service	236,600	156,874	34,925
Equipment and system maintenance	185,500	66,591	28,035
Building maintenance and operations	102,755	112,615	69,759
Interfund allocations	150,502	53,480	22,200
	<u>972,630</u>	<u>572,004</u>	<u>309,849</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to Summerside Community Network.

**City of Summerside
Summerside Community Network
Revenue Fund Statement of Financial Position**

December 31

2006

2005

Assets

Holdback receivable	\$ <u>186,877</u>	\$ <u>602,157</u>
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Liabilities and Fund Balance

Payable to other funds		
General Revenue Fund	\$ 9,883	\$ 45,712

Reserve for future capital	<u>176,994</u>	<u>556,445</u>
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	\$ <u>186,877</u>	\$ <u>602,157</u>
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On behalf of the Council

On behalf of management

See accompanying notes to Summerside Community Network.

**City of Summerside
Summerside Community Network
Capital Fund Statement of Financial Position**

December 31 2006 2005

Assets		
Infrastructure	\$ 6,266,527	\$ 6,266,527
Vehicles	47,955	47,955
Equipment	<u>97,912</u>	<u>70,348</u>
	\$ <u>6,412,394</u>	\$ <u>6,384,830</u>

Liabilities and Equity

Long term debt (Note 3)	\$ 70,400	-
Reserve for depreciation	78,092	-
Payable to other funds		
General revenue fund	27,512	\$ 70,348
Investment in capital assets	<u>6,236,390</u>	<u>6,314,482</u>
	\$ <u>6,412,394</u>	\$ <u>6,384,830</u>

On behalf of the Council

On behalf of management

See accompanying notes to Summerside Community Network.

City of Summerside

Summerside Community Network

Notes to the Summerside Community Network

December 31, 2006

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.

2. Summary of significant accounting policies

Property and equipment

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 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	2006	2005
Loans and mortgages				
Bank of Montreal	5.06	2016	\$ <u>70,400</u>	\$ <u>-</u>

Scheduled principal repayments in each of the next five years are as follows: 2007 - \$3,519; 2008 - \$3,519; 2009 - \$3,519; 2010 - \$3,519; 2011 - \$3,519.

4. Comparative figures

Certain of the comparative figures for 2005 have been reclassified to conform to the 2006 financial statement presentation.