

Georgetown Sewage Collection and Treatment Corporation

Rate Filing Prepared for Submission to The Island Regulatory & Appeals Commission

Contact Name:	Jill Walsh
Utility Address:	PO Box 546
	25 Queens Road
	Montague PE C0A1R0
Telephone:	902-838-2528
Email:	jwalsh@threeiverspei.com
Date:	June 1, 2020

In accordance with Sections 9 and 15 of the *Water and Sewerage Act*, following is the Utility's application for a rate review.

1. Background information about the Utility (year established, description of system, current number of customers), and the overall reason(s) for the request for a rate change.

The Utility was established in the 1970s and currently services 250 customers inside and outside the boundaries of the former Town of Georgetown. Services offered include sewage disposal and treatment to all customers with billings completed on a triannual basis. Currently the system has 10,014 feet of frontage and 366.1 units.

Since the last IRAC application, there has been a significant number of upgrades to the Lagoon performed in two phases. Phase II included installation of a curtain wall in the lagoon dividing it to two cells, new outlet structure and a UV system. Phase III included securing the curtain wall, installation of a solar powered surface mixer and a Parshall Flume, level sensor and chamber.

The request for the rate change is to increase sewer rates to enable sufficient cash flow for sewer operational expenditures and necessary capital projects. Additionally, the utility requests the change of billing cycle from tri-annually to quarterly as of January 1, 2021.

2. Proposed capital projects or anticipated significant expenditures in the next 2-5 years.

	Type of Project/Expenditure	Utility's Expected Cost	Year
1.	West St. Lift station	451,958	2021
2.	Kent St. Sewer	1,434,783	2023
3.			
4.			

3. PROJECTED depreciation expenses for future expenditures identified in question #2.

	Description	Utility's NET Cost	Proj Depr Exp	Year
1.	West St. Lift station	1,871	22.45	2021
2.	Kent St. Sewer	13,043	156.52	2023
3.				
4.				

4. PROJECTED annual interest expenses on long-term debt for future projects/purchases identified in question #2.

	Description	Loan Amount	Interest Rate	Proj Yrly Int Payment	Year
1.	None on future Projects				
2.					
3.					
4.					

5. a. Statement of actual revenue and expenditures and forecasted data - WITHOUT RATE RELIEF. (Any projected depreciation and/or interest expenses indicated in 3 & 4 above are included.)

For spreadsheet - See <http://www.irac.pe.ca/utilities/WSRateFiling-Template.pdf>

- b. Statement of actual revenue and expenditures and forecasted data – WITH RATE RELIEF AS PROPOSED BY THE UTILITY. (Any projected depreciation and/or interest expenses indicated in 3 & 4 above are included.)

For spreadsheet – See <http://www.irac.pe.ca/utilities/WSRateFiling-Template.pdf>

6. Revenue and expenditure accounts that have increased or decreased by substantial amounts.

Account #	4570	Account Name	Sewer – Operation Repairs & Maintenance Sewer – Lagoon Maintenance
Explanation for Change	The Utility has begun a capital asset management program that staff will utilize to anticipate and prioritize proactive maintenance of the existing infrastructure.		

7. Utility customer information.

Customer Category	# of Customers	# of Units Billed
Frontage	103	10,014
Sewer	266	366.1

8. Projected number of new customers over the next 2–3 years.

PROJECTED:

Year	Customer Category	# of Customers	# of Units Billed
2021	Residential	2	2
2022	Residential	2	2
2023	Residential	2	2

9. Proposed amortization period to recover any accumulated deficit.

Note: The proposed yearly repayment amount(s), including yearly interest, should be included in the projected expenditures in the statement of revenue and expenditures prepared under #5 above.

10. Utility's current rate, proposed rate and proposed effective date.

Current Annual Rate (per Single-Family Dwelling):	223.34	
Proposed Annual Rate (per Single-Family Dwelling):	262.00	
Proposed Effective Date:	Sept 1, 2020	262.00
Utility's Billing Cycle:	Triennially	Requested to be changed to Quarterly.

11. Information on any prior communication by the Utility to its ratepayers on the proposed rate changes.

Council and public were made aware during public budget consultations, and the presentation of the financial plan, that rate reviews were anticipated in the Spring of 2020.

12. Other information relevant to the rate filing.

In addition, the following items are attached to, and form part of, this submission:

13. ☐ A copy of the Utility Board's minute(s) giving authorization to prepare the rate application;
14. ☐ A copy of the Bylaw creating the Utility, pursuant to Section 38.1 of the *Municipalities Act*; and
15. ☐ A copy of the Utility's most recent audited financial statements.

SEWER

Utility Name: Georgetown Sewage Collection and Treatment Corporation**Statement of Revenue and Expenditures (WITHOUT RATE CHANGE)**

250.00 # of Sewer Customers		PER YEAR	Current	Proposed	Diff %	Diff \$
366.10 # of Prop Units Billed		Fiat Rate	\$ 233.34	\$ 262.00	12	\$ 28.66
10,014.00 # of Feet of Frontage		Ftg Rate/Ft	\$ 1.47	\$ 1.65	12	\$ 0.18

		Actual	Actual	WITHOUT RATE CHG		
		31-3-19	31-3-20	Proj	Proj	Proj
				31-3-21	31-3-22	31-3-23
REVENUES						
521	Flat Rate Revenues	\$ 167,379	\$ 99,649	\$ 101,147	\$ 100,723	\$ 101,191
522	Measured Revenues					
523	Revenues from Public Authorities					
525	Interdepartmental Revenues					
530	Frontage Rates					
531	Sale of Sludge					
532	Delayed Payment Charges	-	2,484			
534	Rents from Sewer Property					
536	Other Sewer Revenues	(16,181)	2,676	-	-	-
TOTAL REVENUES		\$ 151,198	\$ 104,808	\$ 101,147	\$ 100,723	\$ 101,191
EXPENDITURES						
Operating	700 Salaries and Wages – Oper Emp					
	705 Materials and Supplies					
	710 Repairs and Maintenance	47,790	47,619	50,000	56,820	63,886
	715 Rentals					
	720 Power or Electricity	13,677	13,989	15,600	15,912	16,230
	725 Chemicals					
		61,467	61,608	65,600	72,732	80,117
General	750 Salaries and Wages – Admin Emp	31,415	19,981	18,000	18,360	18,727
	755 Employee Pensions and Benefits					
	760 Office Supplies and Other	151	187	3,000	3,060	3,121
	761 Interest and Bank Service Charges					
	765 Contractual Services	2,500	3,998	4,500	4,590	4,682
	770 Transportation Expenses					
	775 Insurance	413	1,508	2,800	2,884	2,971
	780 Amortization – Rate Case Expense					
	785 Regulatory Commission Fees	1,214	1,587	1,700	1,734	1,769
	790 Miscellaneous Expenses	-	2,422	-	-	-
Other	795 Bad Debt Expense					
		35,694	29,682	30,000	30,628	31,269
	902 Small Tools Written Off					
	903 Depreciation Expenses (Sch 9A)	19,037	11,244	11,255	7,689	7,636
	904 Interest on Long-Term Debt					
		19,037	11,244	11,255	7,689	7,636
TOTAL EXPENDITURES		\$ 116,198	\$ 102,534	\$ 106,855	\$ 111,049	\$ 119,022
Net Income (Loss) Year		\$ 35,000	\$ 2,274	\$ (5,708)	\$ (10,325)	\$ (17,831)
CASH CONVERSION						
Depreciation		\$ 19,037	\$ 11,244	\$ 11,255	\$ 7,689	\$ 7,636
Capital Expenditures			\$ (59,605)	\$ (1,871)		\$ (13,043)
Surplus (Deficit)		\$ 54,037	\$ (46,087)	\$ 3,676	\$ (2,637)	\$ (23,238)
Accumulated surplus		\$ 54,037	\$ 7,950	\$ 11,626	\$ 8,989	\$ (14,249)

Notes

1 Capital Exepnditures are the Utility portion of capital projects

2

SEWER

Utility Name: Georgetown Sewage Collection and Treatment Corporation

Statement of Revenue and Expenditures (WITH RATE CHANGE)

250.0	# of Sewer Customers
366.1	# of Prop Units Billed
10,014	# of Feet of Frontage

PER YEAR	Current	Proposed	Diff %	Diff \$
Flat Rate	\$ 233.34	\$ 262.00	12	\$ 28.66
Ftg Rate /Ft	\$ 1.4700	\$ 1.6506	12	\$ 0.18

		WITH RATE CHG				
		Actual	Actual	Proj	Proj	Proj
		31-3-19	31-3-20	31-3-21	31-3-22	31-3-23
REVENUES						
521	Flat Rate Revenues	\$ 167,379	\$ 99,649	\$ 98,976	\$ 112,971	\$ 113,495
522	Measured Revenues					
523	Revenues from Public Authorities					
525	Interdepartmental Revenues					
530	Frontage Rates					
531	Sale of Sludge					
532	Delayed Payment Charges		2,484			
534	Rents from Sewer Property					
536	Other Sewer Revenues	(16,181)	2,676	-	-	-
TOTAL REVENUES		\$ 151,198	\$ 104,808	\$ 98,976	\$ 112,971	\$ 113,495
EXPENDITURES						
Operating	700 Salaries and Wages – Oper Emp					
	705 Materials and Supplies					
	710 Repairs and Maintenance	47,790	47,619	50,000	56,820	63,886
	715 Rentals					
	720 Power or Electricity	13,677	13,989	15,600	15,912	16,230
	725 Chemicals					
		61,467	61,608	65,600	72,732	80,117
General	750 Salaries and Wages – Admin Emp	31,415	19,981	18,000	18,360	18,727
	755 Employee Pensions and Benefits					
	760 Office Supplies and Other	151	187	3,000	3,060	3,121
	761 Interest and Bank Service Charges					
	765 Contractual Services	2,500	3,998	4,500	4,590	4,682
	770 Transportation Expenses					
	775 Insurance	413	1,508	2,800	2,884	2,971
	780 Amortization – Rate Case Expense					
	785 Regulatory Commission Fees	1,214	1,587	1,700	1,734	1,769
790 Miscellaneous Expenses	-	2,422	-	-	-	
795 Bad Debt Expense						
		35,694	29,682	30,000	30,628	31,269
Other	902 Small Tools Written Off					
	903 Depreciation Expenses (Sch 9A)	19,037	11,244	11,255	7,689	7,636
	904 Interest on Long-Term Debt					
		19,037	11,244	11,255	7,689	7,636
TOTAL EXPENDITURES		\$ 116,198	\$ 102,534	\$ 106,855	\$ 111,049	\$ 119,022
Net Income (Loss) Year		\$ 35,000	\$ 2,274	\$ (7,879)	\$ 1,922	\$ (5,527)
CASH CONVERSION						
Depreciation		\$ 19,037	\$ 11,244	\$ 11,255	\$ 7,689	\$ 7,636
Capital Expenditures			\$ (59,605)	\$ (1,871)		\$ (13,043)
Surplus (Deficit)		\$ 54,037	\$ (46,087)	\$ 1,505	\$ 9,611	\$ (10,934)
Accumulated surplus		\$ 54,037	\$ 7,950	\$ 9,455	\$ 19,066	\$ 8,131

Notes

1 Capital Expenditures are the Utility portion of capital projects

2

(15)

TOWN OF GEORGETOWN
BYLAW
SEWAGE COLLECTION & TREATMENT CORPORATION

BYLAW # 1992-1

A BYLAW TO ESTABLISH THE TOWN OF GEORGETOWN SEWAGE COLLECTION AND TREATMENT CORPORATION.

WHEREAS, The Council of the Town of Georgetown has, pursuant to section 30 (G) of the Municipalities Act R.S.P.E.I. 1988, Cap M-13, determine it will provide sewage collection and treatment services.

THEREFORE, Pursuant to Section 38.1 of Municipalities Act supra:

BE IT ENACTED by Council as follows:

1. This bylaw may be cited as the Town of Georgetown Sewage Collection and Treatment Utility Bylaw, Bylaw Number 1992-1.
2. In this bylaw:
 - (a) "Council" means the Council of the Town of Georgetown.
 - (b) "Corporation" means the Georgetown Sewage Collection and Treatment Corporation.
 - (c) "Customer" means a person, firm or corporation who or which requests or is supplied with sewage.
 - (d) "Director" means a director of the corporation and includes its chairperson.
 - (e) "Municipality" means the Municipality of the Town of Georgetown.
3. This bylaw applies to the establishment and operation of a sewage collection and treatment corporation for the Municipality.
4.
 - (1) There is hereby established the Georgetown Sewage Collection and Treatment Corporation.
 - (2) One of the Directors shall be appointed by the Mayor as Chairperson of the Corporation.
 - (3) The Corporation shall be composed of a Board of Directors comprised of three or more members appointed from Council by the Mayor.
 - (4) The Directors of the Corporation shall have the terms of office the same as their Council term at the time of appointment, but may be removed at any time by the Mayor.
 - (5) The Directors of the Corporation may receive such remuneration as may be determined by Council.
 - (6) At meetings of the Corporation, two directors constitute a quorum over which the Chairperson of the Corporation, or in his absence, a Director designated by him shall preside.
 - (7) Decisions of the Board of Directors shall be determined by majority vote.
 - (8) In the case of an equal division of opinion among the Directors, the matter shall be referred to the Council, whose decision is binding on the Corporation.

(9) The Chairperson is the Chief Executive Officer of the Corporation and has the supervision over and direction of the work and the staff of the Corporation.

5. The Corporation, with written consent of Council, shall have the following functions:

(a) Constructing, altering, extending, managing and controlling a system for providing the services of sewage collection and treatment to the residents of the Municipality and to residents of areas adjacent to the Municipality;

(b) Acquiring, alienating, holding and disposing of real or personal property;

(c) Engaging and paying personnell;

(d) Financing, any of its undertakings, and

(e) Assessing, charging and collecting rates and charges for services provided to any customer.

6. The Corporation shall levy such user rates or frontage charges as may be approved by the Island Regulatory and Appeals Commission.

7. The Corporation shall maintain its accounts separate from the accounts of the Council of a Municipality.

8. The Directors of the Corporation and any person acting on their instruction or authority are not personally liable for any loss or damage suffered by any person by reason of any act done by any of them in good faith in the exercise or purported exercise of the powers conferred under this bylaw.


9. The Corporation may in its discretion contract the Town for the provision of any or all services to be provided by the Corporation.

10. The fiscal year of the Corporation shall be from the January 1 to December 31.

11. This bylaw comes into force on the 14th of April 1992.

FIRST READING GIVEN FEBRUARY 11, 1992.

SECOND READING AND AMENDED APRIL 13, 1992


Michael Gallant, MAYOR


Patricia Gotell, Town Administrator

Town of Georgetown

P. O. BOX 89
PRINCE EDWARD ISLAND, CANADA
COA 1L0

FOUNDED 1732
INCORPORATED 1912

PHONE 902-652-2924
FAX 902-652-2701

AMENDMENT #1 TO BYLAW 1992-1, A BYLAW FOR SEWER COLLECTION AND TREATMENT CORPORATION:

It was moved by Councillor M. Gallant and seconded by Councillor M. Gotell that be it enacted by the Town of Georgetown the following amendments to Bylaw 1992-1 A Bylaw Relating to Sewer Collection and Treatment Corporation in the Town of Georgetown be given Second Reading and Resolution adopted:

AMENDMENT ONE:

Section Four Article Four be deleted and substituted for the following:

Section Four Article Four:

"The Corporation shall be composed of a Board of Directors comprised of not less than three and not more than seven residents of the Town of Georgetown, of which at least one Director is a member of Georgetown Town Council appointed by the Mayor."

Section Four Article Four Item B.

A resident of the Town of Georgetown shall be defined the same as an elector as determined by the Municipalities Act 198, Section Forty-six; Article one; Items A., B., and C.

This amendment shall come into force at 12:01 A.M., January 10, 1995

FIRST READING.....DECEMBER 12, 1994
SECOND READING AND RESOLUTION.....JANUARY 9, 1995

Motion Carried.

TOWN OF GEORGETOWN

E. MacIsaac.....MAYOR

P. Gotell.....TOWN CLERK



Minutes
Town of Three Rivers
Sewer Corporation Georgetown

May 20, 2020, 8:00 am
Web

Members Present Councillor Cody Jenkins, Councillor John MacFarlane, Councillor
Cindy MacLean, Councillor Wayne Spin

Staff Present Manager of Community Services Dorothy MacDonald, Supervisor
Allan Greene, Operator Matthew Duffy

1. Call to Order

The meeting was called to order by Chair Councillor Cody Jenkins at 8:04 am

2. Adoption of Agenda

Possible Motion: GS2020-05-01

Moved By Councillor Spin

Seconded By Councillor Cindy MacLean

THAT the agenda be approved as presented.

Motion Carried Unanimously

3. Adoption of previous meeting minutes

Possible Motion: GS2020-05-02

Moved By Councillor Spin

Seconded By Councillor MacFarlane

THAT the minutes of the April Water and Sewer Georgetown be adopted as written.

Motion Carried Unanimously

4. Declaration of Conflict of Interest

There was no declaration of conflict

5. Items to be Addressed

5.1 Motion:

To make application to IRAC for increase in Sewer Rates as projected in the 2020-2021 budget

Possible Motion: GS2020-05-03

Moved By Councillor MacFarlane

Seconded By Councillor Spin

Motion Carried Unanimously

6. Correspondence

7. New Business

7.1 Discussions Lagoon maintenance etc.

The committee discussed what next steps could be in working towards having the lagoon managed by Three rivers Maintenance Staff. Operator Matt Duffy will review the expired former contract and provide feedback.

8. Adjourn

The meeting was adjourned at 8.:24 am

Possible Motion: GS2020-05-05

Moved By Councillor Cindy MacLean

Seconded By Councillor MacFarlane

Motion Carried Unanimously



Charlottetown

Prince Edward Island

ANNUAL REPORT

- OF -

(Municipality/Utility Name)

Georgetown Sewer Corporation

FOR THE YEAR ENDED

MARCH 31, 2019

Information on this Form is collected pursuant to the *Water & Sewerage Act* and will be used by the Commission in the administration of the said *Act*. For additional information, contact the Commission at 902-892-3501 or by email at info@irac.pe.ca.

MUNICIPALITY OF Town of Three Rivers

REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION

OF PRINCE EDWARD ISLAND

FOR THE YEAR ENDED MARCH 31, 2019

GENERAL INSTRUCTIONS

- All questions and financial statements which form part of this report must be completed. Explanations must be provided if information is not given.
- Each municipality/utility should make its report out in duplicate, keeping one copy for reference purposes in case correspondence with regard to this report becomes necessary.
- A copy of the municipality's annual audited financial statement for the last fiscal period should accompany this report.
- This report must be completed and mailed in order to arrive at the Commission not later than the 30th of June.

- For accounting instructions and account codes, refer to the Commission's Accounting Manual - *Uniform System of Accounts for Municipal Utilities 1998* or *Quick Reference Guide* under Accounting Information for Utilities at: <http://www.irac.pe.ca/utilities/>.

Schedule 4 - Sewer**MUNICIPALITY OF Town of Three Rivers****STATEMENT OF REVENUE AND EXPENDITURES - SEWER
YEAR ENDED MARCH 31, 2019****Operating**

Revenues

521	Flat Rate Revenues	\$	88,960	
522	Measured Revenues			
523	Revenues from Public Authorities			
525	Interdepartmental Revenues			
530	Frontage Rates			
531	Sale of Sludge			
532	Delayed Payment Charges			
534	Rents from Sewer Property			
536	Other Sewer Revenues		(19,022)	\$ 69,938

Operating Expenses

700	Salaries and Wages - Operational Employees			
705	Materials and Supplies		21,874	
710	Repairs and Maintenance			
715	Rentals			
720	Power or Electricity		6,220	
725	Chemicals			28,094

General Expenses

750	Salaries and Wages - Administrative Employees		18,088	
755	Employee Pensions and Benefits			
760	Office Supplies and Other Office Expenses			
761	Interest and Bank Service Charges			
765	Contractual Services			
770	Transportation Expenses			
775	Insurance			
780	Amortization - Rate Case Expense			
785	Regulatory Commission Fees		1,214	
790	Miscellaneous Expenses			
795	Bad Debt Expense			19,303

Operating Income (Loss) 22,541

Non-Operating Income and Expenses

902	Small Tools Written Off During the Year			
903	Depreciation Expenses - Schedule 9A		11,913	
904	Interest on Long-Term Debt		150	12,063

Other Income (See Guide)

Net Income (Loss) \$ 10,478

Surplus (Deficit) January 1 8,816

Surplus (Deficit) December 31 \$ 19,294

ACCOUNTS RECEIVABLE DATA
YEAR ENDED MARCH 31, 2019

Schedule 7

MUNICIPALITY OF Town of Three Rivers

**SEWER AND/OR WATER REVENUE FUND
BALANCE SHEET
YEAR ENDED MARCH 31, 2019**

ASSETS

Cash		\$	107,601
Investments (temporary)			
Customer accounts receivable - arrears, Schedule 6	\$	450,702	
Less: Allowance for uncollectable accounts		<u>422,969</u>	27,733
Other accounts receivable			1,100
Due from other funds (specify)			1,290,307
Plant materials and supplies			
Prepaid expenses			
Deferred charges			
Other assets (specify)			
		\$	<u><u>1,426,741</u></u>

LIABILITIES AND SURPLUS

Bank loans and overdrafts		\$	
Accounts payable			8,579
Accrued liabilities			
Due to other funds (specify)			1,407,684
Other liabilities			
	Subtotal		<u>1,416,263</u>
Surplus (Deficit)			<u>19,294</u>
		\$	<u><u>1,435,557</u></u>

Schedule 8

MUNICIPALITY OF Town of Three Rivers

**SEWER AND/OR WATER CAPITAL AND LOAN FUND
BALANCE SHEET**

YEAR ENDED MARCH 31, 2019

ASSETS

Cash		\$	
Due from other funds (specify)			
Other (specify)			
	Subtotal		<u>-</u>
Sewer system - undepreciated cost - Schedule 9A			1,290,307
Water system - undepreciated cost - Schedule 9A			-
	Subtotal		<u>1,290,307</u>
		\$	<u><u>1,290,307</u></u>

LIABILITIES AND CONTRIBUTIONS IN AID OF CONSTRUCTION

Long-term debt - Schedule 10		\$	-
Bank loans			
Accounts payable			
Due to other funds (specify)			1,290,307
	Subtotal		<u>1,290,307</u>
Sewer system - contributions in aid of construction - Schedule 9B			-
Water system - contributions in aid of construction - Schedule 9B			-
	Subtotal		<u>-</u>
		\$	<u><u>1,290,307</u></u>

Schedule 9A - Sewer

Municipality of

Town of Three Rivers

Sewer and/or Water Capital and Loan Fund

Analysis of Sewer System

Schedule of Depreciation

Year Ended March 31, 2019

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Cost			Cost	Depreciation		Depreciation	Deductions	Depreciation	Undepreciated
	January 1	Additions	Deductions	December 31	Rate	Depreciation	Reserve	to	Reserve	Cost
	January 1	Additions	Deductions	December 31	Rate	Depreciation	January 1	Reserve	December 31	December 31
<u>Collection Plant</u>	%									
353 Land and Land Rights				\$ -		\$ -			\$ -	\$ -
354 Structures and Improvements	420,698			420,698	1.2	7,593	159,774		167,367	253,331
360 Collection Sewers, Force, Gravity and Special	1,239,412			1,239,412	1.2	22,371	189,614		211,985	1,027,427
389 Other Miscellaneous Equipment				-		-			-	-
Other (Specify)				-		-			-	-
<u>System Pumping Plant</u>										
353 Land and Land Rights				-		-			-	-
354 Structures and Improvements				-	1.2	-			-	-
371 Pumping Equipment				-	5.0	-			-	-
389 Other Miscellaneous Equipment				-		-			-	-
Other (Specify)				-		-			-	-
<u>Treatment and Disposal Plant</u>										
380 Treatment and Disposal Equipment				-	5.0	-			-	-
381 Plant Sewers				-	1.2	-			-	-
382 Outfall Sewer Lines				-	1.2	-			-	-
389 Other Miscellaneous Equipment				-		-			-	-
Other (Specify)				-		-			-	-
<u>General Plant</u>										
390 Office Furniture and Equipment	8,320	12,223		20,543	10.0	4,556	6,439		10,995	9,548
391 Transportation Equipment				-	20.0	-			-	-
392 Stores Equipment				-	20.0	-			-	-
393 Tools, Shop and Garage Equipment				-	20.0	-			-	-
Other (Specify)				-		-			-	-
Totals	\$ 1,668,430	\$ 12,223	\$ -	\$ 1,680,653		\$ 34,520	\$ 355,827	\$ -	\$ 390,347	\$ 1,290,307

Less: Amortization - Contributions in Aid of Construction

(Taken from Column 6 of Schedule 9B - Sewer)

-

Net Depreciation

Line 903

\$ 34,520

Schedule 9B - Sewer

Municipality of
Town of Three Rivers
Sewer and/or Water Capital and Loan Fund
Analysis of Sewer System
Contributions in Aid of Construction
Year Ended March 31, 2019

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Contributions			Contributions	Amortization		Amortization	Deductions	Amortization	Net
	January 1	Additions	Deductions	December 31	Rate	Amortization	Reserve	to	Reserve	Contributions
							January 1	Reserve	December 31	December 31
Collection Plant										
				%						
353 Land and Land Rights				\$ -		\$ -			\$ -	\$ -
354 Structures and Improvements				-	1.2	-			-	-
360 Collection Sewers, Force, Gravity and Special				-	1.2	-			-	-
389 Other Miscellaneous Equipment				-		-			-	-
Other (Specify)				-		-			-	-
System Pumping Plant										
353 Land and Land Rights				-		-			-	-
354 Structures and Improvements				-	1.2	-			-	-
371 Pumping Equipment				-	5.0	-			-	-
389 Other Miscellaneous Equipment				-		-			-	-
Other (Specify)				-		-			-	-
Treatment and Disposal Plant										
380 Treatment and Disposal Equipment				-	5.0	-			-	-
381 Plant Sewers				-	1.2	-			-	-
382 Outfall Sewer Lines				-	1.2	-			-	-
389 Other Miscellaneous Equipment				-		-			-	-
Other (Specify)				-		-			-	-
General Plant										
390 Office Furniture and Equipment				-	10.0	-			-	-
391 Transportation Equipment				-	20.0	-			-	-
392 Stores Equipment				-	20.0	-			-	-
393 Tools, Shop and Garage Equipment				-	20.0	-			-	-
Other (Specify)				-		-			-	-
Totals	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -

Schedule 9A - Sewer

Schedule 10

MUNICIPALITY OF Town of Three Rivers

**SEWER AND/OR WATER CAPITAL AND LOAN FUND
ANALYSIS OF LONG-TERM DEBT
YEAR ENDED MARCH 31, 2019**

Description of Each Loan or Debenture Issue	Outstanding January 1	Add New Debt Incurred	Subtotal	Deduct Repayments	Outstanding December 31
<u>Sewer</u>					
1		\$	-		\$ -
			-		-
			-		-
			-		-
			-		-
			-		-
			-		-
			-		-
			-		-
Total Sewer	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Water</u>					
1		\$	-		\$ -
			-		-
			-		-
			-		-
			-		-
			-		-
			-		-
			-		-
			-		-
Total Water	\$ -	\$ -	\$ -	\$ -	\$ -
COMBINED TOTALS	\$ -	\$ -	\$ -	\$ -	\$ -



Grant Thornton

Consolidated Financial Statements

Town of Three Rivers

March 31, 2019

Contents

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2 - 3
Consolidated Statement of Operations	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Net Debt	7
Schedule of Consolidated Tangible Capital Assets	8
Notes to the Consolidated Financial Statements	9 - 15
Schedule of Consolidated Segment Disclosures	16
Schedule of Net Assets Acquired in Restructuring Transaction	17

Town of Three Rivers

Management's Responsibility for Financial Reporting

March 31, 2019

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 consolidated 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 Town of Three Rivers 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 Town of Three Rivers

CAO

A handwritten signature in dark ink, appearing to be "J. Jones", written over a horizontal line.

Mayor

A handwritten signature in dark ink, appearing to be "Edward M. ...", written over a horizontal line.



Grant Thornton

Independent auditors' report

To the Mayor and Council of the Town of Three Rivers

Grant Thornton LLP
1 Bailey Drive, PO Box 70
Montague, PE
C0A 1R0
T (902) 838-4121
F (902) 838-4802
www.GrantThornton.ca

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Three Rivers as at March 31, 2019 and the results of its operations and its cash flows for the period then ended, in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Town of Georgetown Fire Department members maintain a bank account that is used for local fundraising activities with the proceeds of that fundraising intended to be used to fund various pieces of fire equipment. We were unable to obtain sufficient appropriate audit evidence related to the existence of the yearend balance of that bank account and the associated activity in that account including revenues and expenses. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Grant Thornton LLP

Montague, PE

August 19, 2019

Chartered Professional Accountants

Town of Three Rivers

Consolidated Statement of Operations

Period from September 28, 2018 to March 31

	Budget (Note 10)	2019
Revenue		
Property taxes	\$ 664,431	\$ 729,546
Government transfers		
Equalization	417,412	473,971
Infrastructure	333,391	265,278
Wage subsidies	4,863	40,201
Grants in lieu	8,106	5,205
Other	24,722	65,945
Wellness Centre	-	1,928
Waterfront revenue	-	5,911
Third party & other revenue	122,583	112,894
Interest	4,458	3,167
Playhouse	-	38,853
Water & Sewer Utility	456,756	392,412
	<u>2,036,722</u>	<u>2,135,311</u>
Expenses		
General government	557,099	648,405
Protective	195,841	189,441
Transportation	448,530	464,281
Recreation & cultural	251,808	435,238
Water & Sewer Utility	406,171	349,954
Playhouse	23,109	84,658
Waterfront development	-	31,759
	<u>1,882,558</u>	<u>2,203,736</u>
(Deficit) or surplus before revenue from restructuring transaction	<u>154,164</u>	<u>(68,425)</u>
Revenue from restructuring transaction (Note 8)	-	<u>22,328,337</u>
Annual surplus	<u>\$ 154,164</u>	<u>\$ 22,259,912</u>

See accompanying notes and schedules to the consolidated financial statements.

Town of Three Rivers

Consolidated Statement of Financial Position

Period ended March 31

2019

Financial assets

Cash and cash equivalents	
Unrestricted	\$ 1,487,562
Internally restricted	230,000
Receivables	
Water & Sewer - Trade	115,601
Grants	1,800
GST and HST	65,186
Other	14,038
Insurance proceeds receivable	1,047,281
Restricted cash – Gas Tax (Note 2)	<u>388,303</u>
	<u>3,349,771</u>

Liabilities

Deferred revenues - Gas Tax (Note 2)	388,303
Deferred revenues - other	19,803
Payables and accruals	424,145
Long-term debt (Note 4)	<u>2,276,807</u>
	<u>3,109,058</u>

Net financial assets 240,713

Non-financial assets

Prepays	7,952
Inventory	7,828
Tangible capital assets (Page 8)	<u>22,003,419</u>

Accumulated surplus \$ 22,259,912

Commitments (Note 6)
Contingencies (Note 9)

On Behalf of the Council


Mayor


Councillor

See accompanying notes and schedules to the consolidated financial statements.

Town of Three Rivers

Consolidated Statement of Cash Flows

Period ended March 31

2019

Increase in cash and cash equivalents

Operating activities

Annual (deficit) surplus	\$ (68,425)
Depreciation and amortization	<u>680,363</u>
	611,938

Change in non-cash working capital

Receivables	378,140
Prepays	51,736
Deferred revenue	89,698
Payables and accruals	<u>(64,257)</u>
	1,067,255

Financing activities

Principal payments of long-term debt	<u>(159,461)</u>
--------------------------------------	------------------

Capital activities

Purchase of tangible capital assets	(378,431)
Proceeds from sale of equipment	<u>-</u>
	(378,431)

Net increase in cash and cash equivalents	529,363
---	---------

Cash and cash equivalents,

Beginning of period	-
---------------------	---

Cash and cash equivalents, received in restructuring transaction on September 28, 2018	<u>1,576,502</u>
--	------------------

End of period	2,105,865
---------------	-----------

Cash included in end of period balance

Unrestricted cash	1,487,562
Internally restricted cash	230,000
Restricted cash	<u>388,303</u>
End of period balance	\$ <u>2,105,865</u>

See accompanying notes and schedules to the consolidated financial statements.

Town of Three Rivers

Consolidated Statement of Changes in Net Debt

Period ended March 31

Budget

2019

Annual (deficit) surplus	\$ 154,164	\$ (68,425)
Depreciation and amortization	271,564	680,363
Acquisition of tangible capital assets	<u>-</u>	<u>(378,431)</u>
	<u>425,728</u>	<u>233,507</u>
Change in prepaids due to restructuring transaction	<u>-</u>	<u>54,635</u>
	<u>-</u>	<u>54,635</u>
Change in net debt	<u>\$ 425,728</u>	<u>288,142</u>
Net debt, beginning of period		-
Net debt, received in restructuring transaction on September 28, 2018		<u>(47,429)</u>
Net financial assets, end of period		<u>\$ 240,713</u>

See accompanying notes and schedules to the consolidated financial statements.

Town of Three Rivers

Schedule of Consolidated Tangible Capital Assets

Period ended March 31, 2019

Cost	Land & <u>Land Improvements</u>	Streets & <u>Sidewalks</u>	<u>Buildings</u>	Machinery & <u>Equipment</u>	Water <u>System</u>	Sewer <u>System</u>	<u>2019</u>
Assets acquired on restructuring transaction on September 28, 2018 (Note 8)	\$ 1,326,507	\$ 9,147,027	\$ 11,823,121	\$ 3,664,665	\$ 5,129,222	\$ 5,450,597	\$ 36,541,139
Acquisition of tangible capital assets	-	4,062	735	372,615	-	1,019	378,431
Adjustments							
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of period	<u>1,326,507</u>	<u>9,151,089</u>	<u>11,823,856</u>	<u>4,037,280</u>	<u>5,129,222</u>	<u>5,451,616</u>	<u>36,919,570</u>
Accumulated amortization							
Balance transferred in on September 28, 2018	(324,549)	(4,192,414)	(4,324,547)	(2,437,596)	(1,428,307)	(1,528,375)	(14,235,788)
Disposal of tangible capital assets							-
Annual amortization	<u>(7,644)</u>	<u>(217,178)</u>	<u>(238,952)</u>	<u>(123,532)</u>	<u>(41,993)</u>	<u>(51,064)</u>	<u>(680,363)</u>
Balance, end of period	<u>(332,193)</u>	<u>(4,409,592)</u>	<u>(4,563,499)</u>	<u>(2,561,128)</u>	<u>(1,470,300)</u>	<u>(1,579,439)</u>	<u>(14,916,151)</u>
Net book value of tangible capital assets	<u>\$ 994,314</u>	<u>\$ 4,741,497</u>	<u>\$ 7,260,357</u>	<u>\$ 1,476,152</u>	<u>\$ 3,658,922</u>	<u>\$ 3,872,177</u>	<u>\$ 22,003,419</u>

Town of Three Rivers

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies

The consolidated financial statements of the Town of Three Rivers are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and cash flow and changes in net debt of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the Town for administration of their financial affairs and resources, and which are owned or controlled by the Town. Interdepartmental and organizational transactions and balances are eliminated.

The entity was created through a restructuring transaction on September 28, 2018, see Note 8 for details on the restructuring transaction.

Consolidated entities

The organizations included in the consolidated financial statements are as follows:

Town of Three Rivers
Montague Sewage and Water Collection and Treatment Corporation
Montague Waterfront Development Corporation
Garden of the Gulf Museum
Georgetown Volunteer Fire Department
Georgetown Sewer Corporation
King's Playhouse
Cardigan Volunteer Fire Department

The financial activities of the Montague Volunteer Fire Department are associated with but not controlled by the Town of Three Rivers. Therefore the operations of the fire department are not included in the consolidated financial statements of the Town. The Town's transactions with this entity are recorded as expenditures in the consolidated statement of financial activities.

All inter-entity transactions and balances have been eliminated.

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 Town. 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 Town's revenue is adjusted for any of these appeals using a yearly statement.

Town of Three Rivers

Notes to the Consolidated Financial Statements

March 31, 2019

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 consolidated 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 Town 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and on deposit with banks. Bank borrowings are considered to be a financing activity.

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 period and are not intended for sale in the normal course of operations. The change in non-financial assets during the period, together with the excess of revenue over expenses, provides the consolidated change in net financial assets for the period.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization, which includes all amounts that are directly attributable to acquisition, construction, development and betterment of the asset. The cost of a tangible capital asset is amortized over its estimated useful life as follows:

Motor vehicle	10 years	Straight Line Basis
Computer	5 years	Straight Line Basis
Municipal building	40 years	Straight Line Basis
Small equipment	10 years	Straight Line Basis
Equipment	10 years	Straight Line Basis
Streets	50 years	Straight Line Basis
Sidewalks	25 years	Straight Line Basis
Land improvements	25 years	Straight Line Basis
Waterfront equipment and structures	15 years	Straight Line Basis
Sanitary sewer	1.20%	Straight Line Basis
Pumping station/pipe/lagoon	1.20%	Straight Line Basis
Computer and software	20.0%	Straight Line Basis

Town of Three Rivers

Notes to the Consolidated Financial Statements

March 31, 2019

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

Tangible capital assets (cont'd)

Assets under construction are not amortized until the asset is available for productive use. All costs associated with placing an asset in service, including freight, installation costs, site preparation costs, alterations and professional fees directly attributable to the assets construction or development are included in its cost.

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. A liability for remediation of a contaminated site is recognized, net of any expected recoveries, 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 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 consolidated financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

2. Deferred revenues

During the period the Town was allocated \$378,823 under the New Deal Gas Tax Funding for Incorporated Communities agreement. The Town must use their allocation of the New Deal Gas Tax funds for eligible infrastructure and capacity building projects as outlined in the agreement.

	<u>2019</u>
Deferred, beginning of period	\$ -
Deferred, transferred in on September 28, 2018	274,758
Allocation received and interest earned during the period	378,823
Eligible expenditures incurred	<u>(265,278)</u>
Deferred, end of period	<u>\$ 388,303</u>

Under the Agreement on the Transfer of Federal Gas Tax Revenues through the New Deal for Cities and Communities, the Town has received funds which are restricted for expenditure on eligible projects. The Town has prepared, and the governmental regulating body has accepted, a Capital Investment Plan which details determined expenditures.

Town of Three Rivers

Notes to the Consolidated Financial Statements

March 31, 2019

3. Bank indebtedness

The Town of Three Rivers has combined operating lines of credit of \$500,000 of which nil (2018 - nil) was utilized at March 31, 2019. Interest is charged at prime less 0.25%. Prime rate at March 31, 2019 was 3.95%.

4. Long-term debt

2019

Town of Three Rivers

2.35% Bank of Montreal loan, maturing in April 2020, amortized to 2026, payable in monthly instalments of \$390, including principal and interest. \$ 32,900

2.87% Bank of Montreal loan, maturing December 2019, amortized to 2026, payable in monthly instalments of \$12,896, including principal and interest. 1,063,764

2.87% Bank of Montreal loan, maturing December 2019, amortized to 2019, payable in monthly instalments of \$3,885, including principal and interest. 38,075

Prime + 1.25%, secured by a fire truck, maturing July, 2016, amortized to April, 2019, in monthly installments of \$1,306, plus interest. 1,324

Prime + 1%, secured by general security agreement, maturing December, 2019, amortized to December, 2035, in monthly installments of \$1,106, plus interest. 212,367

5.05% Provincial loan, maturing in January 1, 2023, payable in quarterly installments of \$12,600, including principal and interest. 178,156

1,526,586

Water and Sewer Utility

2.82% Bank of Montreal loan, maturing in and amortized to August 2022, payable in monthly instalments of \$238, including principal and interest. 9,795

2.82% Bank of Montreal loan, maturing in and amortized to August 2022, payable in monthly instalments of \$2,354, including principal and interest. 96,771

2.82% Bank of Montreal loan, maturing July 2020, amortized to July 2030, payable in monthly instalments of \$1,362, including principal and interest. 141,519

Town of Three Rivers

Notes to the Consolidated Financial Statements

March 31, 2019

4. Long-term debt (cont'd)

3.50% Credit Union loan, maturing March 2023, amortized to 2038, payable in monthly instalments of \$1,447, including principal and interest	240,956
3.41% Federation of Canadian Municipalities loan, maturing May 2027, payable in semi-annual instalments of \$15,364, Including principal and interest.	261,180
	<u>750,221</u>
	<u>\$ 2,276,807</u>

Debt due on demand has extended repayment terms as disclosed above. Therefore, based on current repayment amounts, principal repayments in each of the next five periods are due as follows:

	<u>General</u>	<u>Water & Sewer</u>	<u>Total</u>
2020	\$ 211,076	\$ 80,784	\$ 291,859
2021	180,734	82,277	263,011
2022	186,321	83,816	270,137
2023	188,018	73,711	261,729
2024	<u>159,204</u>	<u>55,168</u>	<u>214,372</u>
	<u>\$ 925,343</u>	<u>\$ 375,756</u>	<u>\$1,301,109</u>

5. Rate regulation

The Town is subject to rate regulation on the sewer and water utilities provided to residents in Prince Edward Island under the *Island Regulatory & Appeals Commission Act*. The purpose of this Act, which is administered by the Island Regulatory & Appeals Commission (IRAC), is to regulate the rate municipalities may charge for water and sewer utilities provided to residents within Prince Edward Island and to ensure at all times a just and reasonable price for sewer and water utilities. Changes in water and sewer utility rates can only be implemented with the approval from IRAC.

6. Commitment

Both councils of the Town of Montague and Town of Three Rivers approved a motion to transfer ownership of all streets within the Town to the Province of PEI for \$1. When this is finalized it will result in the reduction of the tangible capital assets and accumulated surplus by approximately \$5,400,000. At the current time, it is uncertain when the transfer will actually occur.

Town of Three Rivers

Notes to the Consolidated Financial Statements

March 31, 2019

7. Reserves

The net financial assets or debt excluding long-term debt from each former Municipality has been transferred in to Three Rivers as reserve funds on September 28, 2018. Long-term debt was assumed by the Town of Three Rivers.

	<u>September 28, 2018</u>	<u>Spent</u>	<u>March 31, 2019</u>
Town of Montague	\$ 1,713,092	\$ 27,667	\$ 1,685,425
Town of Georgetown	393,301	159,745	233,556
Rural Municipality of Brudenell	68,751	-	68,751
Rural Municipality of Cardigan	172,196	-	172,196
Rural Municipality of Valleyfield	18,593	-	18,593
Rural Municipality of Lower Montague	10,889	-	10,889
Rural Municipality of Lorne Valley	12,019	-	12,019
	<u>\$ 2,388,841</u>	<u>\$ 187,412</u>	<u>\$ 2,201,429</u>

See Page 17 for each Municipalities' Statement of Financial Position transferred into The Town of Three Rivers on September 28, 2018.

8. Restructuring transactions

The Town of Three Rivers was formed on September 28, 2018 through amalgamation of the former Towns of Montague and Georgetown and the Rural Municipalities of Cardigan, Brudenell, Valleyfield, Lorne Valley, and Lower Montague. The previous entities were not related but are closely located geographically in King's County, Prince Edward Island. The amalgamation was proposed and was approved by the Province of Prince Edward Island on September 25, 2018. All assets, liabilities, and responsibilities of the former Towns and Rural Municipalities were transferred to the new Town of Three Rivers. There was no compensation associated with this transaction.

The accumulated surplus of \$22,328,337 transferred in to the Town of Three Rivers during the period is made up of the following balances:

Town of Montague	\$ 18,279,969
Town of Georgetown	3,091,007
Rural Municipality of Brudenell	142,285
Rural Municipality of Cardigan	703,913
Rural Municipality of Valleyfield	19,205
Rural Municipality of Lower Montague	54,861
Rural Municipality of Lorne Valley	37,097
	<u>\$ 22,328,337</u>

See Page 17 for each Municipalities' Statement of Financial Position transferred into The Town of Three Rivers on September 28, 2018.

Town of Three Rivers

Notes to the Consolidated Financial Statements

March 31, 2019

9. Contingencies

The Town has been named as defendant in legal actions and is subject to various risks and contingencies arising in the normal course of business. The Town is defending itself against these legal actions. The likelihood of any liability is not determinable at this time.

10. Budgeted figures

There was no budget approved for the new Town of Three Rivers for the March 31, 2019 period. The budgeted numbers presented are the former entities' budgeted figures from the January 1, 2018 to March 31, 2019 period prorated to reflect the 184 day reporting period from September 28, 2018 to March 31, 2019. Lorne Valley did not have an approved budget for this period and was not included in the budgeted figures.

11. Segment disclosure

The Town is a diversified municipal unit that provides a range of services to its citizens. For management reporting purposes the Town's operations and activities are organized and reported by fund. The segments were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Town services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

General government services

This department is responsible for the overall financial and local government administration. Its tasks include accounts payable and receivables, budgets and financial statements, administration and maintenance of bylaws.

Protective services

This department is primarily responsible for police and fire protection for its residents. The Town's other protective services include costs related to building inspection and animal and pest control.

Transportation

This department is responsible for the maintenance of specialized roads within its jurisdiction.

Recreation and culture

This department is responsible for promoting and offering recreation opportunities and activities to the Town's residents.

Water & Sewer Utility

This department is responsible for the maintenance and operations of water and sewer services provided to residents and other customers.

Waterfront development

This department is responsible for the maintenance and operations of Montague Waterfront.

King's Playhouse

This department is responsible for promoting and offering live productions and creative performances to the Town's residents.

Internally generated revenues and expenses are eliminated on a consolidated basis.

Town of Three Rivers Schedule of Consolidated Segment Disclosures

Period ended March 31, 2019

	General Government	Protective	Transportation	Recreation & Cultural	Montague Water & Sewer Utility	Georgetown Sewer Utility	Waterfront	King's Playhouse	Elimination	Consolidated 2019
Revenues										
Property taxes	\$ 729,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 729,546
Government transfer										
Equalization grant	473,971	-	-	-	-	-	-	-	-	473,971
Infrastructure	265,278	-	-	-	-	-	-	-	-	265,278
Wage subsidies	8,992	-	-	1,260	-	-	29,949	-	-	40,201
Grant In lieu	5,205	-	-	-	-	-	-	-	-	5,205
Other	-	-	7,279	27,973	-	-	-	30,694	-	65,946
Wellness Center	-	-	-	1,928	-	-	-	-	-	1,928
Waterfront revenue	-	-	-	-	-	-	5,911	-	-	5,911
Third Party Revenue	97,289	13,074	-	2,530	-	-	-	-	-	112,893
Other	13,320	-	-	-	-	-	-	38,853	(13,320)	38,853
Interest	347	-	-	-	2,820	-	-	-	-	3,167
Water & Sewer Utility	-	-	-	-	339,044	69,938	-	-	(16,570)	392,412
	<u>1,593,948</u>	<u>13,074</u>	<u>7,279</u>	<u>33,691</u>	<u>341,864</u>	<u>69,938</u>	<u>35,860</u>	<u>69,547</u>	<u>(29,890)</u>	<u>2,135,311</u>
Expenditures										
Salaries & Benefits	225,362	-	65,201	2,176	80,802	19,452	20,770	33,558	-	447,321
Goods & Services	238,033	162,015	181,831	293,003	114,615	28,094	10,989	40,525	(29,890)	1,039,215
Amortization	175,276	43,996	217,249	139,965	81,144	11,913	-	8,076	-	677,619
Interest	9,734	-	-	94	27,254	-	-	2,499	-	39,581
	<u>648,405</u>	<u>206,011</u>	<u>464,281</u>	<u>435,238</u>	<u>303,815</u>	<u>59,459</u>	<u>31,759</u>	<u>84,658</u>	<u>(29,890)</u>	<u>2,203,736</u>
Annual (deficit) surplus	<u>\$ 945,543</u>	<u>\$ (192,937)</u>	<u>\$ (457,002)</u>	<u>\$ (401,547)</u>	<u>\$ 38,049</u>	<u>\$ 10,479</u>	<u>\$ 4,101</u>	<u>\$ (15,111)</u>	<u>\$ -</u>	<u>\$ (68,425)</u>

Town of Three Rivers

Schedule of Net Assets Acquired in Restructuring Transaction

Net assets transferred on the restructuring date of September 28, 2018

	Town of Montague	Town of Georgetown	Rural Municipality of Brudenell	Rural Municipality of Cardigan	Rural Municipality of Valleyfield	Rural Municipality of Lower Montague	Rural Municipality of Lorne Valley	Total
Financial assets								
Cash and cash equivalents								
Unrestricted	\$ 318,243	\$ 221,130	\$ 57,720	\$ 151,325	\$ 30,444	\$ 3,949	\$ 14,005	\$ 796,816
Receivables								
Water and Sewer - Trade	88,078	-	-	-	-	-	-	88,078
Grants	85,955	-	-	-	-	-	-	85,955
HST	33,195	59,380	-	-	-	-	554	93,129
Other	132,500	81,371	16,405	10,159	7,882	8,575	4,319	261,211
Insurance proceeds	1,047,281	-	-	-	-	-	-	1,047,281
Restricted cash - Other	326,576	383,443	3,716	69,468	-	67,225	-	850,428
	<u>2,031,828</u>	<u>745,324</u>	<u>77,841</u>	<u>230,952</u>	<u>38,326</u>	<u>79,749</u>	<u>18,878</u>	<u>3,222,898</u>
Liabilities								
Bank indebtedness	-	11,906	-	-	-	-	-	11,906
Deferred revenue - Gas Tax	66,576	129,693	3,716	15,906	-	59,787	-	275,678
Deferred revenue - Other	21,698	21,032	-	-	-	-	-	42,730
Payables and accruals	230,462	189,392	5,374	30,281	19,733	9,073	6,859	491,174
Obligation under capital lease	-	-	-	12,569	-	-	-	12,569
Long-term debt	2,009,632	228,166	-	198,472	-	-	-	2,436,270
	<u>2,328,368</u>	<u>580,189</u>	<u>9,090</u>	<u>257,228</u>	<u>19,733</u>	<u>68,860</u>	<u>6,859</u>	<u>3,270,327</u>
Net financial assets	(296,540)	165,135	68,751	(26,276)	18,593	10,889	12,019	(47,429)
Non-financial assets								
Prepays	26,892	15,033	12,448	6,829	612	265	508	62,587
Inventory	6,376	1,452	-	-	-	-	-	7,828
Tangible capital assets	18,543,241	2,909,387	61,086	723,360	-	43,707	24,570	22,305,351
	<u>18,576,509</u>	<u>2,925,872</u>	<u>73,534</u>	<u>730,189</u>	<u>612</u>	<u>43,972</u>	<u>25,078</u>	<u>22,375,766</u>
Net assets received	<u>\$ 18,279,969</u>	<u>\$ 3,091,007</u>	<u>\$ 142,285</u>	<u>\$ 703,913</u>	<u>\$ 19,205</u>	<u>\$ 54,861</u>	<u>\$ 37,097</u>	<u>\$ 22,328,337</u>