

TOWN OF AMHERST
WATER UTILITY

NON-CONSOLIDATED
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

**Town of Amherst Water Utility
Table of Contents
March 31, 2018**

Financial Statements	<u>Page</u>
Management's Responsibility for Non-Consolidated Financial Statements	1
Independent Auditor's Report	2
Non-Consolidated Statement of Financial Position - Water Utility Operating Fund	3
Non-Consolidated Statement of Financial Activities - Water Utility Operating Fund	4
Non-Consolidated Statement of Financial Position - Water Utility Capital Fund	5
Non-Consolidated Statement of Financial Activities - Water Utility Capital Fund	6
Schedule of Investment in Water Utility Plant and Equipment	7
Schedule to Statement of Financial Activities - Water Utility Operating Fund	8
Notes to Non-Consolidated Financial Statements	9 - 12

TOWN OF AMHERST WATER UTILITY

Non-consolidated Financial Statements

Year Ended March 31, 2018

Management's Responsibility for the Non-consolidated Financial Statements

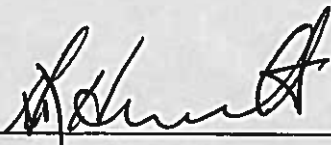
The accompanying non-consolidated financial statements of the Town of Amherst Water Utility are the responsibility of the Utility's management and have been prepared in compliance with legislation, and in accordance with the Nova Scotia Utility and Review Board Water Utility Accounting and Reporting Handbook. A summary of the significant accounting policies are described in Note 1 to the non-consolidated financial statements. The preparation of non-consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Utility's management maintains a system of internal controls 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 non-consolidated financial statements. These systems are monitored and evaluated by management.

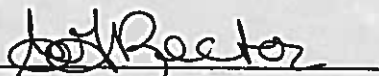
The audit committee meets with management and the external auditors to review the non-consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the non-consolidated financial statements.

The non-consolidated financial statements have been audited by Jorgensen & Bickerton Inc., independent external auditors appointed by the Utility. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Utility's non-consolidated financial statements.

Amherst, NS
September 24, 2018



Gregory D. Herrett, CPA, CA
Chief Administrative Officer



Shelley G. Rector, CPA, CMA
Treasurer

INDEPENDENT AUDITOR'S REPORT

To His Worship the Mayor and Members of the Council of the Town of Amherst

We have audited the accompanying non-consolidated financial statements of the Town of Amherst Water Utility, which comprise the non-consolidated statement of financial position of the Water Utility operating fund and capital fund as at March 31, 2018 and the non-consolidated statements of financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the Nova Scotia Utility and Review Board Regulatory Handbook, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Town of Amherst Water Utility as at March 31, 2018 and the results of its financial activities in accordance with the requirements of the Nova Scotia Utility and Review Board Regulatory Handbook.

Amherst, Nova Scotia
September 24, 2018



Jorgensen & Bickerton Inc.
Chartered Professional Accountants
Licensed Public Accountants

Town of Amherst
Water Utility Operating Fund
Non-Consolidated Statement of Financial Position
As at March 31, 2018

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 184,153	\$ (26,271)
Receivables		
Rates (less allowance for doubtful accounts)	264,524	229,229
Other	4,068	115
Inventory not held for resale	68,385	80,846
Prepaid expenses	1,000	5,000
	<u>522,130</u>	<u>288,919</u>
Liabilities		
Payables and accrued liabilities	<u>354,841</u>	<u>127,647</u>
	<u>354,841</u>	<u>127,647</u>
Surplus	<u>\$ 167,289</u>	<u>\$ 161,272</u>

Town of Amherst
Water Utility Operating Fund
Non-Consolidated Statement of Financial Activities
For the Year Ended March 31, 2018

	<u>Budget 2018</u>	<u>Actual 2018</u>	<u>Actual 2017</u>
Operating revenue			
Metered	\$ 1,111,459	\$ 1,115,231	\$ 1,065,576
Flat rate	152,820	151,820	145,729
Public fire protection	725,009	725,010	694,800
Private hydrants	11,500	14,750	11,800
Sprinkler service	15,000	18,500	15,550
Bulk water sales	3,370	10,600	11,200
Sale of services	2,890	6,210	17,822
Sundry	1,700	1,288	2,030
Total operating revenue	<u>2,023,748</u>	<u>2,043,409</u>	<u>1,964,507</u>
Operating expenditures			
Source of supply (Schedule - page 8)	29,950	29,122	24,937
Power and pumping (Schedule - page 8)	154,500	144,874	152,681
Water treatment (Schedule - page 8)	29,600	10,642	9,706
Transmission and distribution (Schedule - page 8)	718,282	667,241	681,022
Administrative and general (Schedule - page 8)	501,730	419,389	409,146
Depreciation	306,559	294,202	298,257
Taxes	32,000	30,924	31,031
Total operating expenditures	<u>1,772,621</u>	<u>1,596,394</u>	<u>1,606,780</u>
Net operating revenue	<u>251,127</u>	<u>447,015</u>	<u>357,727</u>
Non-operating revenue			
Interest	<u>6,000</u>	<u>7,873</u>	<u>9,697</u>
Non-operating expenditures			
Debt charges			
Principal	67,263	67,263	54,416
Interest	24,864	19,311	21,180
Transfer to water capital	40,000	237,297	159,067
Dividend to owner	125,000	125,000	125,000
Total non-operating expenditures	<u>257,127</u>	<u>448,871</u>	<u>359,663</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>6,017</u>	<u>7,761</u>
Surplus beginning of year		<u>161,272</u>	<u>153,511</u>
Surplus end of year		<u>\$ 167,289</u>	<u>\$ 161,272</u>

Town of Amherst
Water Utility Capital Fund
Non-Consolidated Statement of Financial Position
As at March 31, 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash - Depreciation	\$ (137,854)	\$ 1,661,759
Receivables		
Other	779,382	9,333
Utility plant and equipment (Capital Assets)	<u>21,739,445</u>	<u>15,856,932</u>
	<u>22,380,973</u>	<u>17,528,024</u>
Liabilities		
Deferred revenue	3,785,093	-
Long term debt - Municipal Finance Corporation (Note 4)	458,228	525,491
Accumulated depreciation	<u>5,914,319</u>	<u>5,634,934</u>
	<u>10,157,640</u>	<u>6,160,425</u>
 Investment in capital assets	 <u>\$ 12,223,333</u>	 <u>\$ 11,367,599</u>

Town of Amherst
Water Utility Capital Fund
Non-Consolidated Statement of Financial Activities
For the Year Ended March 31, 2017

	<u>2018</u>	<u>2017</u>
Revenue		
Interest income	\$ 15,150	\$ 12,356
Grants for capital projects - Federal	366,667	93,333
Grants for capital projects - Provincial	183,333	-
Total revenue	<u>565,150</u>	<u>105,689</u>
Expenditures		
Loss on disposal of capital asset	<u>13,976</u>	<u>352</u>
Net revenue	<u>551,174</u>	<u>105,337</u>
Financing and transfers		
Debt principal payments	67,263	54,416
Transfer from Water Operating	237,297	159,067
Total financing and transfers	<u>304,560</u>	<u>213,483</u>
Change in fund balance	855,734	318,820
Beginning fund balance	<u>11,367,599</u>	<u>11,048,779</u>
Ending fund balance	<u>\$ 12,223,333</u>	<u>\$ 11,367,599</u>

Town of Amherst
Water Utility Capital Fund
Schedule of Investment in Water Utility Plant and Equipment
For the Year Ended March 31, 2018

	<u>2018</u>	<u>2017</u>
Land and land rights		
Source of supply	\$ 571,999	\$ 571,999
Structures and improvements		
Source of supply	1,000,514	1,000,514
Power and pumping structures	491,661	491,661
Water treatment	436,056	436,056
Distribution reservoirs and standpipes	1,154,440	1,154,440
	<u>3,082,671</u>	<u>3,082,671</u>
Equipment		
Electrical pumping	322,909	281,485
Water treatment	295,712	295,712
Transportation	460,153	434,807
Tools and work equipment	57,483	57,483
	<u>1,136,257</u>	<u>1,069,487</u>
Mains		
Transmission	1,834,359	1,834,359
Distribution	8,256,526	7,417,683
	<u>10,090,885</u>	<u>9,252,042</u>
Services	<u>784,085</u>	<u>784,085</u>
Meters	<u>428,386</u>	<u>430,497</u>
Hydrants	<u>551,303</u>	<u>551,303</u>
Assets under construction	<u>5,093,859</u>	<u>114,848</u>
	<u>\$ 21,739,445</u>	<u>\$ 15,856,932</u>

Town of Amherst
Water Utility Operating Fund
Schedule to Statement of Financial Activities
For the Year Ended March 31, 2018

	Budget 2018	Actual 2018	Actual 2017
Source of supply			
Supplies and expenses	\$ 750	\$ -	\$ -
Maintenance of plant	29,200	29,122	24,937
	<u>\$ 29,950</u>	<u>\$ 29,122</u>	<u>\$ 24,937</u>
 Power and pumping			
Power	\$ 112,000	\$ 105,553	\$ 109,497
Maintenance	42,500	39,321	43,184
	<u>\$ 154,500</u>	<u>\$ 144,874</u>	<u>\$ 152,681</u>
 Water treatment			
Supplies and expenses	\$ 26,900	\$ 10,204	\$ 8,781
Maintenance of plant	2,700	438	925
	<u>\$ 29,600</u>	<u>\$ 10,642</u>	<u>\$ 9,706</u>
 Transmission and distribution			
Maintenance of mains	\$ 375,083	\$ 372,104	\$ 375,988
Rents	33,000	30,446	30,260
Transportation expenses	61,100	46,074	61,025
Materials / supplies	184,500	169,008	165,379
Other transmission and distribution expenses	64,599	49,609	48,370
	<u>\$ 718,282</u>	<u>\$ 667,241</u>	<u>\$ 681,022</u>
 Administration and general			
Supervision	\$ 201,558	\$ 182,936	\$ 155,841
Employee benefits	46,632	40,873	39,127
Uncollectible accounts	18,200	968	9,391
General office expenses	85,440	72,222	65,158
Regulatory expenses	3,500	3,259	3,279
Miscellaneous general expenses	146,400	119,131	136,350
	<u>\$ 501,730</u>	<u>\$ 419,389</u>	<u>\$ 409,146</u>

1. Accounting policies

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia Utility and Review Board.

a) Non consolidation

Non-consolidated financial statements of the Town of Amherst Water Utility are prepared by management in accordance with Canadian Generally Accepted Accounting Principles for local governments and the Water Utility Accounting and Reporting handbook of the Nova Scotia Utility and Review Board, as required under Section 4000.

b) Revenue and expenditure

Major revenue and expenditure items are recorded on an accrual basis.

Certain sources of revenue, including forfeited discounts or interest on past due rates, are recorded on a cash basis.

Principal and interest payments relating to long term debt are recorded as an expense when paid.

Interest earned on depreciation funds is recorded as revenue in the water utility capital fund.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, net of bank indebtedness.

d) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost being determined on a first-in, first-out basis.

e) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

1. Accounting policies (cont'd)

f) Allowance for doubtful accounts

An allowance is provided for estimated losses that will be incurred in collecting outstanding rates receivable.

g) Plant and equipment

Purchased capital assets shall be recorded at historical cost. Constructed capital assets shall include direct material, labour cost and ancillary expenditures.

Capital assets which are partially or totally funded by Federal or Provincial grants shall be recorded at gross cost. The grants shall be credited to equity.

h) Depreciation

Depreciation of capital assets is recorded in the accounts of the Water Capital Fund calculated on a formula provided by the Nova Scotia Utility and Review Board.

The depreciation charge in the Water Operating Fund is transferred to a special bank account in the Water Capital Fund which is used to help fund replacement of existing plant and equipment or subject to approval by the Nova Scotia Utility and Review Board, to repay principal of capital debt.

i) Utility plant in service

Capital assets and projects in progress are recorded at the Utility's cost. Funds received through capital assistance programs or cost-sharing arrangements are treated as a reduction in the cost of the asset acquired from January 1989 to March 31, 2007. After April 1, 2007 the assets are recorded at gross cost. Any grants received are credited to investment in capital assets. Interest incurred during construction on significant water capital projects is capitalized.

j) Allocation of municipal costs to Water Utility fund

Where identifiable, costs incurred by the Town of Amherst General Operating Fund on behalf of the Water Utility are charged to the Utility Funds. Salary and wage related costs are allocated in proportion to time spent performing functions on behalf of the Water Utility.

2. Financial instruments

The Water Utility financial statements consist of cash, accounts receivable, bank indebtedness, accounts payable and accruals. It is in the opinion of management that the Water Utility is not exposed to significant interest or currency risk arising from these financial instruments.

The Utility is subject to credit risk with respect to taxes receivable to which the Utility provides services. An individual may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimize the credit risk.

The carrying value of the financial instruments approximates fair value.

3. Rate base & rate of return

	<u>2018</u>	<u>2017</u>
Net operating revenue		
Operating revenue	\$ 2,043,409	\$ 1,964,507
Operating expenditures	<u>1,596,394</u>	<u>1,606,780</u>
Net operating revenue	<u>\$ 447,015</u>	<u>\$ 357,727</u>
Rate base		
Utility plant and equipment	\$ 21,739,445	\$ 15,856,932
Accumulated depreciation	<u>5,914,319</u>	<u>5,634,934</u>
Rate base	<u>\$ 15,825,126</u>	<u>\$ 10,221,998</u>

Rate of return on rate base:

$$\frac{\$ 447,015}{\$ 15,825,126} \times 100 = 2.82\%$$

$$\frac{\$ 357,727}{\$ 10,221,998} \times 100 = 3.50\%$$

4. Long term debt

	<u>2018</u>	<u>2017</u>
Municipal Finance Corporation 26B-1 maturing October 24, 2021 - principal payments of \$14,467 yearly plus interest - rates variable 4.265% to 4.590%	\$ 57,863	\$ 72,330
Municipal Finance Corporation 27AB-1 maturing October 17, 2022 - principal payments of \$22,067 yearly plus interest - rates variable 4.650% to 5.210%	95,330	117,397
Municipal Finance Corporation 29A-1 maturing October 27, 2024 - principal payments of \$17,882 yearly plus interest - rates variable 0.900% to 4.939%	125,182	143,064
Municipal Finance Corporation 36A-1 maturing May 16, 2031 - principal payments of \$12,847 yearly plus interest - rates variable 1.150% to 3.475%	<u>179,853</u>	<u>192,700</u>
	<u>\$ 458,228</u>	<u>\$ 525,491</u>

Principal repayment for the next five years are as follows:

2019	\$	64,263
2020	\$	64,263
2021	\$	64,263
2022	\$	64,258
2023	\$	49,791

5. Contractual Obligation

The Town of Amherst leases a John Deere loader backhoe under a lease expiring on January 11, 2019. Future minimum lease payments total \$16,075 and include the following payments over the next year: 2019 - \$16,075.