



TOWN OF AMHERST WATER UTILITY

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022**



Town of Amherst Water Utility
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March 31, 2022

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TOWN OF AMHERST WATER UTILITY

Non-consolidated Financial Statements

Year Ended March 31, 2022

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 28, 2022



Jason MacDonald, MCIP, LPP
Chief Administrative Officer

INDEPENDENT AUDITOR'S REPORT

To the Management of Town of Amherst Water Utility

Opinion

We have audited the non-consolidated financial statements of Town of Amherst Water Utility (the Organization), which comprise the non-consolidated statement of financial position of the Water Utility Operating and Capital Fund as at March 31, 2022, and the non-consolidated statements of activities for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and the results of its operations for the year then ended in accordance with the Nova Scotia Utility and Review Board Regulatory Handbook.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with 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.

In preparing the non-consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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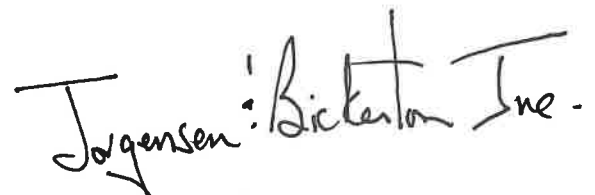
Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 Organization'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 Organization'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 non-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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Amherst, Nova Scotia
September 28, 2022



Jorgensen & Bickerton Inc.
Chartered Professional Accountants

Town of Amherst
Water Utility Operating Fund
Non-Consolidated Statement of Financial Position
As at March 31, 2022

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 255,604	\$ 23,969
Receivables		
Rates (less allowance for doubtful accounts)	277,026	253,049
Inventory not held for resale	51,405	50,175
Prepaid expenses	620	6,618
	<u>584,655</u>	<u>333,811</u>
Liabilities		
Payables and accrued liabilities	<u>396,484</u>	<u>150,103</u>
Surplus	<u>\$ 188,171</u>	<u>\$ 183,708</u>

Town of Amherst
Water Utility Operating Fund
Non-Consolidated Statement of Financial Activities
For the Year Ended March 31, 2022

	Budget 2022	Actual 2022	Actual 2021
Operating revenue			
Metered	\$ 1,221,615	\$ 1,241,365	\$ 1,231,239
Flat rate	166,320	167,841	166,869
Public fire protection	807,481	807,481	807,481
Private hydrants	14,750	14,750	14,750
Sprinkler service	15,350	15,100	15,050
Bulk water sales	8,500	12,300	9,300
Sale of services	10,000	13,216	15,118
Sundry	1,200	1,450	1,175
Total operating revenue	<u>2,245,216</u>	<u>2,273,503</u>	<u>2,260,982</u>
Operating expenditures			
Source of supply (Schedule - page 9)	34,000	18,222	28,991
Power and pumping (Schedule - page 9)	168,000	162,991	159,210
Water treatment (Schedule - page 9)	17,600	19,000	16,700
Transmission and distribution (Schedule - page 9)	750,873	768,869	775,054
Administrative and general (Schedule - page 9)	600,271	536,049	531,735
Depreciation	374,430	372,808	366,018
Taxes	32,000	31,770	31,694
Total operating expenditures	<u>1,977,174</u>	<u>1,909,709</u>	<u>1,909,402</u>
Net operating revenue	<u>268,042</u>	<u>363,794</u>	<u>351,580</u>
Non-operating revenue			
Interest	5,000	8,749	5,226
Transfer from prior year surplus	25,883	-	-
	<u>30,883</u>	<u>8,749</u>	<u>5,226</u>
Non-operating expenditures			
Debt charges			
Principal	83,380	83,380	83,385
Interest	40,545	27,700	19,123
Transfer to water capital	40,000	122,000	114,497
Dividend to owner	135,000	135,000	135,000
Total non-operating expenditures	<u>298,925</u>	<u>368,080</u>	<u>352,005</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>4,463</u>	<u>4,801</u>
Surplus beginning of year		<u>183,708</u>	<u>178,907</u>
Surplus end of year		<u>\$ 188,171</u>	<u>\$ 183,708</u>

Town of Amherst
Water Utility Capital Fund
Non-Consolidated Statement of Financial Position
As at March 31, 2022

	<u>2022</u>	<u>2021</u>
Assets		
Cash - Depreciation	\$ 1,520,709	\$ 610,735
Receivables		
Other	315,619	-
Utility plant and equipment (Capital Assets)	<u>25,153,248</u>	<u>24,563,234</u>
	<u>26,989,576</u>	<u>25,173,969</u>
Liabilities		
Long term debt - Municipal Finance Corporation (Note 4)	1,410,489	523,475
Accumulated depreciation	<u>6,738,029</u>	<u>6,370,960</u>
	<u>8,148,518</u>	<u>6,894,435</u>
 Investment in capital assets	 <u>\$ 18,841,058</u>	 <u>\$ 18,279,534</u>

Town of Amherst
Water Utility Capital Fund
Non-Consolidated Statement of Financial Activities
For the Year Ended March 31, 2022

	<u>2022</u>	<u>2021</u>
Revenue		
Interest income	\$ 3,482	\$ 3,103
Grants for capital projects - Federal	-	-
Grants for capital projects - Provincial	<u>352,705</u>	<u>-</u>
Total revenue	<u>356,187</u>	<u>3,103</u>
Expenditures		
Loss on disposal of capital asset	<u>43</u>	<u>-</u>
Net revenue	<u>356,144</u>	<u>3,103</u>
Financing and transfers		
Debt principal payments	83,380	83,385
Transfer from Water Operating	<u>122,000</u>	<u>114,497</u>
Total financing and transfers	<u>205,380</u>	<u>197,882</u>
Change in fund balance	561,524	200,985
Beginning fund balance	<u>18,279,534</u>	<u>18,078,549</u>
Ending fund balance	<u>\$ 18,841,058</u>	<u>\$ 18,279,534</u>

Town of Amherst
Water Utility Capital Fund
Schedule of Investment in Water Utility Plant and Equipment
For the Year Ended March 31, 2022

	<u>2022</u>	<u>2021</u>
Land and land rights		
Source of supply	<u>\$ 962,230</u>	<u>\$ 609,525</u>
Structures and improvements		
Source of supply	1,029,795	1,000,514
Power and pumping structures	491,661	491,661
Water treatment	436,056	436,056
Distribution reservoirs and standpipes	6,213,715	6,213,715
	<u>8,171,227</u>	<u>8,141,946</u>
Equipment		
Electrical pumping	328,543	328,543
Water treatment	295,712	295,712
Transportation	744,150	705,402
Tools and work equipment	57,483	57,483
	<u>1,425,888</u>	<u>1,387,140</u>
Mains		
Transmission	1,834,359	1,834,359
Distribution	10,955,790	10,766,148
	<u>12,790,149</u>	<u>12,600,507</u>
Services	<u>784,085</u>	<u>784,085</u>
Meters	<u>437,705</u>	<u>442,828</u>
Hydrants	<u>572,161</u>	<u>572,161</u>
Assets under construction	<u>9,803</u>	<u>25,042</u>
	<u>\$ 25,153,248</u>	<u>\$ 24,563,234</u>

Town of Amherst
Water Utility Operating Fund
Schedule to Statement of Financial Activities
For the Year Ended March 31, 2022

	Budget 2022	Actual 2022	Actual 2021
Source of supply			
Supplies and expenses	\$ 1,000	\$ -	\$ -
Maintenance of plant	33,000	18,222	28,991
	<u>\$ 34,000</u>	<u>\$ 18,222</u>	<u>\$ 28,991</u>
 Power and pumping			
Power	\$ 140,000	\$ 141,196	\$ 138,711
Maintenance	28,000	21,795	20,499
	<u>\$ 168,000</u>	<u>\$ 162,991</u>	<u>\$ 159,210</u>
 Water treatment			
Supplies and expenses	<u>\$ 17,600</u>	<u>\$ 19,000</u>	<u>\$ 16,700</u>
 Transmission and distribution			
Maintenance of mains	\$ 432,173	\$ 435,662	\$ 421,090
Rents	29,000	28,000	28,000
Transportation expenses	37,500	69,162	38,835
Materials / supplies	182,500	166,246	222,216
Other transmission and distribution expenses	69,700	69,799	64,913
	<u>\$ 750,873</u>	<u>\$ 768,869</u>	<u>\$ 775,054</u>
 Administration and general			
Supervision	\$ 207,258	\$ 173,949	\$ 200,423
Employee benefits	55,590	46,829	49,159
Uncollectible accounts	10,000	8,317	(651)
General office expenses	125,823	95,708	87,668
Regulatory expenses	3,500	4,578	2,430
Miscellaneous general expenses	198,100	206,668	192,706
	<u>\$ 600,271</u>	<u>\$ 536,049</u>	<u>\$ 531,735</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>2022</u>	<u>2021</u>
Net operating revenue		
Operating revenue	\$ 2,273,503	\$ 2,260,982
Operating expenditures	<u>1,909,709</u>	<u>1,909,402</u>
Net operating revenue	<u>\$ 363,794</u>	<u>\$ 351,580</u>
Rate base		
Utility plant and equipment	\$ 25,153,248	\$ 24,563,234
Deferred grant revenue	-	-
Accumulated depreciation	<u>6,738,029</u>	<u>6,370,960</u>
Rate base	<u>\$ 18,415,219</u>	<u>\$ 18,192,274</u>

Rate of return on rate base:

$$\frac{\$ 363,794}{\$ 18,415,219} \times 100 = 1.98\%$$

$$\frac{\$ 351,580}{\$ 18,192,274} \times 100 = 1.93\%$$

**Town of Amherst
Water Utility
Notes to the Non-Consolidated Financial Statements
March 31, 2022**

4. Long term debt

	<u>2022</u>	<u>2021</u>
Municipal Finance Corporation 26B-1 maturing October 24, 2021 - principal payment of \$14,462 yearly plus interest - rates variable 4.265% to 4.590%	\$ -	\$ 14,462
Municipal Finance Corporation 27A-1 maturing October 17, 2022 - principal payments of \$19,062 yearly plus interest - rates variable 4.650% to 5.210%	19,062	38,129
Municipal Finance Corporation 29A-1 maturing October 27, 2024 - principal payments of \$17,882 yearly plus interest - rates variable 0.900% to 4.939%	53,654	71,536
Municipal Finance Corporation 36A-1 maturing May 16, 2031 - principal payments of \$12,847 yearly plus interest - rates variable 1.150% to 3.475%	128,465	141,312
Municipal Finance Corporation 38A-1 maturing November 9, 2033 - principal payments of \$9,667 yearly plus interest - rates variable 2.490% to 3.551%	115,999	125,666
Municipal Finance Corporation 39A-1 maturing November 15, 2034 - principal payments of \$9,455 yearly plus interest - rates variable 2.015% to 2.829%	122,915	132,370
Municipal Finance Corporation 40A-1 maturing May 28, 2036 - future principal payments of \$43,172 yearly plus interest - rates variable 0.4% to 2.809%	580,394	-
Municipal Finance Corporation 41A-1 maturing October 22, 2036 - future principal payments of \$26,000 yearly plus interest - rates variable 0.5% to 2.677%	390,000	-
	<u>\$ 1,410,489</u>	<u>\$ 523,475</u>

Principal repayment for the next five years are as follows:

2023	\$	138,085
2024	\$	119,023
2025	\$	119,031
2026	\$	101,141
2027	\$	101,141