

**TOWN OF AMHERST**  
**WATER UTILITY**

**NON-CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2016**

**Town of Amherst Water Utility  
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March 31, 2016**

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## TOWN OF AMHERST WATER UTILITY

Non-consolidated Financial Statements

Year Ended March 31, 2016

### 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.

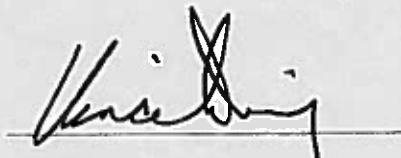
The audit committee meets with management and the external auditors to review the non-consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the non-consolidated financial statements.

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 2, 2016



Gregory D. Herrett, CPA, CA  
Chief Administrative Officer



Vincent G. Arbing, CPA, CA  
Treasurer

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying non-consolidated financial statements of 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, 2016 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 accounting principles, 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.

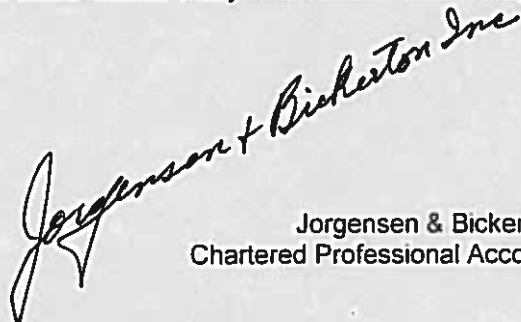
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, 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, 2016 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 2, 2016



Jorgensen & Bickerton Inc.  
Chartered Professional Accountants

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**Town of Amherst**  
**Water Utility Operating Fund**  
**Non-Consolidated Statement of Financial Position**  
As at March 31, 2016

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|  | <u>2016</u>       | <u>2015</u>      |
|--|-------------------|------------------|
| <b>Assets</b>                                |                   |                  |
| Receivables                                  |                   |                  |
| Rates (less allowance for doubtful accounts) | \$ 277,311        | \$ 260,400       |
| Inventory not held for resale                | 81,997            | 76,090           |
| Prepaid expenses                             | 5,000             | 6,032            |
|  | <u>364,308</u>    | <u>342,522</u>   |
| <b>Liabilities</b>                           |                   |                  |
| Bank indebtedness                            | 21,642            | 165,334          |
| Payables and accrued liabilities             | 189,155           | 165,926          |
|  | <u>210,797</u>    | <u>331,260</u>   |
| <b>Surplus</b>                               | <u>\$ 153,511</u> | <u>\$ 11,262</u> |

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**Town of Amherst**  
**Water Utility Operating Fund**  
**Non-Consolidated Statement of Financial Activities**  
For the Year Ended March 31, 2016

|   | Budget<br>2016   | Actual<br>2016    | Actual<br>2015   |
|---|------------------|-------------------|------------------|
| <b>Operating revenue</b>                          |                  |                   |                  |
| Metered   | \$ 1,087,968     | \$ 1,064,902      | \$ 1,028,484     |
| Flat rate   | 146,698          | 146,339           | 139,223          |
| Public fire protection                            | 694,800          | 694,800           | 602,984          |
| Private hydrants                                  | 11,500           | 11,800            | 11,600           |
| Sprinkler service                                 | 15,000           | 15,850            | 15,400           |
| Bulk water sales                                  | 3,370            | 3,300             | 2,300            |
| Sale of services                                  | 2,890            | 5,511             | 2,211            |
| Sundry  | 1,700            | 3,307             | 3,193            |
| Total operating revenue                           | <u>1,963,926</u> | <u>1,945,809</u>  | <u>1,805,395</u> |
| <b>Operating expenditures</b>                     |                  |                   |                  |
| Source of supply (Schedule - page 8)              | 31,500           | 37,523            | 31,589           |
| Power and pumping (Schedule - page 8)             | 135,850          | 131,559           | 128,884          |
| Water treatment (Schedule - page 8)               | 3,542            | 6,925             | 6,256            |
| Transmission and distribution (Schedule - page 8) | 774,116          | 694,850           | 742,987          |
| Administrative and general (Schedule - page 8)    | 459,690          | 406,414           | 393,841          |
| Depreciation                                      | 291,418          | 265,878           | 255,754          |
| Taxes   | 33,990           | 31,031            | 31,175           |
| Total operating expenditures                      | <u>1,730,106</u> | <u>1,574,180</u>  | <u>1,590,486</u> |
| <b>Net operating revenue</b>                      | <u>233,820</u>   | <u>371,629</u>    | <u>214,909</u>   |
| <b>Non-operating revenue</b>                      |                  |                   |                  |
| Interest  | <u>6,000</u>     | <u>12,370</u>     | <u>7,583</u>     |
| <b>Non-operating expenditures</b>                 |                  |                   |                  |
| Debt charges                                      |                  |                   |                  |
| Principal   | 54,416           | 54,416            | 54,416           |
| Interest  | 20,404           | 19,432            | 31,606           |
| Transfer to water capital                         | 40,000           | 42,902            | 35,000           |
| Dividend to owner                                 | 125,000          | 125,000           | 100,000          |
| Total non-operating expenditures                  | <u>239,820</u>   | <u>241,750</u>    | <u>221,022</u>   |
| <b>Excess of revenue over expenditures</b>        | <u>\$ -</u>      | <u>142,249</u>    | <u>1,470</u>     |
| <b>Surplus beginning of year</b>                  |                  | <u>11,262</u>     | <u>9,792</u>     |
| <b>Surplus end of year</b>                        |                  | <u>\$ 153,511</u> | <u>\$ 11,262</u> |

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**Town of Amherst**  
**Water Utility Capital Fund**  
**Non-Consolidated Statement of Financial Position**  
As at March 31, 2016

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|   | <u>2016</u>              | <u>2015</u>              |
|---|--------------------------|--------------------------|
| <b>Assets</b>   |                          |                          |
| Cash - Depreciation                                     | \$ 1,281,876             | \$ 1,192,592             |
| Utility plant and equipment (Capital Assets)            | <u>15,530,210</u>        | <u>14,823,169</u>        |
|   | <u>16,812,086</u>        | <u>16,015,761</u>        |
| <br><b>Liabilities</b>                                  |                          |                          |
| Long term debt - Municipal Finance Corporation (Note 4) | 387,207                  | 441,623                  |
| Accumulated depreciation                                | <u>5,376,100</u>         | <u>5,116,438</u>         |
|   | <u>5,763,307</u>         | <u>5,558,061</u>         |
| <br><b>Investment in capital assets</b>                 | <br><u>\$ 11,048,779</u> | <br><u>\$ 10,457,700</u> |

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**Town of Amherst**  
**Water Utility Capital Fund**  
**Non-Consolidated Statement of Financial Activities**  
For the Year Ended March 31, 2016

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|  | <u>2016</u>          | <u>2015</u>          |
|--|----------------------|----------------------|
| <b>Revenue</b>                                   |                      |                      |
| Interest income                                  | \$ 16,106            | \$ 10,287            |
| Capital contribution from other local government | 479,326              | 1,646,883            |
| <b>Total revenue</b>                             | <u>495,432</u>       | <u>1,657,170</u>     |
| <b>Expenditures</b>                              |                      |                      |
| Loss on disposal of capital asset                | <u>1,671</u>         | <u>3,686</u>         |
| <b>Net revenue</b>                               | <u>493,761</u>       | <u>1,653,484</u>     |
| <b>Financing and transfers</b>                   |                      |                      |
| Debt principal payments                          | 54,416               | 54,416               |
| Transfer from Water Operating                    | 42,902               | 35,000               |
| <b>Total financing and transfers</b>             | <u>97,318</u>        | <u>89,416</u>        |
| <b>Change in fund balance</b>                    | 591,079              | 1,742,900            |
| <b>Beginning fund balance</b>                    | <u>10,457,700</u>    | <u>8,714,800</u>     |
| <b>Ending fund balance</b>                       | <u>\$ 11,048,779</u> | <u>\$ 10,457,700</u> |

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**Town of Amherst**  
**Water Utility Capital Fund**  
**Schedule of Investment in Water Utility Plant and Equipment**  
For the Year Ended March 31, 2016

|  | <u>2016</u>          | <u>2015</u>          |
|--|----------------------|----------------------|
| <b>Land and land rights</b>            |                      |                      |
| Source of supply                       | \$ <u>571,999</u>    | \$ <u>571,999</u>    |
| <b>Structures and improvements</b>     |                      |                      |
| Source of supply                       | 1,000,514            | 1,000,514            |
| Power and pumping structures           | 491,661              | 363,556              |
| Water treatment                        | 436,056              | 436,056              |
| Distribution reservoirs and standpipes | 1,154,440            | 1,154,440            |
|  | <u>3,082,671</u>     | <u>2,954,566</u>     |
| <b>Equipment</b>                       |                      |                      |
| Electrical pumping                     | 281,485              | 189,100              |
| Water treatment                        | 287,111              | 287,111              |
| Transportation                         | 434,504              | 404,272              |
| Tools and work equipment               | 57,483               | 57,483               |
|  | <u>1,060,583</u>     | <u>937,966</u>       |
| <b>Mains</b>                           |                      |                      |
| Transmission                           | 1,834,359            | 1,336,634            |
| Distribution                           | 7,217,439            | 5,853,654            |
|  | <u>9,051,798</u>     | <u>7,190,288</u>     |
| <b>Services</b>                        | <u>784,085</u>       | <u>619,000</u>       |
| <b>Meters</b>                          | <u>427,771</u>       | <u>432,716</u>       |
| <b>Hydrants</b>                        | <u>551,303</u>       | <u>469,751</u>       |
| <b>Assets under construction</b>       | <u>-</u>             | <u>1,646,883</u>     |
|  | <u>\$ 15,530,210</u> | <u>\$ 14,823,169</u> |

**Town of Amherst**  
**Water Utility Operating Fund**  
**Schedule to Statement of Financial Activities**  
For the Year Ended March 31, 2016

|  | Budget<br>2016    | Actual<br>2016    | Actual<br>2015    |
|--|-------------------|-------------------|-------------------|
| <b>Source of supply</b>                      |                   |                   |                   |
| Supplies and expenses                        | \$ 4,000          | \$ -              | \$ -              |
| Maintenance of plant                         | 27,500            | 37,523            | 31,589            |
|  | <u>\$ 31,500</u>  | <u>\$ 37,523</u>  | <u>\$ 31,589</u>  |
| <br><b>Power and pumping</b>                 |                   |                   |                   |
| Power  | \$ 114,000        | \$ 108,922        | \$ 107,084        |
| Maintenance                                  | 21,850            | 22,637            | 21,800            |
|  | <u>\$ 135,850</u> | <u>\$ 131,559</u> | <u>\$ 128,884</u> |
| <br><b>Water treatment</b>                   |                   |                   |                   |
| Supplies and expenses                        | \$ 1,800          | \$ 6,925          | \$ 6,256          |
| Maintenance of plant                         | 1,742             | -                 | -                 |
|  | <u>\$ 3,542</u>   | <u>\$ 6,925</u>   | <u>\$ 6,256</u>   |
| <br><b>Transmission and distribution</b>     |                   |                   |                   |
| Maintenance of mains                         | \$ 375,298        | \$ 359,926        | \$ 416,449        |
| Rents  | 30,462            | 27,941            | 25,462            |
| Transportation expenses                      | 60,100            | 53,758            | 76,635            |
| Materials / supplies                         | 215,000           | 183,400           | 178,333           |
| Other transmission and distribution expenses | 93,256            | 69,825            | 46,108            |
|  | <u>\$ 774,116</u> | <u>\$ 694,850</u> | <u>\$ 742,987</u> |
| <br><b>Administration and general</b>        |                   |                   |                   |
| Supervision                                  | \$ 169,199        | \$ 164,067        | \$ 184,209        |
| Employee benefits                            | 39,183            | 38,513            | 38,604            |
| Uncollectible accounts                       | 18,200            | 5,356             | (15,513)          |
| General office expenses                      | 93,782            | 67,108            | 68,294            |
| Regulatory expenses                          | 2,000             | 4,959             | 1,017             |
| Miscellaneous general expenses               | 137,326           | 126,411           | 117,230           |
|  | <u>\$ 459,690</u> | <u>\$ 406,414</u> | <u>\$ 393,841</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) Assistance towards the acquisition of the capital assets**

Assistance towards the acquisition of capital assets, received after January 1, 1989, is netted against the capitalized cost of the asset purchased. After April 1, 2007 the assets are recorded at gross cost. Any grants received are credited to investment in capital assets.

**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>2016</u>          | <u>2015</u>         |
|-----------------------------|----------------------|---------------------|
| Net operating revenue       |                      |                     |
| Operating revenue           | \$ 1,945,809         | \$ 1,805,395        |
| Operating expenditures      | <u>1,574,180</u>     | <u>1,590,486</u>    |
| Net operating revenue       | <u>\$ 371,629</u>    | <u>\$ 214,909</u>   |
| Rate base                   |                      |                     |
| Utility plant and equipment | \$ 15,530,210        | \$ 14,823,169       |
| Accumulated depreciation    | <u>5,376,100</u>     | <u>5,116,438</u>    |
| Rate base                   | <u>\$ 10,154,110</u> | <u>\$ 9,706,731</u> |

Rate of return on rate base:

$$\frac{\$ 371,629}{\$ 10,154,110} \times 100 = 3.66\%$$

$$\frac{\$ 214,909}{\$ 9,706,731} \times 100 = 2.21\%$$

**4. Long term debt**

|  | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|
| Municipal Finance Corporation 26B-1 maturing October 24, 2021<br>- principal payments of \$14,467 yearly plus interest - rates variable<br>4.265% to 4.590%  | \$ 86,797         | \$ 101,264        |
| Municipal Finance Corporation 27AB-1 maturing October 17, 2022<br>- principal payments of \$22,067 yearly plus interest - rates variable<br>4.650% to 5.210% | 139,464           | 161,531           |
| Municipal Finance Corporation 29A-1 maturing October 27, 2024<br>- principal payments of \$17,882 yearly plus interest - rates variable<br>0.900% to 4.939%  | <u>160,946</u>    | <u>178,828</u>    |
|  | <u>\$ 387,207</u> | <u>\$ 441,623</u> |

Principal repayment for the next five years are as follows:

|      |    |        |
|------|----|--------|
| 2017 | \$ | 54,416 |
| 2018 | \$ | 54,416 |
| 2019 | \$ | 51,416 |
| 2020 | \$ | 51,416 |
| 2021 | \$ | 51,416 |