

TOWN OF AMHERST
WATER UTILITY

NON-CONSOLIDATED
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

**Town of Amherst Water Utility
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March 31, 2017**

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TOWN OF AMHERST WATER UTILITY

Non-consolidated Financial Statements

Year Ended March 31, 2017

Management's Responsibility for the Non-consolidated Financial Statements

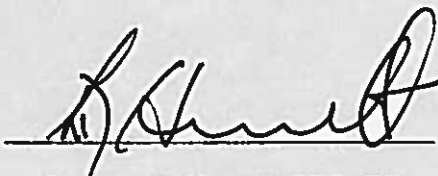
The accompanying non-consolidated financial statements of the Town of Amherst Water Utility are the responsibility of the Utility's management and have been prepared in compliance with legislation, and in accordance with the Nova Scotia Utility and Review Board Water Utility Accounting and Reporting 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 25, 2017



Gregory D. Herrett, CPA, CA
Chief Administrative Officer



Vincent G. Arbing, CPA, CA
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, 2017 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.

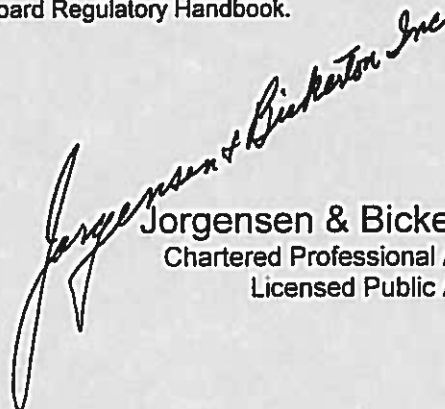
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, 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 the Town of Amherst Water Utility as at March 31, 2017 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 25, 2017



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, 2017

	<u>2017</u>	<u>2016</u>
Assets		
Receivables		
Rates (less allowance for doubtful accounts)	\$ 229,344	\$ 277,311
Inventory not held for resale	80,846	81,997
Prepaid expenses	5,000	5,000
	<u>315,190</u>	<u>364,308</u>
Liabilities		
Bank indebtedness	26,271	21,642
Payables and accrued liabilities	127,647	189,155
	<u>153,918</u>	<u>210,797</u>
Surplus	<u>\$ 161,272</u>	<u>\$ 153,511</u>

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

	<u>Budget 2017</u>	<u>Actual 2017</u>	<u>Actual 2016</u>
Operating revenue			
Metered	\$ 1,053,841	\$ 1,065,576	\$ 1,064,902
Flat rate	145,550	145,729	146,339
Public fire protection	694,800	694,800	694,800
Private hydrants	11,500	11,800	11,800
Sprinkler service	15,000	15,550	15,850
Bulk water sales	3,370	11,200	3,300
Sale of services	2,890	17,822	5,511
Sundry	1,700	2,030	3,307
Total operating revenue	<u>1,928,651</u>	<u>1,964,507</u>	<u>1,945,809</u>
Operating expenditures			
Source of supply (Schedule - page 8)	35,200	24,937	37,523
Power and pumping (Schedule - page 8)	149,650	152,681	131,559
Water treatment (Schedule - page 8)	3,500	9,706	6,925
Transmission and distribution (Schedule - page 8)	718,970	681,022	694,850
Administrative and general (Schedule - page 8)	443,720	409,146	406,414
Depreciation	304,047	298,257	265,878
Taxes	33,990	31,031	31,031
Total operating expenditures	<u>1,689,077</u>	<u>1,606,780</u>	<u>1,574,180</u>
Net operating revenue	<u>239,574</u>	<u>357,727</u>	<u>371,629</u>
Non-operating revenue			
Interest	<u>6,000</u>	<u>9,697</u>	<u>12,370</u>
Non-operating expenditures			
Debt charges			
Principal	54,416	54,416	54,416
Interest	26,158	21,180	19,432
Transfer to water capital	40,000	159,067	42,902
Dividend to owner	125,000	125,000	125,000
Total non-operating expenditures	<u>245,574</u>	<u>359,663</u>	<u>241,750</u>
Excess of revenue over expenditures	<u>\$ -</u>	7,761	142,249
Surplus beginning of year		<u>153,511</u>	<u>11,262</u>
Surplus end of year		<u>\$ 161,272</u>	<u>\$ 153,511</u>

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

	<u>2017</u>	<u>2016</u>
Assets		
Cash - Depreciation	\$ 1,661,759	\$ 1,281,876
Receivables		
Other	9,333	-
Utility plant and equipment (Capital Assets)	<u>15,856,932</u>	<u>15,530,210</u>
	<u>17,528,024</u>	<u>16,812,086</u>
Liabilities		
Long term debt - Municipal Finance Corporation (Note 4)	525,491	387,207
Accumulated depreciation	<u>5,634,934</u>	<u>5,376,100</u>
	<u>6,160,425</u>	<u>5,763,307</u>
Investment in capital assets	<u>\$ 11,367,599</u>	<u>\$ 11,048,779</u>

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

	<u>2017</u>	<u>2016</u>
Revenue		
Interest income	\$ 12,356	\$ 16,106
Grants for capital projects - Federal	93,333	-
Capital contribution from other local government	-	479,326
Total revenue	<u>105,689</u>	<u>495,432</u>
Expenditures		
Loss on disposal of capital asset	352	1,671
Net revenue	<u>105,337</u>	<u>493,761</u>
Financing and transfers		
Debt principal payments	54,416	54,416
Transfer from Water Operating	159,067	42,902
Total financing and transfers	<u>213,483</u>	<u>97,318</u>
Change in fund balance	318,820	591,079
Beginning fund balance	<u>11,048,779</u>	<u>10,457,700</u>
Ending fund balance	<u>\$ 11,367,599</u>	<u>\$ 11,048,779</u>

Town of Amherst
Water Utility Capital Fund
Schedule of Investment in Water Utility Plant and Equipment
For the Year Ended March 31, 2017

	<u>2017</u>	<u>2016</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	281,485	281,485
Water treatment	295,712	287,111
Transportation	434,807	434,504
Tools and work equipment	57,483	57,483
	<u>1,069,487</u>	<u>1,060,583</u>
Mains		
Transmission	1,834,359	1,834,359
Distribution	7,417,683	7,217,439
	<u>9,252,042</u>	<u>9,051,798</u>
Services	<u>784,085</u>	<u>784,085</u>
Meters	<u>430,497</u>	<u>427,771</u>
Hydrants	<u>551,303</u>	<u>551,303</u>
Assets under construction	<u>114,848</u>	<u>-</u>
	<u>\$ 15,856,932</u>	<u>\$ 15,530,210</u>

Town of Amherst
Water Utility Operating Fund
Schedule to Statement of Financial Activities
For the Year Ended March 31, 2017

	Budget 2017	Actual 2017	Actual 2016
Source of supply			
Supplies and expenses	\$ 5,000	\$ -	\$ -
Maintenance of plant	30,200	24,937	37,523
	<u>\$ 35,200</u>	<u>\$ 24,937</u>	<u>\$ 37,523</u>
Power and pumping			
Power	\$ 114,000	\$ 109,497	\$ 108,922
Maintenance	35,650	43,184	22,637
	<u>\$ 149,650</u>	<u>\$ 152,681</u>	<u>\$ 131,559</u>
Water treatment			
Supplies and expenses	\$ 1,800	\$ 8,781	\$ 6,925
Maintenance of plant	1,700	925	-
	<u>\$ 3,500</u>	<u>\$ 9,706</u>	<u>\$ 6,925</u>
Transmission and distribution			
Maintenance of mains	\$ 370,643	\$ 375,988	\$ 359,926
Rents	30,462	30,260	27,941
Transportation expenses	57,100	61,025	53,758
Materials / supplies	199,000	165,379	183,400
Other transmission and distribution expenses	61,765	48,370	69,825
	<u>\$ 718,970</u>	<u>\$ 681,022</u>	<u>\$ 694,850</u>
Administration and general			
Supervision	\$ 166,058	\$ 155,841	\$ 164,067
Employee benefits	38,672	39,127	38,513
Uncollectible accounts	18,200	9,391	5,356
General office expenses	68,390	65,158	67,108
Regulatory expenses	2,000	3,279	4,959
Miscellaneous general expenses	150,400	136,350	126,411
	<u>\$ 443,720</u>	<u>\$ 409,146</u>	<u>\$ 406,414</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 polices (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>2017</u>	<u>2016</u>
Net operating revenue		
Operating revenue	\$ 1,964,507	\$ 1,945,809
Operating expenditures	<u>1,606,780</u>	<u>1,574,180</u>
Net operating revenue	<u>\$ 357,727</u>	<u>\$ 371,629</u>
Rate base		
Utility plant and equipment	\$ 15,856,932	\$ 15,530,210
Accumulated depreciation	<u>5,634,934</u>	<u>5,376,100</u>
Rate base	<u>\$ 10,221,998</u>	<u>\$ 10,154,110</u>

Rate of return on rate base:

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

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

**Town of Amherst
Water Utility
Notes to the Non-Consolidated Financial Statements
March 31, 2017**

4. Long term debt

	<u>2017</u>	<u>2016</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%	\$ 72,330	\$ 86,797
Municipal Finance Corporation 27AB-1 maturing October 17, 2022 - principal payments of \$22,067 yearly plus interest - rates variable 4.650% to 5.210%	117,397	139,464
Municipal Finance Corporation 29A-1 maturing October 27, 2024 - principal payments of \$17,882 yearly plus interest - rates variable 0.900% to 4.939%	143,064	160,946
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>192,700</u>	<u>-</u>
	<u>\$ 525,491</u>	<u>\$ 387,207</u>

Principal repayment for the next five years are as follows:

2018	\$	67,263
2019	\$	64,263
2020	\$	64,263
2021	\$	64,263
2022	\$	24,258

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 \$35,365 and include the following payments over the next two years: 2018 - \$19,290 and 2019 - \$16,075.