

TOWN OF OXFORD
WATER UTILITY

NON-CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2017

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

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TOWN OF OXFORD WATER UTILITY**Financial Statement****Year Ended March 31, 2017****Management's Responsibility for Financial Statements**

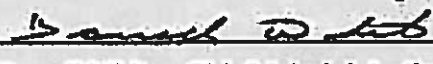
The accompanying financial statements of The Town of Oxford Water Utility are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA"). A summary of the significant accounting policies is described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

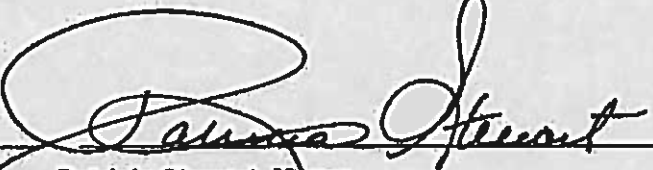
The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

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

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

Oxford, Nova Scotia
October 16, 2017


Darrell White - Chief Administrative Officer


Patricia Stewart, Mayor

INDEPENDENT AUDITORS' REPORT

To the Mayor and
Members of the Council of Town of Oxford Water Utility Non-consolidated

We have audited the accompanying financial statements of Town of Oxford Water Utility Non-consolidated, which comprise the statement of financial position of the water utility operating fund and capital fund as at March 31, 2017, and the statements of financial activities for the year then ended, and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Town of Oxford Water Utility Non-consolidated, as at March 31, 2017 and the results of its operations and the source application of its capital financing for the year then ended in accordance with legislated requirements of the Nova Scotia Utility and Review Board Regulatory Handbook.

Basis of Accounting and Restriction of Use

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, per Note 1 to the financial statements, are solely for the information and use of the Nova Scotia Utility and Review Board and are not intended to be and should not be used by anyone other than the specified users.


Jorgensen & Bickerton Inc.
Chartered Professional Accountants
Licensed Public Accountants

TOWN OF OXFORD
WATER UTILITY
STATEMENT OF FINANCIAL POSITION OF THE WATER UTILITY OPERATING FUND
MARCH 31, 2017

ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$ 11,715	\$ 21,057
Receivables		
Consumer rates (less allowance for doubtful accounts)	90,323	83,193
Federal government and its agencies (HST)	8,302	3,923
Trade account	2,503	-
	<u>101,128</u>	<u>87,116</u>
Inventory of materials, at cost	<u>23,591</u>	<u>23,591</u>
Debenture discount	<u>3,094</u>	<u>-</u>
	<u>\$ 139,528</u>	<u>\$ 131,764</u>

LIABILITIES

Bank indebtedness	\$ -	\$ 210,000
Payables		
Trade payables	31,679	13,700
Due to Water Utility - Capital Fund	89,272	1,770
Due to General Operating	10,248	-
Due to Reserves	40,000	-
	<u>171,199</u>	<u>225,470</u>

DEFICIENCY

Surplus (Deficit) (Note 7)	<u>(31,671)</u>	<u>(93,706)</u>
	<u>\$ 139,528</u>	<u>\$ 131,764</u>

TOWN OF OXFORD
WATER UTILITY
STATEMENT OF FINANCIAL ACTIVITIES OF THE WATER UTILITY OPERATING FUND
YEAR ENDED MARCH 31, 2017

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Operating revenue (Note 2)			
Metered sales	\$ 404,004	\$ 403,996	\$ 359,546
Flat rate sales	1,950	1,947	1,696
Public fire protection	112,000	112,000	107,748
Sale of services	245	300	268
Sprinkler service	250	200	160
	<u>518,449</u>	<u>518,443</u>	<u>469,418</u>
Operating expenditures			
Power and pumping (Page 10)	105,300	101,156	105,254
Transmission and distribution (Page 10)	89,500	80,952	88,766
Administration and general (Page 10)	107,350	105,320	123,135
Depreciation of utility plant	46,778	54,459	48,548
Taxes	22,152	22,152	22,152
Water treatment (Page 10)	21,500	31,619	19,377
	<u>392,580</u>	<u>395,658</u>	<u>407,232</u>
Operating profit	<u>125,869</u>	<u>122,785</u>	<u>62,186</u>
Non-operating revenue			
Interest on arrears	<u>4,000</u>	<u>6,637</u>	<u>4,277</u>
Non-operating expenditures			
Debt charges			
Principal	50,000	50,000	81,000
Interest	8,750	16,418	12,082
Bank charges	-	848	567
Debenture discount	-	121	-
Capital from revenue	-	-	331
	<u>58,750</u>	<u>67,387</u>	<u>93,980</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 71,119</u>	<u>\$ 62,035</u>	<u>\$ (27,517)</u>

TOWN OF OXFORD
WATER UTILITY
STATEMENT OF FINANCIAL POSITION OF THE WATER UTILITY CAPITAL FUND
MARCH 31, 2017

ASSETS

	<u>2017</u>	<u>2016</u>
Cash - depreciation fund (Note 3)		
Cash	\$ 47,523	\$ 842
Short term investment	280,891	279,306
Due from Water Utility - Operating Fund	9,451	1,770
	<u>337,865</u>	<u>281,918</u>
Due from Water Utility - Operating Fund	79,821	-
Utility plant in service, at cost (Page 9)	<u>3,894,193</u>	<u>3,523,831</u>
	<u>\$ 4,311,879</u>	<u>\$ 3,805,749</u>

LIABILITIES

Long term debt (Page 15)	\$ 680,000	\$ 450,000
Accumulated allowance for depreciation (Note 4 and Page 9)	863,163	808,704
Due to Water Operating - Capital Reserve Fund	79,821	-
	<u>1,622,984</u>	<u>1,258,704</u>

EQUITY

Investment in capital assets (Page 6)	<u>2,688,895</u>	<u>2,547,045</u>
	<u>\$ 4,311,879</u>	<u>\$ 3,805,749</u>

TOWN OF OXFORD
WATER UTILITY
STATEMENT OF INVESTMENT IN CAPITAL ASSETS - WATER UTILITY CAPITAL FUND
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$2,547,045	\$2,465,356
Add: (deduct)		
Long term debt retired	50,000	81,000
Capital expenditures out of operations	-	331
Interest on depreciation fund	1,488	358
CWW Funding	170,183	-
Excess Debenture funds transfer to Utility Capital Reserve	<u>(79,821)</u>	<u>-</u>
Balance, end of year	<u>\$2,688,895</u>	<u>\$2,547,045</u>

TOWN OF OXFORD
WATER UTILITY
STATEMENT OF FINANCIAL POSITION OF THE WATER UTILITY CAPITAL RESERVE FUND
MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Due from Water Utility - Capital Fund	<u>\$ 79,821</u>	<u>\$ -</u>
RESERVES		
Balance, end of year	<u>\$ 79,821</u>	<u>\$ -</u>

TOWN OF OXFORD
WATER UTILITY
STATEMENT OF FINANCIAL ACTIVITY OF THE WATER UTILITY CAPITAL RESERVE FUND
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ -	\$ -
Transfer from Water Utility Capital Fund	<u>79,821</u>	<u>-</u>
Balance, end of year	<u>\$ 79,821</u>	<u>\$ -</u>

TOWN OF OXFORD
WATER UTILITY
SCHEDULE OF INVESTMENT IN WATER UTILITY PLANT AND EQUIPMENT
MARCH 31, 2017

	Cost Mar. 31 2016	Additions	Disposals/ Retirements	Cost Mar. 31 2017	Accum. Dep. Mar. 31 2016	Write Off	Dep'n.	Accum. Dep. Mar. 31 2017	Net Book Value 2017	Net Book Value 2016
Land										
Distribution Sources of supply Reservoir	\$ 38,845 4,675 450 43,970	- - - -	- - - -	\$ 38,845 4,675 450 43,970	\$ - - - -	\$ - - - -	\$ - - - -	\$ - - - -	\$ 38,845 4,675 450 43,970	\$ 38,845 4,675 450 43,970
Structure/Improvements										
Collecting reservoir	6,695	-	-	6,695	2,805	-	87	2,892	3,803	3,890
Underground well	50,362	-	-	50,362	21,823	-	655	22,478	27,884	28,539
Power and pumping	50,509	-	-	50,509	21,850	-	656	22,506	28,003	28,659
Purification	243,105	-	-	243,105	34,159	-	3,160	37,319	205,786	208,946
Distribution reservoir	373,888	-	-	373,888	77,036	-	4,861	81,897	291,991	296,852
	724,559	-	-	724,559	157,673	-	9,419	167,092	557,467	566,886
Equipment										
Electric pumping	73,276	-	-	73,276	73,276	-	-	73,276	-	-
Purification	17,626	-	-	17,626	17,626	-	-	17,626	-	-
	90,902	-	-	90,902	90,902	-	-	90,902	-	-
Mains										
Transmission	1,891,416	-	-	1,891,416	308,226	-	24,588	332,814	1,558,602	1,583,190
Distribution	593,783	340,749	-	934,532	136,332	-	12,149	148,481	786,051	457,451
	2,485,199	340,749	-	2,825,948	444,558	-	36,737	481,295	2,344,653	2,040,641
Services										
Meters	64,772	-	-	64,772	40,632	-	1,295	41,927	22,845	24,140
Hydrants	74,579	29,613	-	104,192	53,777	-	5,210	58,987	45,205	20,802
Small tools and equip.	26,540	-	-	26,540	11,488	-	344	11,832	14,708	15,052
	6,039	-	-	6,039	6,039	-	-	6,039	-	-
	171,930	29,613	-	201,543	111,936	-	6,849	118,785	82,758	59,994
Motor Vehicle - truck										
	7,271	-	-	7,271	3,635	-	1,454	5,089	2,182	3,636
	\$3,523,831	\$370,362	\$ -	\$ 3,894,193	\$ 808,704	-	\$ 54,459	\$ 863,163	\$3,031,030	\$2,715,127

TOWN OF OXFORD
WATER UTILITY
SCHEDULES TO FINANCIAL ACTIVITIES OF THE WATER OPERATING FUND
YEAR ENDED MARCH 31, 2017

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
Power and pumping			
Supervisor labour	\$ 20,500	\$ 20,500	\$ 26,961
Power	61,800	50,418	51,510
Labour	1,000	1,000	1,000
Repairs and maintenance	22,000	29,238	25,783
	<u>\$ 105,300</u>	<u>\$ 101,156</u>	<u>\$ 105,254</u>
Transmission and distribution			
Meters	\$ 2,000	\$ 3,266	\$ 2,468
Labour	38,000	38,000	45,000
Repairs and maintenance	38,000	32,450	29,798
Services	6,000	-	6,000
Truck expenses	5,500	7,236	5,500
	<u>\$ 89,500</u>	<u>\$ 80,952</u>	<u>\$ 88,766</u>
Administration and general			
Labour	\$ 48,000	\$ 56,000	\$ 48,000
Employee benefits	21,700	19,700	27,000
Pension	5,600	5,600	6,200
Rentals	5,500	5,500	5,500
Legal	10,000	3,116	6,000
Audit	8,800	8,761	8,796
Office expenses	7,750	1,643	16,639
Doubtful accounts	-	5,000	5,000
	<u>\$ 107,350</u>	<u>\$ 105,320</u>	<u>\$ 123,135</u>
Water treatment			
Labour	\$ 2,000	\$ 2,000	\$ 2,000
Power	7,500	7,302	6,899
Chemicals	3,000	5,680	1,400
Repairs and maintenance	9,000	16,637	9,078
	<u>\$ 21,500</u>	<u>\$ 31,619</u>	<u>\$ 19,377</u>

TOWN OF OXFORD
WATER UTILITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

1. Significant accounting policies

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

(a) Revenue and expenditure

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

Certain sources of revenue, including interest on past due rates, are recorded on the cash basis.

Principal payments relating to long term debt are recorded as an expenditure when paid. Interest on long term debt is recorded on accrual basis.

Interest earned on the depreciation fund is recorded as investment in capital assets in the Water Utility Capital Fund.

(b) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting customer rates outstanding.

(c) 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. Interest is calculated at the prevailing prime rate for projects temporarily funded by general or water utility operations.

(d) Depreciation

Depreciation of capital assets is recorded in the accounts of the Water Utility Capital Fund on the straight-line basis over their estimated useful lives as prescribed by the Nova Scotia Utility and Review Board.

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

TOWN OF OXFORD
WATER UTILITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

1. Significant accounting policies (cont'd)

(e) Allocation of municipal costs to water utility funds

Where identifiable, costs incurred by Town of Oxford General Operating Fund on behalf of the Water Utility are charged to the Water Utility funds. Other costs incurred for the benefit of both Town of Oxford and the Water Utility are allocated as follows:

	<u>Water Utility</u>	<u>Town of Oxford</u>
Administrative salaries, employee benefits, telephone, legal fees and equipment running costs	35.0%	65.0%
Truck and other equipment	50.0%	50.0%
Superintendent's salary	30.0%	70.0%
Stationery	50.0%	50.0%
Other labour costs	Based on time spent on work for each unit.	

(f) Post-retirement benefits

Defined contribution plan. The Town participates in a matching RRSP arrangement.

2. Operating revenue

Operating revenue in these financial statements has been determined in accordance with the rates approved by the Utility and Review Board.

3. Depreciation fund (equity in Reserve Fund)

	<u>2017</u>	<u>2016</u>
Cash, beginning of year	<u>\$ 281,918</u>	<u>\$ 233,012</u>
Add: depreciation funds transferred	54,459	48,548
interest	1,488	358
	<u>55,947</u>	<u>48,906</u>
Cash and short term investment, end of year	<u>\$ 337,865</u>	<u>\$ 281,918</u>

TOWN OF OXFORD
WATER UTILITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

4. Accumulated allowance for depreciation

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 808,704	\$ 762,413
Add: current year's depreciation	54,459	48,548
Less: assets retired	<u>-</u>	<u>(2,257)</u>
Balance, end of year	<u>\$ 863,163</u>	<u>\$ 808,704</u>

5. Rate of return on rate base

The Water Utility has experienced a rate of return on the rate base for the current and prior five periods as follows:

2017	4.05%
2016	2.29%
2015	1.93%
2014	4.89%
2013	4.15%

6. Related party transaction

Town of Oxford Water Utility received \$112,000 (2016 - \$107,748) from Town of Oxford for public fire protection. This transaction was in the normal course of business and was measured at the exchange amount of consideration established and agreed to by the related parties.

7. Deficit

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ (93,706)	\$ (66,189)
Excess (deficiency) of revenue over expenditures	<u>62,035</u>	<u>(27,517)</u>
Balance, end of year	<u>\$ (31,671)</u>	<u>\$ (93,706)</u>

TOWN OF OXFORD
WATER UTILITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

8. Reclassification

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

9. Economic dependence

Town of Oxford Water Utility generates 38% of its operating revenue from one source. The ability of the Utility to continue operations is dependent on this source of revenue.

10. Capital Expenditures - Sources of Financing

	<u>2017</u>	<u>2016</u>
Capital out of revenue	\$ -	\$ 331
Temporary borrowing	-	150,000
Debenture borrowing	200,182	-
CWWF (Clean water and waste water fund)	<u>170,180</u>	<u>-</u>
	<u>\$ 370,362</u>	<u>\$ 150,331</u>

11. Pension Plan

	<u>2017</u>	<u>2016</u>
Defined contribution costs recognized in the statement of operations		
Pension plans	<u>\$ 5,600</u>	<u>\$ 6,200</u>

The Town of Oxford maintains a defined contribution plan that covers substantially all of its employees.

TOWN OF OXFORD
WATER UTILITY
SCHEDULE OF CAPITAL DEBT CHARGES
YEAR ENDED MARCH 31, 2017

	<u>Due</u>	<u>Balance 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 2017</u>	<u>Interest</u>
Nova Scotia Municipal Finance Corporation interest rates from 1.219% to 3.645%	2021	\$ 300,000	\$ -	\$ 50,000	\$ 250,000	\$ 8,754
Bank of Nova Scotia (temporary borrowing)		150,000	-	150,000	-	4,781
Nova Scotia Municipal Finance Corporation interest rates from 1.150% to 2.506%	2026	-	250,000	-	250,000	1,674
Nova Scotia Municipal Finance Corporation interest rates from 1.150% to 2.506%	2026	-	60,000	-	60,000	402
Nova Scotia Municipal Finance Corporation interest rates from 1.150% to 2.506%	2026	-	120,000	-	120,000	803
		<u>\$ 450,000</u>	<u>\$ 430,000</u>	<u>\$ 200,000</u>	<u>\$ 680,000</u>	<u>\$ 16,417</u>