

Utility Name: Town of Montague Sewer & Water Collection & Treatment Corp.

**Rate Filing Prepared for Submission
to The Island Regulatory & Appeals Commission**

Contact Name: Andrew Daggett
Utility Address: PO Box 546
24 Queens Road
Montague, PEI C0A1R0
Telephone: 902-838-2528
Email: adaggett@montaguepei.ca
Date: May 8, 2015

In accordance with Sections 9 and 15 of the *Water and Sewerage Act*, following is the Utility's application for a rate review.

1. Background information about the Utility (year established, description of system, current number of customers), and the overall reason(s) for the request for a rate change.

Established about 1970, the Utility presently has 674 customers. The Utility is capable of supplying potable water to all properties within the Town boundaries, and supplies a handful of properties outside the Town. Similarly, sewage disposal and treatment is available to all Town properties and a few outside the Town take advantage of it as well. Fourteen commercial customers are charged flat rate fees, and 174 are metered with charges for consumption plus line fees. Residential properties are charged flat rates. Billings are sent quarterly. The Utility is unable to meet its cash flow requirements at the present rates. The Town general fund has been covering the cash shortfall each year and the situation is not sustainable.

2. Proposed capital projects or anticipated significant expenditures in the next 2-5 years.

	Type of Project/Expenditure	Utility's Expected Cost	Year
1.	<u>sludge de-watering</u>	<u>425,000</u>	<u>2015</u>
2.	<u>secondary clarifier</u>	<u>750,000</u>	<u>2017</u>
3.	<u></u>	<u></u>	<u></u>
4.	<u></u>	<u></u>	<u></u>

3. PROJECTED depreciation expenses for future expenditures.

	Description	Utility's NET Cost	Proj Depr Exp	Year
1.	sludge de-watering	425,000	5%	2016
2.	secondary clarifier	750,000	5%	2018
3.				
4.				

4. PROJECTED interest expenses on long-term debt for future projects/purchases.

	Description	Loan Amount	Interest Rate	Proj Yrly Int Payment	Year
1.	sludge de-watering	255,000	4%	10,200	2016
2.	secondary clarifier	750,000	4.5%	33,750	2018
3.					
4.					

5. a. Statement of actual revenue and expenditures and forecasted data – WITHOUT RATE RELIEF. (Any projected depreciation and/or interest expenses indicated in 3 & 4 above are included.) To complete Statement of Revenues and Expenses (without rate change) For Click Here For WATER OR Here For SEWER.
- b. Statement of actual revenue and expenditures and forecasted data – WITH RATE RELIEF AS PROPOSED BY THE UTILITY. (Any projected depreciation and/or interest expenses indicated in 3 & 4 above are included.) To complete Statement of Revenues and Expenses (with rate changed) CLICK HERE for WATER or HERE for SEWER.
6. Revenue and expenditure accounts that have increased or decreased by substantial amounts.

Account #	523	Account Name	Revenues from Public Authorities
Explanation for Change		Gas Tax Allowance to be put to capital projects	

#6. Continued

Account # 710 Account Name Repairs & Maintenance
 Explanation for Change the sludge de-watering project will eliminate the costs of
trucking sludge, but material costs will be incurred. Net \$20k saving.

Account # 750 & 755 Account Name Admin Salaries & Benefits
 Explanation for Change Efficiencies have been identified in the office.

Account # _____ Account Name _____
 Explanation for Change _____

7. Utility customer information.

Customer Category	# of Customers	# of Units Billed
Flat Rate	500	517.4
Metered	174	174

8. Projected number of new customers over the next 2-3 years.

PROJECTED:

Year	Customer Category	# of Customers	# of Units Billed
2015	Flat Rate	6	6

9. Proposed amortization period to recover any accumulated deficit.

Deficit Amount (\$)	# of Yrs Recovery	Yrly Payment	Int Rate	Yrly Int Pmt	Start Year
612,000	30	20400	3%	17,000	2017

Note: The proposed yearly repayment amount(s), including yearly interest, should be included in the projected expenditures in the statement of revenue and expenditures prepared under #5 above.

10. Utility's current rate, proposed rate and proposed effective date.

Current Annual Rate (per Single-Family Dwelling): 562.76

Proposed Annual Rate (per Single-Family Dwelling): 684.00

Proposed Effective Date: July 1, 2015: \$624.00, July 1, 2016: \$684.00

Utility's Billing Cycle: quarterly

11. Information on any prior communication by the Utility to its ratepayers on the proposed rate changes.

The Utility has taken its request for a rate assessment to the public Committee of Council meeting at Town Hall, which then forwarded a motion which was passed at the Town Council meeting.

12. Other information relevant to the rate filing.

Further to item #9, the \$612,000 accumulated deficit is calculated as follows:

Due to/from between general and water & sewer accounts at Dec. 31/14	2.117 million
Less: water & sewer portion of CIBC loan 8907358 (bal x 96.385%)	
(is subtracted because it has been accounted for and charged to W&S each year)	<u>1.505 million</u>
Due to/from under consideration	.612 million

In addition, the following items are attached to, and form part of, this submission:

13. ☒ A copy of the Utility Board's minute(s) giving authorization to prepare the rate application;
14. ☒ A copy of the Bylaw creating the Utility, pursuant to Section 38.1 of the *Municipalities Act*; and
15. ☒ A copy of the Utility's most recent audited financial statements.

Utility Name: Town of Montague Sewer & Water Collection & Treatment Corp.

Statement of Revenue and Expenditures (WITHOUT RATE CHANGE)

656	# of Water Customers	PER YEAR	Current	Proposed	Diff %	Diff \$
673.4	# of Prop Units Billed	Flat Rate	\$ 284	\$ 284	0	\$ -
	# of Feet of Frontage	Ftg Rate/Ft			#DIV/0!	\$ -

	Actual 2013	Actual 2014	Proj 2015	Proj 2016	Proj 2017
REVENUES					
460 Unmetered Water Revenues	\$ 148,654	\$ 148,225	\$ 148,500	\$ 148,500	\$ 148,500
461 Metered Water Revenues	86,111	90,110	90,000	90,000	90,000
462 Fire Protection Revenues	56,243	52,863	52,127	52,098	52,044
464 Other Sales to Public Authorities					
465 Sales to Irrigation Customers					
470 Delayed Payment Charges	3,939	3,436	2,500	2,500	2,500
471 Miscellaneous Service Revenues					
474 Other Water Revenues	280				
TOTAL REVENUES	\$ 295,227	\$ 294,634	\$ 293,127	\$ 293,098	\$ 293,044
EXPENDITURES					
Operating					
600 Salaries and Wages - Oper Emp	\$ 36,931	\$ 44,293	\$ 44,958	\$ 45,632	\$ 46,316
605 Materials and Supplies	3,725	16,401	17,000	17,000	17,000
610 Repairs and Maintenance	6,569	3,398	7,500	7,500	7,500
615 Rentals	1,920	1,920	1,920	1,920	1,920
620 Power or Electricity	26,485	30,644	31,257	31,882	32,519
625 Chemicals	1,698	1,851	1,900	1,900	1,900
630 Water Testing and Analysis	3,473	4,658	5,000	5,000	5,000
	80,801	103,165	109,535	110,834	112,155
General					
650 Salaries and Wages - Admin Emp	28,375	28,588	25,737	26,123	26,515
655 Employee Pensions and Benefits	3,857	4,770	3,217	3,265	3,314
660 Office Supplies & Other Office Exp	20,523	25,077	25,000	25,000	25,000
661 Interest and Bank Service Charges		1,857	1,600	1,600	1,600
665 Contractual Services					
670 Transportation Expenses					
675 Insurance	1,818	4,964	5,000	5,000	5,000
680 Amortization - Rate Case Expense					
685 Regulatory Commission Fees	3,461	3,299	3,400	3,400	3,400
690 Miscellaneous Expenses	141	826	1,000	1,000	1,000
695 Bad Debt Expense	(3)				
	58,172	69,381	64,954	65,388	65,829
Other					
802 Small Tools Written Off					
803 Depreciation Expenses (Sch 9A)	32,000	32,000	32,000	32,000	32,000
804 Interest on Long-Term Debt	57,222	56,089	54,000	52,000	50,000
	89,222	88,089	86,000	84,000	82,000
TOTAL EXPENDITURES	\$ 228,195	\$ 260,635	\$ 260,489	\$ 260,222	\$ 259,984
Net Income (Loss) Year	\$ 67,032	\$ 33,999	\$ 32,638	\$ 32,875	\$ 33,060
Cumulative Surp (Def)		\$ 33,999	\$ 66,637	\$ 99,512	\$ 132,573

Notes

1

Principal payments on LTD in 2014 were approx. \$67,000. The depreciation plus the surplus for water approaches the cash flow needs.

Utility Name: Town of Montague Sewer & Water Collection & Treatment Corp.

Statement of Revenue and Expenditures (WITHOUT RATE CHANGE)

673	# of Sewer Customers	PER YEAR	Current	Proposed	Diff %	Diff \$
690.4	# of Prop Units Billed	Flat Rate	\$ 278	\$ 278	0	\$ -
	# of Feet of Frontage	Ftg Rate/Ft			#DIV/0!	\$ -

		Actual	Actual	WITHOUT RATE CHG		
		2013	2014	Proj	Proj	Proj
				2015	2016	2017
REVENUES						
521	Flat Rate Revenues	\$ 161,232	\$ 160,180	\$ 161,000	\$ 161,000	\$ 161,000
522	Measured Revenues	83,776	89,480	89,000	89,000	89,000
523	Revenues from Public Authorities	10,098	238,368	170,000	170,000	85,000
525	Interdepartmental Revenues					
530	Frontage Rates					
531	Sale of Sludge					
532	Delayed Payment Charges	3,987	3,517	2,500	2,500	2,500
534	Rents from Sewer Property					
536	Other Sewer Revenues		2,539	3,750	5,000	5,000
TOTAL REVENUES		\$ 259,093	\$ 494,084	\$ 426,250	\$ 427,500	\$ 342,500
EXPENDITURES						
Operating	700 Salaries and Wages – Oper Emp	\$ 49,729	\$ 52,672	\$ 53,462	\$ 54,264	\$ 55,077
	705 Materials and Supplies	13,689	22,920	23,000	23,000	23,000
	710 Repairs and Maintenance	46,845	38,931	40,000	20,000	20,000
	715 Rentals	1,920	1,920	1,920	1,920	1,920
	720 Power or Electricity	48,794	47,680	48,633	49,606	50,598
	725 Chemicals					
		160,977	164,123	167,015	148,790	150,595
General	750 Salaries and Wages – Admin Emp	30,377	36,772	29,710	30,156	30,608
	755 Employee Pensions and Benefits	4,702	5,575	3,714	4,523	4,591
	760 Office Supplies and Other	13,806	13,186	13,500	13,500	13,500
	761 Interest and Bank Service Charges	754	1,813	1,600	1,600	1,600
	765 Contractual Services	4,355	5,671	6,000	6,000	6,000
	770 Transportation Expenses					
	775 Insurance	6,244	4,964	5,063	5,165	5,268
	780 Amortization – Rate Case Expense					
	785 Regulatory Commission Fees	3,461	3,299	3,600	3,600	3,600
Other	790 Miscellaneous Expenses					
	795 Bad Debt Expense		788			
		63,699	72,068	63,187	64,544	65,167
	902 Small Tools Written Off					
Other	903 Depreciation Expenses (Sch 9A)	51,419	55,000	65,000	76,000	76,000
	904 Interest on Long-Term Debt	30,969	44,748	52,200	43,400	40,000
		82,388	99,748	117,200	119,400	116,000
TOTAL EXPENDITURES		\$ 307,064	\$ 335,939	\$ 347,402	\$ 332,734	\$ 331,762
Net Income (Loss) Year		\$ (47,971)	\$ 158,145	\$ 78,848	\$ 94,766	\$ 10,738
Paid on Capital Assets		\$ 10,098	\$ 238,368	\$ 170,000	\$ 170,000	\$ 85,000
Cash Surp (Def)		\$ (58,069)	\$ (138,292)	\$ (229,444)	\$ (304,678)	\$ (378,940)

Notes

- Line 523 "Revenue from Public Authorities" is Gas Tax Revenue which was used to build the lift station at Sorrey Bridge.
- Principal payments on LTD in 2014 were approx. \$76,900. The depreciation allowance did not cover them.
- Assuming Gas Tax Revenue is used to fund the sludge de-watering project, interest on financing will be over two years (2016 and 2017) until paid in full.

Andy: Can we increase other revenues (tippage charges to businesses in Brudenell) without IRAC?

I am showing 100% increase for tippage, starting July 1, 2015.

Will our sludge be sale-able? Are we expecting any revenue for it?

Utility Name: Town of Montague Sewer & Water Collection & Treatment Corp.

Statement of Revenue and Expenditures (WITH RATE CHANGE)

673	# of Sewer Customers	PER YEAR	Current	Proposed	Diff %	Diff \$
690.4	# of Prop Units Billed	Flat Rate	\$ 278	\$ 400	44	\$ 121.24
	# of Feet of Frontage	Ftg Rate/Ft			#DIV/0!	\$ -

		Actual	Actual	WITH RATE CHANGE		
		2013	2014	Proj	Proj	Proj
				2015	2016	2017
REVENUES						
521		750 \$ 161,232	\$ 160,180	\$ 177,100	\$ 212,520	\$ 231,840
522	Measured Revenues	83,776	89,480	97,900	117,480	128,160
523	Revenues from Public Authorities	10,098	238,368	170,000	170,000	85,000
525	Interdepartmental Revenues					
530	Frontage Rates					
531	Sale of Sludge					
532	Delayed Payment Charges	3,987	3,517	2,500	2,500	2,500
534	Rents from Sewer Property					
536	Other Sewer Revenues		2,539	3,750	5,000	5,000
TOTAL REVENUES		\$ 259,093	\$ 494,084	\$ 451,250	\$ 507,500	\$ 452,500
EXPENDITURES						
Operating	700 Salaries and Wages – Oper Emp	\$ 49,729	\$ 52,672	\$ 53,462	\$ 54,264	\$ 55,077
	705 Materials and Supplies	13,689	22,920	23,000	23,000	23,000
	710 Repairs and Maintenance	46,845	38,931	40,000	20,000	20,000
	715 Rentals	1,920	1,920	1,920	1,920	1,920
	720 Power or Electricity	48,794	47,680	48,633	49,606	50,598
	725 Chemicals	-	-			
		160,977	164,123	167,015	148,790	150,595
General	750 Salaries and Wages – Admin Emp	30,377	36,772	29,710	30,156	30,608
	755 Employee Pensions and Benefits	4,702	5,575	3,714	4,523	4,591
	760 Office Supplies and Other	13,806	13,186	13,500	13,500	13,500
	761 Interest and Bank Service Charges	754	1,813	1,600	1,600	1,600
	765 Contractual Services	4,355	5,671	6,000	6,000	6,000
	770 Transportation Expenses					
	775 Insurance	6,244	4,964	5,063	5,165	5,268
	780 Amortization – Rate Case Expense					
	785 Regulatory Commission Fees	3,461	3,299	3,600	3,600	3,600
Other	790 Miscellaneous Expenses	-	-			
	795 Bad Debt Expense	-	-			
		63,699	71,280	63,187	64,544	65,167
	902 Small Tools Written Off	-	-			
Other	903 Depreciation Expenses (Sch 9A)	51,419	55,000	65,000	76,000	76,000
	904 Interest on Long-Term Debt	30,969	44,748	52,200	43,400	40,000
		82,388	99,748	117,200	119,400	116,000
TOTAL EXPENDITURES		\$ 307,064	\$ 335,151	\$ 347,402	\$ 332,734	\$ 331,762
Net Income (Loss) Year		\$ (47,971)	\$ 158,933	\$ 103,848	\$ 174,766	\$ 120,738
Paid on Capital Assets		\$ 10,098	\$ 238,368	\$ 170,000	\$ 170,000	\$ 105,400
Cash Surp (Def)		\$ (58,069)	\$ (137,504)	\$ (203,656)	\$ (198,890)	\$ (183,552)

Notes

- Line 523 "Revenue from Public Authorities" is Gas Tax Revenue which was used to build the lift station at Sorrey Bridge.
- Principal payments on LTD in 2014 were approx. \$76,900. The depreciation allowance did not cover them.
- Assuming Gas Tax Revenue is used to fund the sludge de-watering project, interest on financing will be over two years (2016 and 2017) until paid in full.
- Assumes 20% rate increase takes effect on July 1, 2015, followed by a further 20% increase on July 1, 2016.
- In 2016 and 2017, depreciation expense is sufficient to cover principal payments on loans. In 2016, the Utility would have a break-even cash flow, and in 2017 it would begin to generate some funds to repay the amount owing to the Town general account.

TOWN OF MONTAGUE

BY LAW NO. 30

A BYLAW TO ESTABLISH THE TOWN OF MONTAGUE SEWAGE AND
WATER COLLECTION AND TREATMENT CORPORATION.

Preamble: **WHEREAS** The Council of the Town of Montague has, pursuant
to section 31 (f) (g) and (k) of the Municipalities Act,
determined that it will provide sewage and water col-
lection and treatment services.

THEREFORE, pursuant to Section 38.1 of the Municipalities
Act, supra:

BE IT ENACTED by council as follows:

Title: 1. This bylaw may be cited as the Town of Montague
Sewerage and Water Collection and Treatment Utility Bylaw,
Bylaw Number 29.

Definition: 2. In this bylaw:

 (a) "Council" means the Council of the Town of Montague.
 (b) "Corporation" means the Town of Montague Sewage and
Water Collection and Treatment Corporation.

Customer (c) "Customer" means a person, firm or corporation who
or which requests or is supplied with sewerage and water.

Director (d) "Director" means a director of the corporation and
includes its chairman.

Municipality (e) "Municipality" means the Municipality of the Town
of Montague.

Application
of bylaw 3. This bylaw applies to the establishment and operation
of a sewage and water collection and treatment corporation
for the Municipality.

Corporation
established 4. (1) There is hereby established the Town of Montague
Sewage and Water Collection and Treatment Corporation.

- Composition (2) The Corporation shall be composed of a Board of directors comprised of three or more members appointed from council by the Mayor.
- Chairman (3) One of the Directors shall be appointed by the Mayor as "Chairman" of the Corporation.
- Term of Office (4) The Directors of the Corporation shall have terms of office the same as their Council term at the time of appointment, but may be removed at any time by the Mayor.
- Remuneration (5) The Directors of the Corporation may receive such remuneration as may be determined by Council.
- Meetings, Procedure (6) At meetings of the corporation, two directors 3= Quor constitute a quorum over which the Chairman or the Corporation, or in his absence, a Director designated by him shall preside.
- Voting (7) Decisions of the board of directors shall be determined by majority vote.
- Breaking tie vote (8) In the case of an equal division of opinion among the Directors, the matter shall be referred to the Council, whose decision is binding on the Corporation.
- Duties of Chairman (9) The Chairman is the Chief Executive Officer of the Corporation and has supervision over and direction of the work and the staff of the Corporation.
- Functions of the Corporation 5. The Corporation shall have the following functions:
(a) Constructing, altering, extending, managing and controlling a system for providing the services of sewerage collection and treatment to the residents of the Municipality and, with the approval of Council, residents of areas adjacent to the Municipality;

- (b) Acquiring, alienating, holding and disposing of real or personal property;
- (c) Engaging and paying personnel;
- (d) Financing, with the approval of Council, any of its undertakings, and
- (e) Assessing, charging and collecting rates and charges for services provided to any customer.

Rates 6. The Corporation shall levy such user rates or frontage charges as may be approved by the Public Utilities Commission.

Separation of 7. The Corporation shall maintain its accounts separate
accounts from the accounts of the Council of the Municipality.

Liability 8. The Directors of the Corporation and any person acting on their instructions or authority are not personally liable for any loss or damage suffered by any person by reason of any act done by any of them in good faith in the exercise or purported exercise of the powers conferred under this bylaw.

Fiscal Year 9. The Fiscal Year of the Corporation shall be from January 1 to December 31.

Commencement 10. This bylaw comes into force on the 10th of August, 1992.
First reading the 13th day of April, A.D., 1992.
Second reading and enacted the 10th day of August, 1992.

Mayor


Administrator

**MONTAGUE WATER & SEWER CORPORATION
MINUTES OF MEETING
Jan. 19, 2015 – 7:00 pm**

Present: Chair Debbie Johnston

Members: David Mabon, CAO Andrew Daggett, Maintenance Supervisor Allan Greene and W&S Worker Tom MacLeod

Others: None

1. Call to Order

The meeting was called to order by the Chair at 6:57 pm.

2. IRAC rate application and IRAC presentation

Does the W&S Utility want to apply to IRAC for a rate increase?

The Utility requested that the CAO check with our Auditors, Grant Thornton to inquiry if there is some way to show the accumulated deficit owed by the Utility to the General Operating account. The Utility feels that this would be good for the residents and IRAC to explain why we need a rate increase. They also asked if the Accountant Clerk could explain the need for a rate increase due to the losses during her W&S Budget presentation. The Chair will do a CoC Request for Decision to inform/ask Council for permission to seek a rate increase. There will also be discussion at a future meeting on the best way to show the accumulated deficit on our Financial Statements.

3. Application for sludge dewatering

The application to the Gas Tax Municipal Strategic Component funding program has been denied. The Co has talked to Darlene Rhodenizer at Infrastructure Canada and the only project that was approved was the Spring Park storm sewer separation.

The Utility was disappointed that the dewatering project had been denied. The CAO presented a possible Capital Investment Plan (CIP) for the Gas Tax which would see the direct allocation funding go towards the Sludge Dewatering Project for the next 2.5 years and then towards other projects like storm sewer installation in the ensuing years. The Utility decided to move the discussion on CIP to a future meeting.

4. Arrears

The Utility was impressed with the improvement in arrears accounts and expressed hope that it would continue in the future.

5. Jim O'Halloran request

Mr. O'Halloran has again requested to hook his properties directly into the sewer main line that borders his property.

The Chair will inform Mr. O'Halloran that the Utility has not changed its mind on demanding that his subdivision plan comply with the Town's requirements before they will allow it to be connected to our system. This is being done to ensure that future Councils and Utility Boards are not burdened with substandard systems.

6. Island Water Technologies proposal

Patrick Kiely of Island Water Technology has submitted a proposal to partner with the Town to complete an investigation into the operations of the WWTP and make suggestions for improvements.

The Utility discussed the necessity of having IWT complete this work but the Maintenance personnel feel that they can look into and complete the SOPs without "outside" involvement. Allan and Tommy to investigate templates for completing SOPs.

7. Other.

None.

8. Adjournment

No further business, meeting adjourned at 8:35 pm.



Debbie Johnston (Chair)



Charlottetown

Prince Edward Island

ANNUAL REPORT

- OF -

(Municipality/Utility Name)

~~Town of Montague Water & Sewer Utility~~

FOR THE YEAR ENDED

DECEMBER 31, 2014

Information on this Form is collected pursuant to the *Water & Sewerage Act* and will be used by the Commission in the administration of the said *Act*. For additional information, contact the Commission at 902-892-3501 or by email at info@irac.pe.ca.

MUNICIPALITY OF Town of Montague Water & Sewer Utility

REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION

OF PRINCE EDWARD ISLAND

FOR THE YEAR ENDED DECEMBER 31, 2014

GENERAL INSTRUCTIONS

- All questions and financial statements which form part of this report must be completed. Explanations must be provided if information is not given.
- Each municipality/utility should make its report out in duplicate, keeping one copy for reference purposes in case correspondence with regard to this report becomes necessary.

A copy of the municipality's annual audited financial statement for the last fiscal period should accompany this report.

- This report must be completed and mailed in order to arrive at the Commission not later than the 31st of March.

MUNICIPALITY OF Town of Montague Water & Sewer Utility
REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION
OF PRINCE EDWARD ISLAND
FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule 1

UTILITY INFORMATION

Chairman of Sewer and/or Water Committee: John MacFarlane

Town/Community Administrator: Andrew Daggett

Office Tel Number: 902-838-2528 Office Fax Number: 902-838-3392

Office Address: PO Box 546, 24 Queens Road, Montague, PE C0A 1R0

Office Hours: 8:30-4 Email: townhall@montaguepei.ca

Name of Person Making this Report: Andrew Daggett


Signature

Schedule 2

MODIFICATIONS AND EXTENSIONS

Briefly outline all modifications and extensions carried out during the year including number of feet of sewer line and water mains laid (excluding service connections).

None

Schedule 3

CUSTOMERS

	Sewer	Water
Number of Customers	<u>661</u>	<u>633</u>
Number of Proportionate Units Billed	<u>28</u>	<u>0</u>
Number of Metered Customers	<u>174</u>	<u>0</u>
Number of Feet on Which Frontage Rates are Charged	<u>0</u>	

Schedule 4 - Sewer**MUNICIPALITY OF Town of Montague Water & Sewer Utility****STATEMENT OF REVENUE AND EXPENDITURES - SEWER****YEAR ENDED DECEMBER 31, 2014****Operating**

Revenues

521	Flat Rate Revenues	\$160,180	
522	Measured Revenues	89,480	
523	Revenues from Public Authorities		
525	Interdepartmental Revenues		
530	Frontage Rates		
531	Sale of Sludge		
532	Delayed Payment Charges	3,517	
534	Rents from Sewer Property		
536	Other Sewer Revenues	<u>2,539</u>	<u>\$255,716</u>

Operating Expenses

700	Salaries and Wages - Operational Employees	52,672	
705	Materials and Supplies	22,920	
710	Repairs and Maintenance	0	
715	Rentals	1,920	
720	Power or Electricity	47,130	
725	Chemicals	<u></u>	<u>124,641</u>

General Expenses

750	Salaries and Wages - Administrative Employees	42,347	
755	Employee Pensions and Benefits	0	
760	Office Supplies and Other Office Expenses	16,141	
761	Interest and Bank Service Charges	1,813	
765	Contractual Services	2,026	
770	Transportation Expenses	38,931	
775	Insurance	4,964	
780	Amortization - Rate Case Expense	0	
785	Regulatory Commission Fees	3,299	
790	Miscellaneous Expenses	690	
795	Bad Debt Expense	<u>788</u>	<u>110,998</u>

Operating Income (Loss) 20,076**Non-Operating Income and Expenses**

902	Small Tools Written Off During the Year		
903	Depreciation Expenses - Schedule 9A	15,058	
904	Interest on Long-Term Debt	<u>30,998</u>	<u>46,056</u>

Other Income (See Guide) Net Income (Loss) \$ (25,979)Surplus (Deficit) January 1 (363,407)Surplus (Deficit) December 31 \$ (389,386)

Schedule 4 - Water**MUNICIPALITY OF Town of Montague Water & Sewer Utility****STATEMENT OF REVENUE AND EXPENDITURES - WATER
YEAR ENDED DECEMBER 31, 2014****Operating**

Revenues

460	Unmetered Water Revenues	\$148,225	
461	Metered Water Revenues	90,110	
462	Fire Protection Revenues	52,863	
464	Other Sales to Public Authorities		
465	Sales to Irrigation Customers		
470	Delayed Payment Charges	3,436	
471	Miscellaneous Service Revenues		
474	Other Water Revenues		
			<u>\$294,634</u>

Operating Expenses

600	Salaries and Wages - Operational Employees	44,293	
605	Materials and Supplies	1,543	
610	Repairs and Maintenance	14,858	
615	Rentals	1,920	
620	Power or Electricity	30,644	
625	Chemicals	1,851	
630	Water Testing and Analysis	9,993	
			<u>105,102</u>

General Expenses

650	Salaries and Wages - Administrative Employees	33,358	
655	Employee Pensions and Benefits		
660	Office Supplies and Other Office Expenses	13,487	
661	Interest and Bank Service Charges	1,857	
665	Contractual Services	6,254	
670	Transportation Expenses	3,398	
675	Insurance	4,964	
680	Amortization - Rate Case Expense		
685	Regulatory Commission Fees	3,299	
690	Miscellaneous Expenses	826	
695	Bad Debt Expense		
			<u>67,443</u>

Operating Income (Loss)	122,089
-------------------------	---------

Non-Operating Income and Expenses

802	Small Tools Written Off During the Year		
803	Depreciation Expenses - Schedule 9A	31,734	
804	Interest on Long-Term Debt	69,839	
			<u>101,573</u>

Other Income (See Guide)	
--------------------------	--

Net Income (Loss)	<u>\$ 20,516</u>
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Surplus (Deficit) January 1	<u>22,530</u>
-----------------------------	---------------

Surplus (Deficit) December 31	<u><u>\$ 43,046</u></u>
-------------------------------	-------------------------

MUNICIPALITY OF Town of Montague Water & Sewer Utility

ACCOUNTS RECEIVABLE DATA
YEAR ENDED DECEMBER 31, 2014

Schedule 5

BILLING INFORMATION

(a) Dates(s) on which customers are billed	<u>1-Jan</u>	<u>1-Oct</u>
	<u>1-Apr</u>	
	<u>1-Jul</u>	
(b) Total customer charges billed for current year	\$	<u>550,349</u>

Schedule 6

ACCOUNTS RECEIVABLE

Balance outstanding - beginning of year	\$	62,910
Add: Item 5(b) customer charges billed for current year		<u>550,349</u>
	Subtotal	613,260
Subtract: Customer revenue received in current year		<u>(547,954)</u>
Balance outstanding - end of year	\$	<u>65,305</u>

Schedule 7

MUNICIPALITY OF Town of Montague Water & Sewer Utility

**SEWER AND/OR WATER REVENUE FUND
BALANCE SHEET**

YEAR ENDED DECEMBER 31, 2014

ASSETS

Cash		21,376
Investments (temporary)		
Customer accounts receivable - arrears, Schedule 6	\$ 65,305	
Less: Allowance for uncollectable accounts	<u>-</u>	65,305
Other accounts receivable		8,873
Due from captial fund		1,704,492
Plant materials and supplies		
Prepaid expenses		-
Deferred charges		
Other assets (specify)		
		<u>\$ 1,800,046</u>

LIABILITIES AND SURPLUS

Bank loans and overdrafts	\$	-
Accounts payable		30,758
Accrued liabilities		-
Due to Town of Montague General Fund		2,115,629
Other liabilities		-
	Subtotal	<u>\$ 2,146,388</u>
Surplus (Deficit)		<u>(346,342)</u>
		<u>\$ 1,800,046</u>

Schedule 8

MUNICIPALITY OF Town of Montague Water & Sewer Utility

**SEWER AND/OR WATER CAPITAL AND LOAN FUND
BALANCE SHEET**

YEAR ENDED DECEMBER 31, 2014

ASSETS

Cash		\$
Due from other funds (specify)		
Other (specify)		
	Subtotal	<u>-</u>
Sewer system - undepreciated cost - Schedule 9A		2,053,382
Water system - undepreciated cost - Schedule 9A		<u>3,959,342</u>
	Subtotal	<u>6,012,724</u>
		<u>\$ 6,012,724</u>

LIABILITIES AND CONTRIBUTIONS IN AID OF CONSTRUCTION

Long-term debt - Schedule 10		\$ 478,901
Bank loans		
Accounts payable		
Due to revenue fund		<u>1,704,492</u>
	Subtotal	<u>2,183,393</u>
Sewer system - contributions in aid of construction - Schedule 9B		1,109,225
Water system - contributions in aid of construction - Schedule 9B		<u>2,720,106</u>
	Subtotal	<u>3,829,331</u>
		<u>\$ 6,012,725</u>

Schedule 9A - Sewer

Municipality of Town of Montague Water & Sewer Utility

	1	2	3	4	5	6	7	8	9	10
Sewer and/or Water Capital and Loan Fund				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
Analysis of Sewer System							Depreciation	Deductions	Depreciation	Undepreciated
Schedule of Depreciation	Cost			Cost	Depreciation		Reserve	to	Reserve	Cost
Year Ended December 31, <u>2013</u>	January 1	Additions	Deductions	December 31	Rate	Depreciation	January 1	Reserve	December 31	December 31

Collection Plant

				%						
353 Land and Land Rights	\$ 59,364	\$ -	\$ -	\$ 59,364	0.00%	\$ -	\$ -	\$ -	\$ -	\$ 59,364
354 Structures and Improvements	0			-						
360 Collection Sewers, Force, Gravity and Special	1,234,868	245,261	-	1,480,129	1.20%	17,762	397,528		415,289	1,064,839
389 Other Miscellaneous Equipment										
Other (Specify)										

System Pumping Plant

353 Land and Land Rights										
354 Structures and Improvements	885,284	4,235	-	889,518	1.20%	10,649	102,025		112,674	776,844
371 Pumping Equipment										
389 Other Miscellaneous Equipment										
Other (Specify)										

Treatment and Disposal Plant

380 Treatment and Disposal Equipment	475,861			475,861	5.00%	23,793	310,632		334,426	141,436
381 Plant Sewers										
382 Outfall Sewer Lines										
389 Other Miscellaneous Equipment										
Fencing	13,491			13,491	1.20%	162	2,429		2,591	10,900

General Plant

390 Office Furniture and Equipment	21,014	0		21,014	10.00%	205.62	20,808		21,014	-
391 Transportation Equipment	11,082			11,082	20.00%		11,082		11,082	-
392 Stores Equipment										
393 Tools, Shop and Garage Equipment										
Other (Specify)										

Totals	\$ 2,652,782	\$ 249,495	\$ -	\$ 2,950,459		\$ 52,571	\$ 844,504	\$ -	\$ 897,075	\$ 2,053,384
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Less: Amortization - Contributions in Aid of Construction

(Taken from Column 6 of Schedule 9B - Sewer) (37,513)

Net Depreciation Line 903 \$ 15,058

Schedule 9B - Sewer

Municipality of Town of Montague Water & Sewer Utility

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
Sewer and/or Water Capital and Loan Fund										
Analysis of Sewer System							Amortization	Deductions	Amortization	Net
Contributions in Aid of Construction	Contributions			Contributions	Amortization		Reserve	to	Reserve	Contributions
Year Ended December 31, 2014	January 1	Additions	Deductions	December 31	Rate	Amortization	January 1	Reserve	December 31	December 31
<u>Collection Plant</u>										
	%									
353 Land and Land Rights	\$	\$	\$	\$		\$	\$	\$	\$	\$
354 Structures and Improvements										
360 Collection Sewers, Force, Gravity and Special	414,706	-		414,706	1.20%	4,976	205,430		210,406	204,300
389 Other Miscellaneous Equipment										
Other (Specify)										
<u>System Pumping Plant</u>										
353 Land and Land Rights										
354 Structures and Improvements	542,643	238,368		781,011	1.20%	9,372	66,577		75,949	705,062
371 Pumping Equipment										
389 Other Miscellaneous Equipment										
Other (Specify)										
<u>Treatment and Disposal Plant</u>										
380 Treatment and Disposal Equipment	286,467			286,467	5.00%	14,323	170,889		185,212	101,255
381 Plant Sewers										
382 Outfall Sewer Lines										
389 Other Miscellaneous Equipment										
Private Contributions	176,816			176,816	5.00%	8,841	69,366		78,207	98,609
<u>General Plant</u>										
390 Office Furniture and Equipment										
391 Transportation Equipment										
392 Stores Equipment										
393 Tools, Shop and Garage Equipment										
Other (Specify)										
Totals	\$ 1,420,632	\$ 238,368	\$ -	\$ 1,659,000	-	\$ 37,513	\$ 512,262	\$ -	\$ 549,775	\$ 1,109,225

Schedule 9A - Water

Municipality of Town of Montague Water & Sewer Utility

Sewer and/or Water Capital and Loan Fund

Analysis of Water System

Schedule of Depreciation

Year Ended December 31, 2014

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Cost			Cost	Depreciation		Depreciation	Deductions	Depreciation	Undepreciated
	January 1	Additions	Deductions	December 31	Rate	Depreciation	Reserve	to	Reserve	Cost
	January 1			December 31			January 1	Reserve	December 31	December 31
<u>Source of Supply Plant</u>					%					
303 Land and Land Rights	\$ 24,101	\$ -	\$ -	\$ 24,101	0.00%	\$ -	\$ -	\$ -	\$ -	\$ 24,101
304 Structures and Improvements	-			-	1.20%	-	-		-	-
305 Collecting & Impounding Reservoirs										
307 Wells and Springs										
309 Supply Mains										
Other (Specify)										
<u>Pumping Plant</u>										
303 Land and Land Rights										
304 Structures and Improvements	310,790			310,790	1.20%	3,729	53,130		56,859	253,931
311 Pumping Equipment	402,452			402,452	5.00%	20,123	295,957		316,080	86,373
Other (Specify)										
<u>Water Treatment Plant</u>										
320 Water Treatment Equipment	35,505			35,505	5.00%	1,775	19,533		21,309	14,196
Other										
<u>Transmission and Distribution Plant</u>										
303 Land and Land Rights										
331 Transmission & Distribution Mains	3,682,964	-	-	3,682,964	1.20%	44,194	489,792		533,986	3,148,978
333 Services	519,901			519,901	2.00%	10,398	152,473		162,871	357,030
334 Meters & Meter Installations										
335 Hydrants	94,815	3,180		97,994	2.00%	1,960	23,240		25,200	72,795
Other (Specify)										
<u>General Plant</u>										
340 Office Furniture and Equipment	3,605	-		3,605	10.00%	360	1,305		1,665	1,939
341 Transportation Equipment										
342 Stores Equipment										
343 Tools, Shop and Garage Equipment										
347 Miscellaneous Equipment										
348 Other Tangible Property										
Other (Specify)										
Totals	\$ 5,074,132	\$ 3,180	\$	\$ 5,077,312	-	\$ 82,540	\$ 1,035,430	\$ -	\$ 1,117,970	\$ 3,959,342

Less: Amortization - Contributions in Aid of Construction

(Taken from Column 6 of Schedule 9B - Water)

(50,805)

Net Depreciation

Line 803

\$ 31,734

Schedule 9B - Water

Municipality of Town of Montague Water & Sewer Utility

Sewer and/or Water Capital and Loan Fund

Analysis of Water System

Contributions in Aid of Construction

Year Ended December 31, **2014**

Source of Supply Plant

	1	2	3	4	5	6	7	8	9	10
	Contributions	Additions	Deductions	(1 + 2 - 3)	Amortization	(4 x 5)	Amortization	Deductions	(6 + 7 - 8)	(4 - 9)
	January 1			December 31	Rate	Amortization	Reserve	to	Reserve	Net
							January 1	Reserve	December 31	Contributions
										December 31
	\$	\$	\$	\$	%	\$	\$	\$	\$	\$
303 Land and Land Rights										
304 Structures and Improvements	47,977			47,977	1.20%	576	10,364		10,940	37,037
305 Collecting & Impounding Reservoirs										
307 Wells and Springs										
309 Supply Mains										
Other (Specify)										

Pumping Plant

303 Land and Land Rights										
304 Structures and Improvements	63,360			63,360	1.20%	760	9,884		10,644	52,716
311 Pumping Equipment	113,576			113,576	5.00%	5,679	93,651		99,330	14,246
Other (Specify)										

Water Treatment Plant

320 Water Treatment Equipment	68,640			68,640	5.00%	3,432	44,616		48,048	20,592
Other										

Transmission and Distribution Plant

303 Land and Land Rights										
331 Transmission & Distribution Mains	2,266,505			2,266,505	1.20%	27,198	305,928		333,126	1,933,379
333 Services	350,338			350,338	2.00%	7,007	103,062		110,069	240,269
334 Meters & Meter Installations										
335 Hydrants	60,792			60,792	2.00%	1,216	14,573		15,789	45,003
Gas Tax Funding	234,910			234,910	1.20%	2,819	14,095		16,914	217,996
Public Contributions	176,581			176,581	1.20%	2,119	15,594		17,713	158,868

General Plant

340 Office Furniture and Equipment										
341 Transportation Equipment										
342 Stores Equipment										
343 Tools, Shop and Garage Equipment										
347 Miscellaneous Equipment										
348 Other Tangible Property										
Other (Specify)										
Totals	\$ 3,382,678	\$ -	\$ -	\$ 3,382,678		\$ 50,805	\$ 611,767	\$ -	\$ 662,572	\$ 2,720,106

Schedule 10**MUNICIPALITY OF Town of Montague Water & Sewer Utility****SEWER AND/OR WATER CAPITAL AND LOAN FUND
ANALYSIS OF LONG-TERM DEBT
YEAR ENDED DECEMBER 31, 2014**

Description of Each Loan or Debenture Issue	Outstanding January 1	Add New Debt Incurred	Subtotal	Deduct Repayments	Outstanding December 31
<u>Sewer</u>					
BMO 6080-790	\$ 22,663		\$ 22,663	\$ 2,397	\$ 20,266
BMO 6075-609	223,905		223,905	23,678	200,227
BMO 60798-499	198,005		198,005	8,606	189,399
<u>Water</u>					
CIBC Loan	49,767	-	49,767	14,209	35,558
BNS Term 05	44,332	-	44,332	10,881	33,451
Totals	<u>\$ 538,672</u>	<u>\$ -</u>	<u>\$ 538,672</u>	<u>\$ 59,771</u>	<u>\$ 478,901</u>

Montague - 2014

	Annual Surplus Per PSAS FS	144,585
Less	Government transfers received during the year	(238,368)
Plus	Depreciation on contributions in aid of construction	88,318
	Annual Surplus Per IRAC	(5,465)
	Per IRAC Report	(5,464)
	Difference	(1)
	Accumulated Surplus per PSAS FS	3,482,990
Less	Contributions in Aid of Construction per IRAC	3,829,331
	Surplus per IRAC	(346,342)
	Per IRAC Report	(346,342)
	Difference	(0)



Consolidated Financial Statements

The Town of Montague

December 31, 2014

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Consolidated statement of financial position	5
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Consolidated statement of changes in net debt	7
Schedule of consolidated tangible capital assets	8
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The Town of Montague

Management's responsibility for financial reporting

December 31, 2014

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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 consolidated financial statements.

The Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited consolidated financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Town of Montague and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Town of Montague

CAO

A handwritten signature in black ink, appearing to read "Andrew Suggs", written over a horizontal line.

Mayor

A handwritten signature in blue ink, appearing to read "Richard A. Cullen", written over a horizontal line.

Independent auditors' report

Grant Thornton LLP
1 Bailey Drive, PO Box 70
Montague, PE
C0A 1R0
T (902) 838-4121
F (902) 838-4802
www.GrantThornton.ca

To His Worship the Mayor and members of the Town Council of
The Town of Montague

We have audited the accompanying consolidated financial statements of the Town of Montague, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations, cash flows and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the Town of Montague as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Montague, PE

April 6, 2015

Grant Thornton LLP

Chartered Accountants

The Town of Montague

Consolidated statement of operations

Year ended December 31	Budget	2014	2013
Revenue			
Property taxes	\$ 668,160	\$ 678,871	\$ 655,095
Government transfers			
Municipal support grant program	293,500	296,467	293,531
Equalization	215,500	213,597	211,483
Infrastructure	700,688	670,371	45,098
Wage subsidies	15,000	87,941	39,565
Grants in lieu	20,000	20,000	20,000
Other	15,000	124,940	32,365
Wellness Centre	-	70,521	97,377
Third party & other revenue	29,700	124,666	59,787
Interest	7,000	7,820	8,523
Water & Sewer Utility	478,200	490,533	479,781
	<u>2,442,748</u>	<u>2,785,727</u>	<u>1,942,605</u>
Expenses			
General government	442,518	406,695	312,069
Protective	197,810	197,022	194,835
Transportation	439,976	481,001	483,115
Recreation & cultural	550,600	557,030	460,899
Water & Sewer Utility	584,143	609,316	572,814
Waterfront development	-	96,856	-
	<u>2,215,047</u>	<u>2,347,920</u>	<u>2,023,731</u>
Annual surplus (deficit) before other revenue	<u>227,701</u>	<u>437,807</u>	<u>(81,127)</u>
Other revenue			
Transfer of assets from government business entity (Note 3)	-	922,966	-
Annual surplus (deficit)	<u>\$ 227,701</u>	<u>\$ 1,360,773</u>	<u>\$ (81,127)</u>
Accumulated surplus, beginning of year		\$ 15,632,342	\$ 15,862,599
Annual surplus (deficit)		1,360,773	(81,127)
Transfer of Fire Department assets		-	(149,131)
Accumulated surplus, end of year		<u>\$ 16,993,115</u>	<u>\$ 15,632,342</u>

See accompanying notes and schedules to the consolidated financial statements.

The Town of Montague
Consolidated statement of financial position

December 31

2014

2013

Financial assets

Cash and cash equivalents		
Unrestricted	\$ 149,386	\$ 68,458
Receivables		
Water & Sewer - Trade	65,305	62,910
Grants	25,895	78,000
GST and HST	63,803	33,814
Other	28,296	2,883
Restricted cash (Note 2)	-	170,849
Investment in Government Business Enterprises (Note 3)	-	88,871
	<u>332,685</u>	<u>505,785</u>

Liabilities

Bank indebtedness (Note 4)	334,430	103,241
Deferred revenues - Gas Tax (Note 2)	-	170,849
Deferred revenues - other	500	130,000
Payables and accruals	249,407	150,604
Long-term debt (Note 5)	<u>2,379,886</u>	<u>2,593,986</u>
	<u>2,964,223</u>	<u>3,148,680</u>

Net debt	(2,631,539)	(2,642,895)
-----------------	--------------------	--------------------

Non-financial assets

Prepays	1,124	20
Inventory	3,442	-
Tangible capital assets (Page 8)	<u>19,620,088</u>	<u>18,275,217</u>

Accumulated surplus	\$ 16,993,115	\$ 15,632,342
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On Behalf of the Council

Richard A. Collins

Mayor

J. Hagnall

Councillor

See accompanying notes and schedules to the consolidated financial statements.

The Town of Montague

Consolidated statement of cash flows

Year ended December 31

2014

2013

Increase in cash and cash equivalents

Operating activities

Annual surplus (deficit)	\$ 1,360,773	\$ (81,127)
Transfer of assets from government business entity (Note 3)	(922,965)	-
Depreciation and amortization	<u>573,388</u>	<u>534,380</u>
	1,011,195	453,253
Change in non-cash working capital		
Receivables	(5,691)	5,220
Prepays	(1,104)	130
Inventory	(3,442)	-
Deferred revenue	(129,500)	105,000
Payables and accruals	<u>98,803</u>	<u>(10,268)</u>
	<u>970,261</u>	<u>553,336</u>

Financing activities

Principal payments of long term debt	(214,100)	(206,669)
Repayment of demand loan	-	(40,307)
Increase (decrease) in bank indebtedness	<u>231,189</u>	<u>(78,523)</u>
	<u>17,089</u>	<u>(325,499)</u>

Investing activities

Dissolution of government business entity	<u>35,982</u>	<u>-</u>
-------------------------------------------	---------------	----------

Capital activities

Purchase of tangible capital assets	(942,404)	(200,011)
Proceeds from sale of equipment	<u>-</u>	<u>10</u>
	<u>(942,404)</u>	<u>(200,001)</u>

Net increase in cash and cash equivalents **80,928** **27,836**

Cash and cash equivalents,

Beginning of year	<u>68,458</u>	<u>40,622</u>
End of year	<u>\$ 149,386</u>	<u>\$ 68,458</u>

See accompanying notes and schedules to the consolidated financial statements.

The Town of Montague

Consolidated statement of changes in net debt

<u>Year ended December 31</u>	<u>Budget</u>	<u>2014</u>	<u>2013</u>
Annual surplus (deficit)	\$ 227,001	\$ 1,360,773	\$ (81,127)
Transfer of assets from government business entity (Note 3)		(975,856)	
Depreciation and amortization	485,000	573,388	534,381
Acquisition of tangible capital assets	(397,000)	(942,404)	(200,010)
Proceeds from sale of equipment	<u>-</u>	<u>-</u>	<u>10</u>
	<u>315,001</u>	<u>15,901</u>	<u>253,254</u>
Change in Inventory	-	(3,442)	-
Prepaid expenses	<u>-</u>	<u>(1,104)</u>	<u>130</u>
	<u>-</u>	<u>(4,546)</u>	<u>130</u>
Change in net debt	<u>\$ 315,001</u>	<u>11,355</u>	<u>253,384</u>
Net debt, beginning of year		<u>(2,642,893)</u>	<u>(2,896,277)</u>
Net debt, end of year		<u>\$ (2,631,538)</u>	<u>\$ (2,642,893)</u>

See accompanying notes and schedules to the consolidated financial statements.

The Town of Montague

Schedule of consolidated tangible capital assets

Year ended December 31, 2014

	Land & Improvements	Streets & Sidewalks	Buildings & Leaseholds	Machinery & Equipment	Water System	Sewer System	2014	2013
Cost								
Opening Balance	\$ 391,612	\$ 7,164,719	\$ 7,800,332	\$ 692,554	\$ 5,074,131	\$ 2,700,963	\$ 23,824,311	\$ 23,987,878
Acquisition of tangible capital assets	18,475	251,382	404,053	15,821	3,180	249,495	942,405	200,010
Transfer of assets from Government Business Enterprise	387,967	-	444,360	677,509	-	-	1,509,837	-
Disposal of tangible capital assets	-	-	-	-	-	-	-	(363,576)
Balance, end of year	<u>798,054</u>	<u>7,416,101</u>	<u>8,648,745</u>	<u>1,385,884</u>	<u>5,077,311</u>	<u>2,950,459</u>	<u>26,276,553</u>	<u>23,824,313</u>
Accumulated Amortization								
Opening Balance	-	2,093,005	1,110,155	466,004	1,035,430	844,504	5,549,097	5,229,150
Disposal of tangible capital assets	-	-	-	-	-	-	-	(214,435)
Transfer of assets from Government Business Enterprise	263,885	-	126,288	143,809	-	-	533,981	-
Annual Amortization	<u>5,943</u>	<u>171,435</u>	<u>204,599</u>	<u>56,299</u>	<u>82,541</u>	<u>52,571</u>	<u>573,388</u>	<u>534,381</u>
Balance, end of year	<u>269,827</u>	<u>2,264,440</u>	<u>1,441,042</u>	<u>666,111</u>	<u>1,117,971</u>	<u>897,074</u>	<u>6,656,465</u>	<u>5,549,097</u>
Net Book value of tangible capital assets	<u>\$ 528,227</u>	<u>\$ 5,151,661</u>	<u>\$ 7,207,704</u>	<u>\$ 719,773</u>	<u>\$ 3,959,339</u>	<u>\$ 2,053,385</u>	<u>\$ 19,620,088</u>	<u>\$ 18,275,216</u>

The Town of Montague

Notes to the consolidated financial statements

December 31, 2014

1. Summary of significant accounting policies

The consolidated financial statements of The Town of Montague are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and cash flow and changes in net debt of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the Town for administration of their financial affairs and resources, and which are owned or controlled by the Town. Interdepartmental and organizational transactions and balances are eliminated.

Consolidated entities

The organizations included in the consolidated financial statements are as follows:

Town of Montague
Town of Montague Sewage and Water Collection and Treatment Corporation
Montague Waterfront Development Corporation

The financial activities of the following entities associated with the Town of Montague are considered to be separate entities and are not consolidated. The Town's transactions with these entities are recorded in the consolidated statement of financial activities.

These entities include:

Montague Volunteer Fire Department
Garden of the Gulf Museum

Basis of accounting

The basis of accounting followed in the consolidated financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues, and expenditures in the period the goods and services are acquired and a liability is incurred.

Fund accounting

Funds within the consolidated financial statements consist of the operating funds for both the general operations and the water and sewer utility. Transfers between funds are recorded as adjustments to the appropriate fund balance.

Revenue recognition

- (a) Tax revenue is property tax billings which are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates set by the Town. Taxation revenue is recorded as it is received in monthly instalments from the Province of Prince Edward Island. Assessments and the related property taxes are subject to appeal to the Province of Prince Edward by residents. The Town's revenue is adjusted for any of these appeals using a yearly statement.

The Town of Montague

Notes to the consolidated financial statements

December 31, 2014

1. Summary of significant accounting policies (cont'd)

Revenue recognition (cont'd)

- (b) Government transfers are transfers of monetary assets or tangible assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the consolidated financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Town are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

- (c) Utility revenues are recorded when billed and receivable and collectability is reasonably assured.
- (d) Other revenue is recorded when it is earned and collectability is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted and restricted balances on deposit with banks. Bank borrowings are considered to be a financing activity.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development and betterment of the asset. The cost of the tangible capital asset is amortized on a straight-line basis over the estimated useful life as follows:

Sewer construction	80 years
Water mains	80 years
Water services and hydrants	50 years
Water pumping plant	20 years
Water plant structures and improvements	80 years
Motor vehicle	5 years
Computer	5 years
Sewer treatment plant equipment	20 years
Water – equipment	20 years
Municipal building	40 years
Small equipment	10 years
Equipment	10 years
Streets	50 years
Sidewalks	25 years
Land improvements	25 years

The Town of Montague**Notes to the consolidated financial statements**

December 31, 2014

1. Summary of significant accounting policies (cont'd)**Tangible capital assets (cont'd)**

Half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

All costs associated with placing an asset in service, including freight, installation costs, site preparation costs, alterations and professional fees are included in the capitalized value.

Management estimates

The presentation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

2. Deferred revenues

During the year the Town was allocated \$169,522 under the New Deal Gas Tax Funding for Incorporated Communities agreement. The Town must use their allocation of the New Deal Gas Tax funds for eligible infrastructure and capacity building projects as outlined in the agreement.

	<u>2014</u>	<u>2013</u>
Deferred, beginning of year	\$ 170,849	\$ 8,103
Allocation received and interest earned during the year	169,522	172,844
Eligible expenditures incurred	<u>(340,371)</u>	<u>(10,098)</u>
Deferred, end of year	<u>\$ -</u>	<u>\$ 170,849</u>

Under the Agreement on the Transfer of Federal Gas Tax Revenues through the New Deal for Cities and Communities, the Town has received funds which are restricted for expenditure on eligible projects. The Town has prepared, and the governmental regulating body has accepted, a Capital Investment Plan which details determined expenditures.

The Town of Montague

Notes to the consolidated financial statements

December 31, 2014

3. Dissolution of Government Business Enterprises ("GBE")

During the year, Montague Waterfront Development Corp. was dissolved and all assets and liabilities were transferred to the Town of Montague. In prior years the Town had reported its investment in the GBE on the modified equity basis. At December 31, 2013 the carrying amount was \$88,871.

The book value of the assets and liabilities transferred on July 30, the date of dissolution were as follows:

Current assets	\$ 131,514
Capital assets	975,855
Current liabilities	110,519
Long-term liabilities	<u>922,956</u>
	<u>\$ 73,894</u>

During 2014 the Town incorporated a new not for profit entity, Montague Waterfront Development Corporation (MWDC) that will continue to operate the waterfront. The entity is controlled by the Town. Upon incorporation the town transferred the current assets and liabilities of the waterfront operations to the MWDC. The tangible capital assets and related contributions from other levels of government remained with the Town. The net carrying value of the contributions from other levels of government was \$922,865. In accordance with PAS Section 3410 Government Transfers, this amount has been recognized as revenue by the Town in 2014.

4. Bank indebtedness

The Town of Montague has combined operating lines of credit of \$500,000 of which \$270,436 (2013 - \$98,441) was utilized at December 31, 2014. Interest is charged at prime less 0.25%.

	<u>2014</u>	<u>2013</u>
Bank indebtedness consists of:		
Bank overdraft	\$ (270,436)	\$ (98,441)
Outstanding deposits	1,738	197
Outstanding cheques	<u>(65,732)</u>	<u>(4,997)</u>
	<u>\$ (334,430)</u>	<u>\$ (103,241)</u>

Prime rate at December 31, 2014 was 3.00%.

The Town of Montague
Notes to the consolidated financial statements
December 31, 2014

5. Long-term debt	<u>2014</u>	<u>2013</u>
The Town of Montague		
2.50% Credit Union demand loan, maturing in December 2014, amortized to 2017, payable in monthly instalments of \$599, including principal and interest. Loan will be renewed with Bank of Montreal in 2015.	\$ 20,752	\$ 27,329
2.45% Credit Union demand loan, maturing in December 2014, amortized to 2026, payable in monthly instalments of \$389, including principal and interest. Loan will be renewed with Bank of Montreal in 2015.	47,918	51,359
2.25% Credit Union demand loan, maturing in December 2014, amortized to 2017, payable in monthly instalments of \$300, including principal and interest. Loan will be renewed with Bank of Montreal in 2015.	10,237	13,565
4.33% CIBC debt restructuring demand loan, maturing December 2014, amortized to 2027, payable in monthly instalments of \$13,107, including principal and interest. Renewed in January 2015 with Bank of Montreal at 2.87% and monthly payments of \$12,896, including principal and interest, maturing December 2019.	1,561,493	1,649,099
4.15% CIBC demand loan, maturing December 2014, amortized to 2020, payable in monthly instalments of \$4,078, including principal and interest. Renewed in January 2015 with Bank of Montreal at 2.87% and monthly payments of \$3,885 including principal and interest, maturing December 2019.	220,641	259,545
3.74% Bank of Montreal Holder loan, maturing July 2015, amortized to 2017, payable in monthly instalments of \$1,355, including principal and interest.	39,944	54,417
	<u>1,900,985</u>	<u>2,055,314</u>

The Town of Montague

Notes to the consolidated financial statements

December 31, 2014

5. Long-term debt (cont'd)

The Town of Montague Water and Sewer Utility	<u>2014</u>	<u>2013</u>
2.07% Bank of Montreal loan, maturing August 2015, amortized to 2022, payable in monthly instalments of \$236, including principal and interest.	20,266	22,663
Prime plus .75% Bank of Nova Scotia demand loan, maturing February 2018, amortized to 2018, payable in monthly instalments of \$907, including principal and interest.	33,451	44,332
2.07% Bank of Montreal loan, maturing August 2015, amortized to 2021, payable in monthly instalments of \$2,336, including principal and interest.	200,227	223,905
3.99% Bank of Montreal loan, maturing July 2015, amortized to 2030, payable in monthly instalments of \$1,362, including principal and interest.	189,399	198,005
4.0% CIBC loan, maturing April 2016, repayable in monthly instalments of \$1,335, including principal and interest.	<u>35,558</u>	<u>49,767</u>
	<u>478,901</u>	<u>538,672</u>
	<u>\$ 2,379,886</u>	<u>\$ 2,593,986</u>

Prime rate at December 31, 2013 was 3.00%.

Debt due on demand has extended repayment terms as disclosed above. Therefore, based on current repayment amounts, principal repayments in each of the next five years are due as follows:

	<u>General</u>	<u>Water & Sewer</u>	<u>Total</u>
2015	\$ 195,399	\$ 61,436	\$ 256,835
2016	186,684	62,992	249,676
2017	185,359	53,781	239,140
2018	170,143	49,396	219,539
2019	<u>175,074</u>	<u>39,595</u>	<u>214,669</u>
	<u>\$ 912,660</u>	<u>\$ 267,199</u>	<u>\$1,179,859</u>

The Town of Montague
Notes to the consolidated financial statements
December 31, 2014

6. Property taxes	<u>2014</u>	<u>2013</u>
Commercial property tax	\$ 180,000	\$ 173,251
Non-commercial property tax	<u>498,870</u>	<u>481,844</u>
	<u>\$ 678,870</u>	<u>\$ 655,095</u>

7. Rate regulation

The Town is subject to rate regulation on the sewer and water utilities provided to residents in Prince Edward Island under the *Island Regulatory & Appeals Commission Act*. The purpose of this Act, which is administered by the Island Regulatory & Appeals Commission (IRAC), is to regulate the rate municipalities may charge for water and sewer utilities provided to residents within Prince Edward Island and to ensure at all times a just and reasonable price for sewer and water utilities. Changes in water and sewer utility rates can only be implemented with the approval from IRAC.

8. Comparative figures

Certain of the figures on the 2013 financial statements have been reclassified to conform to the 2014 consolidated financial statement presentation.

The Town of Montague

Notes to the consolidated financial statements

December 31, 2014

9. Segment disclosure

The Town is a diversified municipal unit that provides a range of services to its citizens. For management reporting purposes the Town's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Town services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

General government services

This department is responsible for the overall financial and local government administration. Its tasks include accounts payable and receivables, budgets and financial statements, administration and maintenance of bylaws.

Protective services

This department is primarily responsible for police and fire protection for its residents. The Town's other protective services include costs related to building inspection and animal and pest control.

Transportation

This department is responsible for the maintenance of specialized roads within its jurisdiction.

Recreation and culture

This department is responsible for promoting and offering recreation opportunities and activities to the Town's residents.

Water & Sewer Utility

This department is responsible for the maintenance and operations of water and sewer services provided to residents and other customers.

Waterfront Development

This department is responsible for the maintenance and operations of Montague Waterfront.

Internally generated revenues and expenses are eliminated on a consolidated basis.

The Town of Montague

Schedule of consolidated segment disclosures

Year ended December 31, 2014

	General Government	Protective	Transportation	Recreation & Cultural	Water & Sewer Utility	Waterfront	Elimination	Consolidated 2014
Revenues								
Property taxes	\$ 678,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 678,871
Government transfer								
Municipal Support Grant	3,597	90,000	120,000	-	-	-	-	213,597
Equalization grant	296,467	-	-	-	-	-	-	296,467
Infrastructure	165,000	-	137,003	130,000	238,368	-	-	670,371
Wage subsidies	42,402	-	-	-	-	45,539	-	87,941
Grant in lieu	20,000	-	-	-	-	-	-	20,000
Other	-	-	-	124,940	-	-	-	124,940
Wellness Center	-	-	-	70,521	-	-	-	70,521
Third Party Revenue	9,303	39,388	11,427	10,768	-	71,265	(2,500)	139,652
Other	17,000	-	-	(14,986)	-	-	(17,000)	(14,986)
Interest	18,684	-	-	-	6,953	-	(17,816)	7,820
Water & Sewer Utility	-	-	-	-	543,396	-	(52,863)	490,533
	<u>1,251,323</u>	<u>129,388</u>	<u>268,430</u>	<u>321,243</u>	<u>788,717</u>	<u>116,804</u>	<u>(90,179)</u>	<u>2,785,727</u>
Expenditures								
Salaries & Benefits	196,615	-	120,038	-	173,457	54,647	-	544,757
Goods & Services	145,738	249,885	165,593	354,212	234,727	42,209	(72,363)	1,120,000
Amortization	40,304	-	195,371	202,600	135,112	-	-	573,388
Interest	26,537	-	-	218	100,837	-	(17,816)	109,775
	<u>409,195</u>	<u>249,885</u>	<u>481,001</u>	<u>557,030</u>	<u>644,133</u>	<u>96,856</u>	<u>(90,179)</u>	<u>2,347,920</u>
Annual surplus (deficit)	<u>\$ 842,129</u>	<u>\$ (120,497)</u>	<u>\$ (212,571)</u>	<u>\$ (235,786)</u>	<u>\$ 144,585</u>	<u>\$ 19,949</u>	<u>\$ -</u>	<u>\$ 437,807</u>

The Town of Montague

Schedule of consolidated segment disclosures

Year ended December 31, 2014

	General Government	Protective	Transportation	Recreation & Cultural	Water & Sewer Utility	Elimination	Consolidated 2013
Revenues							
Property taxes	\$ 655,095	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 655,095
Government transfer							
Municipal Support Grant Program	1,483	90,000	120,000	-	-	-	211,483
Equalization grant	293,531	-	-	-	-	-	293,531
Infrastructure	-	-	35,000	-	10,098	-	45,098
Wage subsidies	39,565	-	-	-	-	-	39,565
Grant in lieu	20,000	-	-	-	-	-	20,000
Other	-	-	-	32,365	-	-	32,365
Wellness Center	-	-	-	97,377	-	-	97,377
Third Party Revenue	5,187	28,580	13,566	-	-	-	47,333
Other	17,000	-	-	12,454	-	(17,000)	12,454
Interest	549	-	-	-	7,974	-	8,523
Water & Sewer Utility	-	-	-	-	536,024	(56,243)	479,781
	<u>1,032,409</u>	<u>118,580</u>	<u>168,566</u>	<u>142,196</u>	<u>554,096</u>	<u>(73,243)</u>	<u>1,942,604</u>
Expenditures							
Salaries & Benefits	122,796	-	127,147	26,876	158,970	-	435,789
Goods & Services	129,272	251,078	155,298	246,952	204,868	(73,243)	914,225
Amortization	14,189	-	200,670	185,625	133,897	-	534,381
Interest	28,202	-	-	1,446	88,945	-	118,593
Other	17,609	-	-	-	3,134	-	20,743
	<u>312,069</u>	<u>251,078</u>	<u>483,115</u>	<u>460,899</u>	<u>589,814</u>	<u>(73,243)</u>	<u>2,023,731</u>
Annual surplus (deficit)	<u>\$ 720,340</u>	<u>\$ (132,497)</u>	<u>\$ (314,550)</u>	<u>\$ (318,702)</u>	<u>\$ (35,718)</u>	<u>-</u>	<u>\$ (81,127)</u>