

Alberton Sewage Collection & Treatment Corporation

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

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Date:	May 3, 2012

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.

The existing sewer system was installed during 1960-1961. In 1976 the lagoon was expanded. The system is mainly gravity fed with one lift station at the entrance of town which services four properties. The system services 681.77 units.

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

	Type of Project/Expenditure	Utility's Expected Cost	Year
1.	Sewer line replacement	\$93,000.00	2012
2.			
3.			
4.			

3. PROJECTED depreciation expenses for future expenditures identified in question #2.

	Description	Utility's NET Cost	Proj Depr Exp	Year
1.	Sewer line replacement	\$93,000.00	\$1,116.00	2012
2.				
3.				
4.				

4. PROJECTED annual interest expenses on long-term debt for future projects/purchases identified in question #2.

	Description	Loan Amount	Interest Rate	Proj Yrly Int Payment	Year
1.	Sewer line replacement	\$93,000.00	5%	\$4,586.	2012
2.					
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.)

[illegible]

- 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.)

Statement of Revenue and Expenditures (WITH RATE CHANGE)

[illegible]

6. Revenue and expenditure accounts that have increased or decreased by substantial amounts.

Account #	710	Account Name	Repairs and Maintenance
Explanation for Change	More sewer line repairs were completed in 2011 that will not have to be done this year.		

7. Utility customer information.

Customer Category	# of Customers	# of Units Billed
Flat Rate	340	681.77

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

PROJECTED:

Year	Customer Category	# of Customers	# of Units Billed
2012	Flat Rate	1	4.80

9. Proposed amortization period to recover any accumulated deficit.

Deficit Amount (\$)	# of Yrs Recovery	Yrly Payment	Int Rate	Yrly Int Pmt	Start Year

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):	\$190.00
Proposed Annual Rate (per Single-Family Dwelling):	\$200.00
Proposed Effective Date:	July 1, 2012
Utility's Billing Cycle:	January 1 & July 1

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

Nil

12. Other information relevant to the rate filing.

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;
*****See Attached***
14. ☒ A copy of the Bylaw creating the Utility, pursuant to Section 38.1 of the *Municipalities Act*, and
*****See Attached***
15. ☒ A copy of the Utility's most recent audited financial statements.
*****See Attached***

#13

**EXTRACT OF MINUTES FROM REGULAR COUNCIL MEETING
HELD APRIL 10, 2012 AT 7:00 P.M.**

The regular council meeting was held April 10, 2012 at 7:00 p.m. with Mayor Murphy presiding and all councillors present also Frances Ready, Cst. Michels, Eric McCarthy - Journal and staff - Susan Wallace-Flynn.

Environment Report

Councillor Campbell reported for environment. Councillor Campbell reported that it had been recommended by our auditor to apply to raise the rate \$10.00 per unit per year.

The motion was made by Councillor Campbell, seconded by Councillor Gillis and carried to apply to IRAC for permission to raise the sewer rate.

BYLAW FOR MUNICIPAL SEWAGE COLLECTION AND TREATMENT UTILITY

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

Preamble:

WHEREAS the Council of the Town of Alberton has, pursuant to Section 31 (f) and (g) of the Municipalities Act, determined that it will provide sewage collection 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 Alberton Sewerage Collection and Treatment Utility Bylaw, Bylaw Number 1.

Definition:

2. In this bylaw:

(a) "Council" means the Council of the Town of Alberton.

(b) "Corporation" means the Sewage Collection and Treatment Corporation.

Customer

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

Director

(d) "Director" means a director of the Corporation and includes its Chairman;

Municipality	(e) "Municipality" means the Municipality of the Town of Alberton.
Application of bylaw	3. This bylaw applies to the establishment and operation of a sewage collection and treatment corporation for the Municipality.
Corporation established	4. (1) There is hereby established the Alberton Sewage 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 constitute a quorum over which the Chairman of 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 Accounts

7. The Corporation shall maintain its accounts separate 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 9th of May, 1988.

Mayor *Frank Marshall*
Administrator *Susan Wallace*

TOWN OF ALBERTON
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

INDEPENDENT AUDITOR'S REPORT

TO THE MAYOR AND MEMBERS OF COUNCIL

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Town of Alberton, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, changes in net debt and cash flows 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 generally accepted accounting principles, 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 as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

MRSP Chartered Accountants

CHARLOTTETOWN, P.E.I.

MARCH 5, 2012



TOWN OF ALBERTON
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011

	<i>Budget 2011</i>	<i>Actual 2011</i>	<i>Actual 2010</i>
Revenue			
Town - Schedule 2	\$ 999,477	\$ 792,218	\$ 749,655
Alberton Sewage Collection and Treatment Corporation			
- Schedule 3	<u>130,000</u>	<u>133,189</u>	<u>130,682</u>
	<u>1,129,477</u>	<u>925,407</u>	<u>880,337</u>
 Expenditures			
Alberton Sewage Collection and Treatment Corporation			
- Schedule 3	<u>130,000</u>	<u>164,768</u>	<u>155,314</u>
Town - Schedule 2	<u>876,187</u>	<u>585,298</u>	<u>541,286</u>
	<u>1,006,187</u>	<u>750,066</u>	<u>696,600</u>
 Change in Fund Balances	<u>\$ 123,290</u>	<u>175,341</u>	<u>183,737</u>
 Accumulated Surplus - Beginning of Year		<u>2,516,868</u>	<u>2,333,131</u>
 Accumulated Surplus - End of Year - Note 10		<u>\$ 2,692,209</u>	<u>\$ 2,516,868</u>

TOWN OF ALBERTON
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2011

	2011	2010
<i>Change in fund balances</i>	\$ 175,341	\$ 183,737
<i>Gain on disposal of tangible capital assets</i>	(9,937)	(9,826)
<i>Amortization of tangible capital assets</i>	100,639	90,250
<i>Purchase of tangible capital assets</i>	(522,689)	(400,889)
<i>Proceeds from disposal of tangible capital assets</i>	70,000	10,000
<i>Contributions in aid of construction</i>	80,187	256,558
<i>Increase in prepaid expense</i>	(33,397)	(9,057)
<i>Increase in land for resale</i>	(365)	-
<i>Increase (Decrease) in Net Debt</i>	(140,221)	120,773
<i>Net Debt - Beginning of Year</i>	(646,422)	(767,195)
<i>Net Debt - End of Year</i>	\$ (786,643)	\$ (646,422)

TOWN OF ALBERTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. Description of Business

The Town of Alberton ("the Town") is incorporated under the Municipalities Act of Prince Edward Island. The Town is a non-profit organization under the Income Tax Act.

2. Accounting Policies

Basis of Preparation

The consolidated financial statements of the Town of Alberton are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs and in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Basis of Consolidation

The consolidated financial statements for the Town of Alberton reflect the assets, liabilities, revenue, expenditures, change in net debt and change in financial position of the Town. The Town is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

*Town of Alberton
 Alberton Sewage Collection and Treatment Corporation*

Interdepartmental and organizational transactions and balances are eliminated.

Cash

Cash comprises cash on hand and cash in banks.

Accounts Receivable

Accounts receivable arise from sewer dues, property tax, wage grants, Provincial sales tax and Goods and Services Tax receivable. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed non-collectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

TOWN OF ALBERTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. Accounting Policies (cont'd)

Tangible Capital Assets

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

Town:

<i>Buildings</i>	<i>20 & 40 years</i>
<i>Fire trucks</i>	<i>15 years</i>
<i>Fire equipment</i>	<i>10 years</i>
<i>Street equipment</i>	<i>15 years</i>
<i>Service vehicles</i>	<i>10 years</i>
<i>Park equipment</i>	<i>15 years</i>
<i>Office equipment</i>	<i>5 years</i>

Sewer:

<i>Sewer system</i>	<i>83 1/3 years</i>
<i>Equipment</i>	<i>5 years</i>
<i>Motor vehicles</i>	<i>5 years</i>

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates on the amounts can be determined.

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 annual surplus, provides the consolidated change in net debt for the year.

Revenue Recognition

The Town follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

TOWN OF ALBERTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. Accounting Policies (cont'd)

Use of Estimates

The presentation of the 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 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 management's best estimates as additional information becomes available in the future. The following are areas in which management makes significant accounting estimates:

- The amounts recorded for amortization of tangible capital assets on the statement of operations is subject to management's assessment of the estimated useful life of the Town's tangible capital assets; and
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

3. Deferred Revenue

	2011	2010
New Deal Gas Tax	<u>\$ 49,417</u>	<u>\$ 115,755</u>

TOWN OF ALBERTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. Long Term Debt

	2011	2010
Town		
Royal Bank of Canada - 5.2%; repayable in monthly blended installments of \$1,594; maturing 2013; amortized to 2025	\$ 187,245	\$ 196,374
Royal Bank of Canada - 6.6%; repayable in monthly blended installments of \$657; due May 2, 2020	55,219	59,316
Royal Bank of Canada - 3%; repayable in monthly principal installments of \$1,643 plus interest; due July 2, 2012	9,739	29,100
Royal Bank of Canada - prime plus 0.3%; repayable in monthly principal installments of \$667 plus interest; due March 2, 2011	-	1,981
	<u>252,203</u>	<u>286,771</u>
Sewer		
Royal Bank of Canada - 5.66%; repayable in monthly blended installments of \$4,298; maturing 2013; amortized to 2024	456,506	481,465
Royal Bank of Canada - 6%; repayable in monthly blended installments of \$1,399; due May 2, 2020 ; amortized to 2029	182,468	188,130
Bank of Nova Scotia - prime + 2%; repayable in monthly blended installments of \$589; amortized to 2012	3,484	10,614
	<u>642,458</u>	<u>680,209</u>
	<u>\$ 894,661</u>	<u>\$ 966,980</u>

Principal portion of long term debt is expected to be repaid over the next five years as follows:

2012	\$ 57,047
2013	48,978
2014	51,844
2015	54,878
2016	58,091

TOWN OF ALBERTON
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2011

Schedule 1

Town Assets

	Cost Beginning of Year	Additions	Disposals	Cost End of Year	Amort in Year	Accum Amort	NBV 2011	NBV 2010
Land	\$ 271,200	\$ 81,124	\$ (60,063)	\$ 292,261	\$ -	\$ -	\$ 292,261	\$ 271,200
Buildings	102,335	323,748	-	426,083	11,153	26,786	399,297	86,702
Arena	620,790	-	-	620,790	8,139	379,648	241,142	249,281
Fire Hall	361,514	-	-	361,514	9,038	89,736	271,778	280,816
Fire trucks	459,568	-	-	459,568	22,927	340,472	119,096	142,023
Fire equipment	195,828	101,403	-	297,231	24,649	145,989	151,242	74,488
Street equipment	79,522	10,166	-	89,688	5,980	36,375	53,313	49,127
Service vehicles	18,055	-	-	18,055	1,805	15,159	2,896	4,701
Park equipment	46,670	-	-	46,670	3,112	22,990	23,680	26,792
Office equipment	13,015	-	-	13,015	-	13,015	-	-
	<u>\$ 2,168,497</u>	<u>\$ 516,441</u>	<u>\$ (60,063)</u>	<u>\$ 2,624,875</u>	<u>\$ 86,803</u>	<u>\$ 1,070,170</u>	<u>\$ 1,554,705</u>	<u>\$ 1,185,130</u>

Sewer Assets

Land	\$ 1,694	\$ -	\$ -	\$ 1,694	\$ -	\$ -	\$ 1,694	\$ 1,694
Sewer system	2,609,720	6,248	-	2,615,968	31,392	436,103	2,179,865	2,205,009
Equipment	13,492	-	-	13,492	-	13,492	-	-
Motor vehicles	34,069	-	-	34,069	-	34,069	-	-
	<u>\$ 2,658,975</u>	<u>\$ 6,248</u>	<u>\$ -</u>	<u>\$ 2,665,223</u>	<u>\$ 31,392</u>	<u>\$ 483,664</u>	<u>\$ 2,181,559</u>	<u>\$ 2,206,703</u>

Total Assets

	<u>\$ 4,827,472</u>	<u>\$ 522,689</u>	<u>\$ (60,063)</u>	<u>\$ 5,290,098</u>	<u>\$ 118,195</u>	<u>\$ 1,553,834</u>	<u>\$ 3,736,264</u>	<u>\$ 3,391,833</u>
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TOWN OF ALBERTON
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
ALBERTON SEWAGE COLLECTION AND TREATMENT CORPORATION OPERATIONS
YEAR ENDED DECEMBER 31, 2011

Schedule 3

	Budget 2011	Actual 2011	Actual 2010
Revenue			
Unmetered sales	\$ 130,000	\$ 129,537	\$ 126,923
Interest	-	3,652	3,759
	<u>130,000</u>	<u>133,189</u>	<u>130,682</u>
Expenditures			
Operating:			
Electricity	1,500	1,332	1,505
Maintenance shop	1,200	1,826	1,825
Repairs and maintenance	4,000	28,244	17,239
Wages and employee benefits	16,000	15,000	16,452
General:			
Administration	23,400	23,400	23,400
Bad debt	-	194	-
Insurance	500	512	516
Interest and bank charges	50	58	47
Office	550	701	515
Professional fees	10,000	20,855	20,694
Property taxes	200	426	292
Regulatory commission fees	1,300	1,567	1,331
Transportation	3,000	2,786	3,263
Travel and training	-	113	-
Other:			
Amortization of tangible capital assets	30,000	29,644	30,486
Interest on long term debt	38,300	38,110	37,749
	<u>130,000</u>	<u>164,768</u>	<u>155,314</u>
Change in Fund Balances	<u>\$ -</u>	<u>\$ (31,579)</u>	<u>\$ (24,632)</u>