

Town of Alberton

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Prince Edward Island
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The Heart of West Prince

August 20, 2008



Mark Lanigan, Senior Analyst
IRAC
National Bank Tower, Suite 501
134 Kent Street, PO Box 577
Charlottetown, PE
C1A 7L1

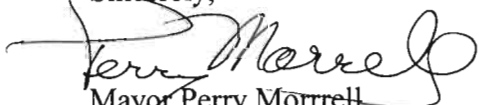
Dear Mr. Lanigan:

Enclosed please find the Suggested Minimum Filings for Sewer Rate Increase Application for the Town of Alberton Sewage Collection and Treatment Utility:

1. Background information on the Utility
2. Statement of revenue and expenditures – actual 2006 and 2007 forecast 2008 and 2009 with and without proposed rates
3. Brief explanation of what is contained in each revenue and expenditure account and why the amount is changing
4. Depreciation expense schedule
5. Long term debt schedule
6. Breakdown of current number of customers with assigned proportionate units
7. Forecast number of proportionate units for 2008 and 2009
8. Proposed capital expenditures to the current system in 2007
9. Proposed rate structure
10. Proposed rates with effective date
11. Minutes from the Town of Alberton Council giving authorization to prepare the rate application
12. Copy of Town of Alberton Sewage Collection and Treatment Utility Bylaw
13. Copy of the Town of Alberton Sewer Utility 2007 audited financial statements.

If you require additional information please contact the office at 902-853-2720.

Sincerely,


Mayor Perry Morrrell
Alberton Town Council

Town of Alberton Sewer Utility Rate Increase – August 2008



1. Background Information on Town of Alberton Sewer Utility

The existing sewer system was installed during 1960-61. In 1976 the lagoon was expanded. The system is mainly gravity fed with a lift station at the entrance to town, which services four homes. The system services 661.66 units.

2.

**THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
REVENUE ACCOUNT**

REVENUE	Without Increase 2009	Without Increase 2010
Unmetered Sales	79,399.00	80,047.00
Other	1,800.00	2,000.00
	81,199.00	82,047.00

EXPENDITURES	2009	2010
Operating		
Salaries and wages	17,062.00	17,500.00
Repairs and maintenance	10,000.00	10,500.00
Maintenance shop	2,500.00	3,000.00
Power	1,200.00	1,300.00
General		
Office		
Share of general gov't	28,759.00	28,759.00
Other	500.00	500.00
Interest and bank charges	1,500.00	1,500.00
Transportation	2,500.00	2,800.00
Professional fees	5,000.00	5,000.00
Regulatory commission f.	1,103.00	1,103.00
Travel and courses	250.00	250.00
Bad debt	1,000.00	1,000.00
Other		
Depreciation	16,975.00	20,575.00
Interest on long term d.	27,655.53	41,624.70
	116,004.53	135,411.70
Excess revenue (expenditures)	(\$34,805.53)	(\$53,364.70)

The main reason for the increase in expenditures is due to the major sewer main replacement projects that are still ongoing. In 2007 the project was \$492,730.00, which the utility was responsible for one third of the cost in the amount of \$164,243.33. This year's project in the amount of \$300,000.00, which has just been started, the utility will be responsible for one third of the cost in the amount of \$100,000.00 with the option to borrow up to an additional \$100,000.00 for work previously done that was not financed.

The interest on the long-term debt will increase to finance our share of the infrastructure work. In 2012 the Scotiabank loan will be paid off.

4. Depreciation Expense Schedule

Current depreciation per year is \$16,774.00.

5. Long-Term Debt Schedule

5.66% per annum RBC Royal Bank of Canada loan for \$536,104.00 repayable by consecutive monthly payments of principal and interest in the amount of \$4,267.06 based on an amortization period of 191 months commencing 30 days from draw down and continuing until the last day of a 120 month term and the balance shall be repayable in full on the last day of a 120 month term. Funds were drawn on July 2, 2008.

Scotiabank non-revolving loan, in the amount of \$26,242.67 maturing and amortized until 2012, repayable in monthly installments of \$570.00 including interest at 5.95%.

Line of credit up to \$200,000.00 from RBC for sewer infrastructure project just commenced.

6. Breakdown of current number of customers with assigned proportionate units

The Town of Alberton Sewer utility has 661.41 units.

Current proportionate units: Flat rate revenue/rate - \$79,399./\$120. = 661.66 proportionate units.

7. Forecast Number of Proportionate Units for 2008 and 2009

The forecast number of proportionate units for 2008 is 661.41.

The forecast number for 2009 is 667.06 due to a new 4-unit apartment building and adjustments for houses torn down.

8. Proposed Capital Expenditures to the Current System in 2008

The Town of Alberton Sewer Utility is currently replacing aged sewer line under a Canada-Prince Edward Island Municipal Rural Infrastructure Fund Project in the amount of \$300,000.00 with the utility being responsible for one-third of the cost in the amount of \$100,000.00. The utility is financing the cost with a line of credit from RBC, which will be turned into a loan at the completion of the project.

9. Proposed Rate Structure

The Town of Alberton Sewer Utility is proposing a rate increase of \$40.00 from the current \$120.00 to \$160.00 for 2009 and an increase of an additional \$30.00 to \$190.00 per single unit per year for 2010.

10. Proposed Rates with Effective Date

The proposed rate of \$160.00 will be effective January 1, 2009 and the proposed rate of \$190.00 will be effective January 1, 2010.

11. Minutes from the Town of Alberton Council

The regular Council meeting was held Monday, June 9, 2008 at 7:00 p.m. with Deputy Mayor Oliver presiding and Councillors Wilson, Curtis, Jeffery, Gillis, Smith present also Paul Cotton, Ray Millman, Doug Lyon, Cst. Moore, Cst. MacFarlane, Jean Kenny – Graphic and Susan Wallace-Flynn.

The motion was made by Councillor Gillis, seconded by Councillor Jeffery and carried that we continue the process with IRAC for the rate increase for sewer.

12. Copy of Town of Alberton Sewage Collection and Treatment Utility Bylaw

See attached

13. Copy of Town of Alberton Sewer Utility 2007 Audited Financial Statements

See attached

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 *[Signature]*
Administrator *Susan Wallace*

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THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007

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AUDITOR'S REPORT

To the Council of the Town of Alberton

We have audited the revenue and capital fund non-consolidated statements of financial position of the The Town of Alberton, Sewerage Account as at December 31, 2007 and the non-consolidated statements of financial activities and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the The Town of Alberton, Sewerage Account as as December 31, 2007 and the results of its operations and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles, except they are prepared on a non-consolidated basis as described in Note 1.

The comparative figures were audited by another public accountant.

Summerside, P.E.I.

February 9, 2008

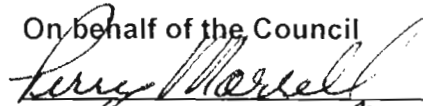
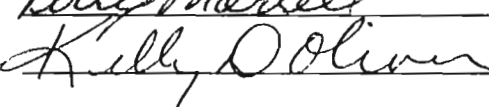


CHARTERED ACCOUNTANTS

THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
 CAPITAL FUND
 NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Capital assets (Note 2)	\$ <u>1,845,104</u>	\$ <u>1,398,056</u>
LIABILITIES AND CONTRIBUTIONS IN AID OF CONSTRUCTION		
Payable to Sewerage Account, Revenue Fund	\$ 273,640	\$ 34,747
Long-term debt (Note 3)	<u>406,929</u>	<u>509,929</u>
	680,569	544,676
Contributions in aid of construction (Note 4)	<u>1,164,535</u>	<u>853,380</u>
	\$ <u>1,845,104</u>	\$ <u>1,398,056</u>
Contingencies (Note 7)		

On behalf of the Council

 Mayor
 Councillor

The accompanying notes are an integral part of these financial statements

THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
REVENUE FUND
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 101,707	\$ 60,110
Receivables		
Customer accounts	2,154	2,747
Grants	58,059	61,043
Commodity taxes	38,363	32,310
Prepays	<u>156</u>	<u>177</u>
	200,439	156,387
Receivable from Sewerage Account, Capital Fund	<u>273,640</u>	<u>34,747</u>
	<u>\$ 474,079</u>	<u>\$ 191,134</u>

LIABILITIES AND SURPLUS		
Current		
Bank loan (Note 5)	\$ 302,000	\$ -
Accounts payable and accrued liabilities	86,686	65,521
Payable to Town of Alberton, General Account, Revenue Fund (Note 6)	<u>16,166</u>	<u>20,913</u>
	404,852	86,434
Surplus	<u>69,227</u>	<u>104,700</u>
	<u>\$ 474,079</u>	<u>\$ 191,134</u>

Contingencies (Note 7)

On behalf of the Council

Larry Marrell Mayor
Kelly D. Oliver Councillor

The accompanying notes are an integral part of these financial statements

**THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
REVENUE FUND
NON-CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>	<u>2006</u>
Revenue		
Unmetered sales	\$ 79,399	\$ 79,392
Other	<u>2,635</u>	<u>1,812</u>
	<u>82,034</u>	<u>81,204</u>
Expenditures		
Operating		
Salaries and wages, operational	15,948	15,313
Repairs and maintenance	13,445	7,075
Maintenance shop	2,225	2,032
Power	<u>1,077</u>	<u>581</u>
	<u>32,695</u>	<u>25,001</u>
General		
Office		
Share of general government	22,900	27,945
Other	963	371
Interest and bank charges	4,255	1,052
Transportation	2,186	2,989
Professional fees	3,654	18,945
Regulatory commission fees	1,103	1,103
Travel and courses	-	250
Bad debt	<u>1,415</u>	<u>747</u>
	<u>36,476</u>	<u>53,402</u>
Other		
Depreciation	16,774	14,841
Interest on long-term debt	<u>31,562</u>	<u>18,728</u>
	<u>48,336</u>	<u>33,569</u>
	<u>117,507</u>	<u>111,972</u>
Excess expenditures for the year	(35,473)	(30,768)
Surplus, beginning of year	<u>104,700</u>	<u>135,468</u>
Surplus, end of year	\$ <u>69,227</u>	\$ <u>104,700</u>

The accompanying notes are an integral part of these financial statements

THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
REVENUE FUND
NON-CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Cash provided by (used in)		
Operating activities		
Excess expenditures for the year	\$ (35,473)	\$ (30,768)
Adjustments for:		
Depreciation	16,774	14,841
Net change in working capital balances		
Receivables	(2,476)	(90,934)
Prepays	21	(26)
Accounts payable and accrued liabilities	21,165	59,513
Bank loan	<u>302,000</u>	<u>-</u>
	<u>302,011</u>	<u>(47,374)</u>
Financing activities		
Proceeds from long-term debt	-	253,832
Repayment of long-term debt	(103,000)	(12,076)
Advances to the Town of Alberton, General Account, Revenue Fund	<u>(4,747)</u>	<u>(25,732)</u>
	<u>(107,747)</u>	<u>216,024</u>
Investing activities		
Purchase of capital assets	(479,433)	(351,326)
Contributions in aid of construction	<u>326,766</u>	<u>240,260</u>
	<u>(152,667)</u>	<u>(111,066)</u>
Increase in cash and cash equivalents	41,597	57,584
Cash and cash equivalents, beginning of year	<u>60,110</u>	<u>2,526</u>
Cash and cash equivalents, end of year	<u>\$ 101,707</u>	<u>\$ 60,110</u>

The accompanying notes are an integral part of these financial statements

THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

1. Significant Accounting Policies

The non-consolidated financial statements of the Town of Alberton, Sewerage Account are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants except for not reporting on a consolidated basis with the Town of Alberton, General Account and the Town of Alberton, Recreation Association, entities under common management nor with the Alberton Development company Ltd., a subsidiary of the Town of Alberton, General Account.

Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Expenditure recognition
Interest on long-term debt is not accrued at year end but is recorded as an expenditure when paid.

(b) Capital assets
Capital assets are recorded at cost. Depreciation is calculated using the straight line method at the following annual rates:

Sewerage system	- 1.2%
Equipment	- 5.0%
Automotive equipment	- 20.0%

(c) Contributions in aid of construction
Infrastructure and other program grants and rebates relating to the acquisition of capital assets are recorded as contributions in aid of construction on the Capital Fund statement of financial position and are amortized to income through depreciation using the same basis as the related asset are depreciated.

(d) Financial instruments
The Town's financial instruments consist of cash, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, the fair values of these financial instruments approximate their carrying value.

It is council's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(e) Use of estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2007

2. Capital Assets

	2007			2006
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Lagoon	\$ 1,694	\$ -	\$ 1,694	\$ 1,694
Automotive equipment	34,070	24,204	9,866	16,480
Equipment	13,492	13,068	424	-
Sewerage system	<u>2,147,203</u>	<u>314,083</u>	<u>1,833,120</u>	<u>1,379,882</u>
	<u>\$ 2,196,459</u>	<u>\$ 351,355</u>	<u>\$ 1,845,104</u>	<u>\$ 1,398,056</u>

3. Long-Term Debt

	2007	2006
League Savings and Mortgage loan, maturing in 2012, amortized to 2027, repayable in monthly installments of \$1,029 including principal and interest at 6.25%. As security, the Town has provided a promissory note.	\$ 139,278	\$ 142,679
Bank of Nova Scotia non-revolving loan, maturing and amortized to 2012, repayable in monthly installments of \$570 including interest at 5.95%. As security the Town has provided a borrowing resolution.	28,860	33,808
Bank of Nova Scotia non-revolving loan, due in 2011, amortized to 2026, repayable in monthly installments of \$1,059 with interest at prime. As security the Town has provided a borrowing resolution.	238,791	251,499
Note payable, Town of Alberton, General Account, repaid during year	-	81,943
	<u>\$ 406,929</u>	<u>\$ 509,929</u>

Expected principal payments in each of the next five years are as follows: 2008 - \$21,723, 2009 - \$22,287, 2010 - \$22,883, 2011 - \$23,520, 2012 - \$23,288.

4. Contributions in aid of Construction

	2007			2006
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	<u>\$ 1,300,908</u>	<u>\$ 136,373</u>	<u>\$ 1,164,535</u>	<u>\$ 853,380</u>

THE TOWN OF ALBERTON, SEWERAGE ACCOUNT
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

5. Bank loan

The Town has secured a demand loan, as bridge financing for the 2007 sewer upgrades, from the Bank of Montreal, with interest at prime paid monthly. After all expenditures have been paid and grants collected the balance of the demand loan will be converted to a long-term loan also with the Bank of Montreal.

6. Payable to the Town of Alberton, General Account, Revenue Fund

The payable to the Town of Alberton, General Account, Revenue Fund is non-interest bearing and cleared on an annual basis.

7. Contingencies

The Town of Alberton has been named as defendant in a legal action seeking damages against the Town and is subject to various risks and contingencies arising in the normal course of business. The Town's solicitor is currently reviewing these legal actions. The likelihood of any liability is not determinable at this time.