

May 31, 2021

Ms. Heather Walker
Island Regulatory and Appeals Commission
5th Floor, Suite 501
National Bank Tower
134 Kent Street
Charlottetown, PE C1A 7L1

Dear Ms. Walker:

Please find enclosed two copies of the application for a rate increase for the Cavendish Sewer Utility.

If you have any questions or concerns, please do not hesitate to call.

Sincerely,



Sean Bradley, CPA, CA, Senior Consultant
MRSB Consulting Services Inc.
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Encls.

Cc: Ms. Brenda MacDonald, CAO, Cavendish Sewer Utility

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Schedule 1: General Background Information

The Cavendish Sewer Utility ("the Utility") was formed, under section 31 of the Municipalities Act in 1992, as a separate body to the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish, and North Rustico to deal with the environmental concerns regarding failing sewer systems in the area. The Utility first installed a municipal sewer system into the core area of the community, which encompassed the Cavendish Boardwalk to MacCoubrey Lane. The Utility then expanded to take on Route 13 in 1999 up to Marco Polo Land. Beginning in 2002, in response to both rising environmental risks and a request from the provincial government, the Utility undertook a sewer expansion along Route 6 West past the Cavendish Boardwalk up to Seawood Estates, which was completed in 2003.

At this time, the Utility also took the extraordinary step of assuming responsibility for the existing private sewer system within Seawood Estates in Stanley Bridge. This system consists of approximately 94 homes and 21 commercial units, as well as vacant lots on approximately 135 acres of land. At the time the Utility assumed this responsibility, the existing system was already under strain and in need of replacement and upgrades. The Utility was told at the time by the provincial government and Island Regulatory and Appeals Commission (IRAC) representatives that differential rates would be considered in the future once the true costs of operating and upgrading the system had become apparent.

The Utility encompasses a high-traffic tourist area, including several campgrounds and cottage establishments that sustain high usage in the summer and fall months. In addition to a wide variety of tourism establishments, the Utility also services residential properties in the area. In total, the Utility services approximately 375 commercial and residential establishments.

Rates were last increased effective January 1, 2016. The service rates for the Utility currently authorized by IRAC are as follows:

	Current rates
Residential	\$ 456.00 per unit
Commercial	
Sewer units	\$ 133.00 per unit
Flow charge	\$ 0.45 per cubic meter
Meter charge	\$ 281.00 per unit
Frontage	\$ 1.60 per ln ft

In addition to the above charges, all sewer customers in the Seawood Estates subdivision are subject to a supplemental charge of \$175 per lot per year.

There are also sewer dumping charges which have the following rates currently authorized by IRAC:

Sewage dumping charges:

Within the Community of Cavendish:

Per load: up to 1,500 gallons	\$	8	per load
Per load: 1,501 gallons - 3,000 gallons	\$	16	per load

For premises outside the Community of Cavendish:

Per load: up to 1,500 gallons	\$	13	per load
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Per load: 1,501 gallons – 3,000 gallons	\$	26	per load
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Schedule 2: Customer Breakdown

Residential Charges (April 1, 2020 – March 31, 2021) <i>(Unaudited – Provided by Management)</i>		
Number of Units	Unit Value	Annual Residential Charge
195.00	\$456.00	\$88,920.00

Flow Charges (April 1, 2020 – March 31, 2021) <i>(Unaudited – Provided by Management)</i>		
Number of Units (Cubic Meters)	Unit Value	Annual Flow Charge
40,297.62	\$0.45	\$18,133.93

Meter Charges (April 1, 2020 – March 31, 2021) <i>(Unaudited – Provided by Management)</i>		
Number of Units	Unit Value	Annual Flow Charge
57.00	\$281.00	\$16,017.00

Frontage Charges - 2021 (Unaudited - Provided by Management)			
Number of customers	Frontage	Annual frontage charge (\$1.60/ft)	
1	30.68	\$ 49.09	
2	35.34	113.10	
1	44.58	71.33	
1	48.77	78.03	
1	50.00	80.00	
1	51.23	81.97	
2	64.66	206.90	
1	82.00	131.20	
1	82.03	131.25	
1	84.11	134.58	
1	85.00	136.00	
1	86.19	137.90	
1	91.51	146.41	
1	91.78	146.85	
1	96.44	154.30	
1	99.42	159.07	
43	100.00	6,880.00	
1	105.21	168.33	
2	106.85	341.92	
1	107.13	171.40	
1	108.77	174.03	
1	109.00	174.40	
2	110.00	352.00	
1	115.00	184.00	
1	118.00	188.80	
2	120.00	384.00	
1	125.00	200.00	
1	138.40	221.44	
1	155.00	248.00	
1	160.36	256.58	
1	170.00	272.00	
1	173.81	278.10	
1	187.00	299.20	
1	198.00	316.80	
8	200.00	2,560.00	
1	210.00	336.00	
1	210.24	336.38	
1	215.00	344.00	
2	230.00	736.00	
1	245.82	393.31	
1	246.00	393.60	
1	250.00	400.00	
1	258.40	413.44	
1	273.00	436.80	
1	300.00	480.00	
1	320.00	512.00	
1	500.00	800.00	
1	1,000.00	1,600.00	
1	1,325.00	2,120.00	
1	2,747.31	4,395.70	
22	MAX	11,000.00	
		<u>\$ 40,326.21</u>	

Sewer Charges - 2021
(Unaudited - Provided by Management)

Number of customers	Units	Annual sewer charge (\$133/unit)
7	1.00	\$ 931.00
3	1.50	598.50
1	1.80	239.40
2	2.00	532.00
1	2.80	372.40
1	3.00	399.00
1	3.25	432.25
1	4.80	638.40
1	7.00	931.00
1	7.30	970.90
1	7.60	1,010.80
4	8.00	4,256.00
1	8.50	1,130.50
1	8.80	1,170.40
1	9.10	1,210.30
1	9.50	1,263.50
1	10.00	1,330.00
1	10.40	1,383.20
1	10.45	1,389.85
1	10.50	1,396.50
2	11.00	2,926.00
1	11.50	1,529.50
1	12.00	1,596.00
1	13.00	1,729.00
2	13.50	3,591.00
1	14.00	1,862.00
1	15.40	2,048.20
1	16.40	2,181.20
1	18.50	2,460.50
1	19.80	2,633.40
1	20.30	2,699.90
1	20.50	2,726.50
1	21.00	2,793.00
1	21.80	2,899.40
1	24.68	3,281.78
1	25.90	3,444.70
1	30.15	4,009.95
1	30.48	4,053.18
1	33.05	4,395.65
1	75.60	10,054.80
1	90.50	12,036.50
		<u>\$ 96,538.06</u>

Schedule 3: Breakdown of Revenue, Expenditures, and Current Charges

The Cavendish Sewer Utility ("the Utility") provides sewer services to the residential and commercial establishments located in the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish, and North Rustico. The charges assessed within the Utility can be segregated into three distinct categories: residential, commercial, and vacant properties.

Types of Service Fees

Residential

The residential segment comprises two distinct areas: the Resort Municipality Core area and Seawood Estates. All residential customers are currently subject to a flat annual rate for the services provided by the Utility of \$456 per residential unit. In addition, residents who live in the Seawood Estates' subdivision are charged an infrastructure contribution charge of \$175 per lot per year. The Utility estimates that the number of units in these two areas will remain unchanged in 2022, and the combined growth of these two areas will be three residential units per year for 2023 through 2026.

Commercial

Sewer charges for the commercial segment of the municipality are charged based on four items: a flow charge, a meter charge, a sewer unit charge, and in some cases, a frontage charge. Flow charges, measured in cubic meters of waste and wastewater materials, are assessed on a reading taken from a water meter on the business's premises. These meters are read twice a year, and flow charges are assessed at a rate of \$0.45 per cubic meter. The fee assessed for the use of a meter in a business is currently \$281 per customer. A commercial entity operating under the Utility is also charged a fee based on the number of sewer units it uses. Sewer units include public restrooms and facilities, and are billed based on a fee of \$133 per sewer unit.

Vacant Properties

Frontage charges are assessed on eligible vacant properties in the area. Eligible properties include all lands adjacent to streets, roads, or highways on which there are no buildings or structures, or where sanitary disposal services are not required, but where the land is capable of being served by the existing facilities of the Utility. This frontage charge on an eligible property is currently calculated at a rate of \$1.60 per linear foot to a maximum of \$500 per annum.

Utility Expenses

The annual expenses incurred by the Utility may be segregated into three distinct categories: operational expenses, administrative expenses, and expenses related to capital assets.

Operational and Administrative expenses

Operational and administrative expenditures are those directly related to the Utility and can be variable or fixed in nature. These costs are inclusive of electricity, insurance, bank charges, and office supplies. These expenses are reasonably consistent from year to year, but are subject to increases from external forces such as inflation and increasing energy costs.

Expenses related to infrastructure development

Expenses related to infrastructure development refer to the costs of carrying the current infrastructure in the Utility. This includes amortization of capital assets, interest on long-term debt, property taxes, and system maintenance. These expenses are expected to increase in accordance with planned infrastructure developments for the Utility.

Current Sewerage Charges

The sewerage rates currently approved by the Island Regulatory and Appeals Commission (IRAC) for residential customers, commercial customers, and frontage are as follows:

Residential	\$ 456.00 per unit
Commercial	
Sewer units	\$ 133.00 per unit
Flow charge	\$ 0.45 per cubic meter
Meter charge	\$ 281.00 per unit
Frontage	\$ 1.60 per ln ft

In addition to the above charges, all sewer customers in the Seawood Estates subdivision are subject to a supplemental charge of \$175 per lot per year.

Schedule 4: Capital Asset and Contributions in Aid Schedules

PROJECTED CAPITAL ASSET SCHEDULE

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2022</u>
Land	0.0%	\$ 277,500	\$ 130,100	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,077,800	333,600	64,900	1,317,800	4,093,600
Sewer equipment	5.0%	1,039,700	-	52,000	1,015,200	24,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	220,600	1,019,400
Total Assets		\$ 7,649,400	\$ 463,700	\$ 131,800	\$ 2,568,000	\$ 5,545,100

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2023</u>
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,382,700	4,028,700
Sewer equipment	5.0%	1,039,700	50,000	27,000	1,042,200	47,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	235,500	1,004,500
Total Assets		\$ 8,113,100	\$ 50,000	\$ 106,800	\$ 2,674,800	\$ 5,488,300

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2024</u>
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,447,600	3,963,800
Sewer equipment	5.0%	1,089,700	50,000	5,000	1,047,200	92,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	250,400	989,600
Total Assets		\$ 8,163,100	\$ 50,000	\$ 84,800	\$ 2,759,600	\$ 5,453,500

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2025</u>
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,512,500	3,898,900
Sewer equipment	5.0%	1,139,700	50,000	7,500	1,054,700	135,000
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	265,300	974,700
Total Assets		\$ 8,213,100	\$ 50,000	\$ 87,300	\$ 2,846,900	\$ 5,416,200

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2026</u>
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,577,400	3,834,000
Sewer equipment	5.0%	1,189,700	50,000	10,000	1,064,700	175,000
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	280,200	959,800
Total Assets		\$ 8,263,100	\$ 50,000	\$ 89,800	\$ 2,936,700	\$ 5,376,400

PROJECTED CONTRIBUTIONS IN AID SCHEDULE

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2022</u>
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	3,829,800	333,600	50,000	741,300	3,422,100
Sewer equipment	5.0%	793,900	-	39,700	775,100	18,800
Retention pond	1.2%	800,900	-	9,600	168,300	632,600
Total Contributions		<u>\$ 5,634,400</u>	<u>\$ 333,600</u>	<u>\$ 99,300</u>	<u>\$ 1,687,200</u>	<u>\$ 4,280,800</u>

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2023</u>
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	791,300	3,372,100
Sewer equipment	5.0%	793,900	-	18,800	793,900	-
Retention pond	1.2%	800,900	-	9,600	177,900	623,000
Total Contributions		<u>\$ 5,968,000</u>	<u>\$ -</u>	<u>\$ 78,400</u>	<u>\$ 1,765,600</u>	<u>\$ 4,202,400</u>

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2024</u>
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	841,300	3,322,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	187,500	613,400
Total Contributions		<u>\$ 5,968,000</u>	<u>\$ -</u>	<u>\$ 59,600</u>	<u>\$ 1,825,200</u>	<u>\$ 4,142,800</u>

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2025</u>
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	891,300	3,272,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	197,100	603,800
Total Contributions		<u>\$ 5,968,000</u>	<u>\$ -</u>	<u>\$ 59,600</u>	<u>\$ 1,884,800</u>	<u>\$ 4,083,200</u>

		<u>Cost</u>	<u>Additions</u>	<u>Amortization</u>	<u>Accumulated Amortization</u>	<u>NBV 2026</u>
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	941,300	3,222,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	206,700	594,200
Total Contributions		<u>\$ 5,968,000</u>	<u>\$ -</u>	<u>\$ 59,600</u>	<u>\$ 1,944,400</u>	<u>\$ 4,023,600</u>

Schedule 5: Schedule of Long-term Debt

CAVENDISH SEWER UTILITY
SCHEDULE OF LONG TERM DEBT
FOR THE YEARS TO ENDING MARCH 31, 2022 - 2026

	2022	2023	2024	2025	2026
Provincial Credit Union - 3.65%; repayable in blended semi-annual installments of \$18,438; renewable November 15, 2023.	\$ 464,000	\$ 443,900	\$ 423,000	\$ 401,400	\$ 378,900
BMO - 2.9%; repayable in blended semi-annual installments of \$11,325; maturing August 31, 2041.	329,000	315,800	302,200	288,300	273,900
BMO - 3.04%; mortgage repayable in blended semi-annual installments of \$14,873; renewable April 30, 2023.	56,400	28,100	-	-	-
BMO term loan - 2.44%; repayable in blended semi-annual installments of \$2,606; maturing August 31, 2020.	17,400	12,500	7,600	2,500	-
New loan - 3.00%; repayable in blended semi-annual installments of \$4,349; due October 2041.	<u>130,100</u>	<u>125,300</u>	<u>120,300</u>	<u>115,200</u>	<u>109,900</u>
	996,900	925,600	853,100	807,400	762,700
Less: current portion	<u>71,300</u>	<u>72,500</u>	<u>45,700</u>	<u>44,700</u>	<u>43,400</u>
	<u>\$ 925,600</u>	<u>\$ 853,100</u>	<u>\$ 807,400</u>	<u>\$ 762,700</u>	<u>\$ 719,300</u>

As security for the loans, the Utility has provided demand notes and a borrowing resolution signed by directors.

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

2027	\$ 43,500
2028	45,000
2029	46,500
2030	48,000
2031	49,600
Thereafter	<u>530,100</u>
	<u>\$ 762,700</u>

Schedule 6: Proposed Infrastructure Developments and Amortization Period

Proposed Infrastructure Developments and Amortization Period

The Utility plans to undertake significant upgrades to Lift Station #4, including pumps and adding a generator. These capital expenditures are expected to begin in 2022 and will be completed within the same fiscal year. This capital project is expected to be funded through government infrastructure initiatives

In exchange for land transferred to the Utility from Parks Canada for the lagoon site, the Utility was obligated to establish a trust fund of \$250,000 to be administered by the Utility. The proceeds of the trust fund are to be used to satisfy the original land transfer for the P.E.I. National Park. At March 31, 2020, the Utility had purchased land totaling \$110,380 and incurred \$9,504 in costs towards the satisfaction of this trust obligation. In fiscal 2021, Parks Canada requested that the Utility make a cash payment to Parks Canada to settle the outstanding liability of \$130,116. To settle this liability, the Utility will need to finance the full amount through a commercial bank loan. This loan is expected to bear interest at approximately 3.0%, with an amortization period of 20 years. The corresponding debt service costs are expected to be covered based on increased utility rates.

These two projects require immediate action, and investment must be made in the current year (fiscal 2022).

Overall, the total project costs and funding for the proposed infrastructure is as follows:

<u>Project costs</u>		<u>Project funding</u>	
Lift Station #4	\$ 333,600	Gas Tax funding	\$ 333,600
Trust fund payable settlement	<u>130,100</u>	New loan	<u>130,100</u>
	<u>\$ 463,700</u>		<u>\$ 463,700</u>

In addition to the two immediate projects described above, the Utility undertakes an assessment of the infrastructure on an annual basis. This annual assessment identifies and prioritizes significant repairs and capital upgrades required. Although specific projects for years 2023 and beyond are not yet identified, the Utility has accounted for those significant repairs and capital upgrades in this application. Significant repairs are factored into the maintenance expense line on the projected statements of revenue and expenditures. The Utility has projected \$50,000 annually for capital upgrades in years 2023 through 2026 in the projected statements of revenue and expenditures.

Schedule 7: Proposed Cost Allocation Structure, Tariff Structure, and Rate Increases

Proposed Cost Allocation Structure, Tariff Structure, and Rate Increases

General Overview

The Cavendish Sewer Utility ("the Utility") serves two distinct areas: Seawood Estates and the Resort Municipality Core area. Both areas are currently assessed the same rates for residential, commercial, and frontage charges, and are managed under a single tariff system, with the exception of an additional \$175 per lot, per year infrastructure fee charged to all customers in the Seawood Estates subdivision.

The Utility is applying to IRAC for an increase in utility rates to cover the costs of new infrastructure in the area, to settle an existing liability for land transferred to the Utility, and to respond to the impacts of the COVID-19 pandemic.

The COVID-19 pandemic has significantly impacted the Cavendish area and its primary sector, tourism. As a result, some businesses remained closed for the 2020 tourism season, and some may remain closed for the upcoming season, depending on the state of the pandemic. This has significantly reduced sewer revenues, including flow rates. The Utility is expecting a further decrease for the upcoming year. For businesses that will be closed for a second consecutive year, the Utility may need to reduce or eliminate meter and sewer unit charges. Despite the reduced usage due to COVID-19 and its impact on sewer revenue, the system continues to require maintenance and upgrades. This issue is compounded as a result of the pandemic placing upward pressure on costs such as capital upgrades, construction materials, and related professional fees.

The Utility is proposing increases to the current sewer rates and charges of the Seawood Estates and Resort Municipality Core areas as the gap between building and maintaining the systems has grown to a point where the existing rate is no longer sustainable. No changes are requested with respect to the special charge for infrastructure that is currently billed to all customers within the Seawood Estates subdivision.

Based on the expected growth in operating expenditures and the water and sewerage rates currently authorized by the Island Regulatory and Appeals Commission, the Utility's projected operating results for the years endings March 31, 2022 to 2026 are summarized in Table 1.

Table 1: Projected results if no rate increase

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Revenue	\$ 281,800	\$ 294,200	\$ 303,700	\$ 313,800	\$ 322,200
Expenditures	<u>318,200</u>	<u>320,500</u>	<u>319,300</u>	<u>324,100</u>	<u>329,300</u>
Change in fund balance	(36,400)	(26,300)	(15,600)	(10,300)	(7,100)
Addback: Amortization of tangible capital assets	32,500	28,400	25,200	27,700	30,200
Less: Debt servicing	<u>(64,400)</u>	<u>(71,300)</u>	<u>(72,500)</u>	<u>(45,700)</u>	<u>(44,700)</u>
	<u>\$ (68,300)</u>	<u>\$ (69,200)</u>	<u>\$ (62,900)</u>	<u>\$ (28,300)</u>	<u>\$ (21,600)</u>

Proposed Rates, Tariff Structure, and Effective Dates

The Utility proposes that increases to the current tariff system be implemented, effective January 1, 2021, to ensure that the costs related to current and upcoming capital upgrades and improvements can be sustained with sufficient revenues from sewer charges. The proposed utility rates are expected to cover the debt service and amortization costs of the Utility's upgrades and maintenance to the infrastructure.

These proposed new utility rates are summarized in Table 2 and are expected to be effective January 1, 2021:

Table 2: Proposed Utility Rates for Cavendish Sewer Utility

	Current rates	Proposed rates
Residential	\$ 456.00 per unit	\$ 565.00 per unit
Commercial		
Sewer units	\$ 133.00 per unit	\$ 165.00 per unit
Flow charge	\$ 0.45 per cubic meter	\$ 0.56 per cubic meter
Meter charge	\$ 281.00 per unit	\$ 348.00 per unit
Frontage	\$ 1.60 per ln ft	\$ 1.98 per ln ft

These new utility rates, combined with the expected growth in the overall Resort Municipality, are expected to be sufficient to cover the added infrastructure and debt service costs associated with the proposed infrastructure projects, along with increases in operating expenditures. Based on the proposed rates above, the projected operating results for years endings March 31, 2022 to 2026 are summarized in Table 3.

Table 3: Projected results with the proposed rate increase

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Revenue	\$ 336,500	\$ 351,600	\$ 363,300	\$ 376,100	\$ 386,300
Expenditures	<u>318,200</u>	<u>320,500</u>	<u>319,300</u>	<u>324,100</u>	<u>329,300</u>
Change in fund balance	18,300	31,100	44,000	52,000	57,000
Addback: Amortization of tangible capital assets	32,500	28,400	25,200	27,700	30,200
Less: Debt servicing	<u>(64,400)</u>	<u>(71,300)</u>	<u>(72,500)</u>	<u>(45,700)</u>	<u>(44,700)</u>
	<u>\$ (13,600)</u>	<u>\$ (11,800)</u>	<u>\$ (3,300)</u>	<u>\$ 34,000</u>	<u>\$ 42,500</u>

Appendix A: Authorization for Rate Application Preparation

Minutes
Cavendish Sewer Utility Meeting
March 12, 2021
3:00 p.m.

The Cavendish Sewer Utility Meeting was held on March 12, 2021, at the Resort Municipality Office and zoom.

MEMBERS PRESENT: Zoom - Mayor - Matthew Jelley, Vic Greenwood and Victor Hryckiw. Heather Hay. In Person –Brenda MacDonald, CAO.

ABSENT: George Clark Dunning joined the meeting at 3:45 p.m.

VISITORS: Gordon Toombs.

1. **CALL TO ORDER:**
Mayor Jelley called the meeting to order at 3:00 p.m.
2. **APPROVAL OF AGENDA:**
It was moved by Victor, seconded by Vic that the agenda be adopted as presented. All in favor 2, 1 non-voting, 1 absent. Motion Carried.
3. **CONFLICTS OF INTEREST:**
There were no conflicts of interest declared.
4. **APPROVAL OF MINUTES OCTOBER 26, 2020:**
It was moved by Vic, seconded by Victor that the minutes of October 26, 2020 be adopted as presented. All in favor 2, 1 non-voting, 1 absent. Motion Carried.
5. **BUSINESS ARISING FROM THE MINUTES:**
 - 5.A. **LS # 4 Infrastructure Project / Generator:**
The infrastructure project was cancelled due to project costs coming in over budget.

CBCL and Toombs are investigating options for that station to determine what the best options are for the station and development moving forward.

The project work for this station will now be funded through Gas Tax Funds.

Gordon commented on the portable generator and that it can be placed at the station, as it has not been used very often in other areas of the community without generator power and if needed can be taken away from the station when needed.
 - 5.B. Harold Tracz – The property went up for sale at the courthouse and was sold. The bills have been paid on the agreed transaction amount and the new owner has taken ownership of the property.
 - 5.C. **REVENUE CANADA SIGNING OFFICERS:**
It was moved by Victor, seconded by Vic that the signing officers for the Cavendish Sewer Utility shall be Mayor Matthew Jelley, Victor Hryckiw and the CAO Brenda MacDonald and that any two of the three signing officers shall sign on behalf of the Cavendish Sewer Utility for all cheques and banking documents. All in favor 2, 1 non-voting, 1 absent. Motion Carried.

REVENUE CANADA:

It was moved by Victor, seconded by Vic that the CAO, Brenda MacDonald be the sole contact person and signing officer for all Revenue Canada accounts for the Cavendish Sewer Utility. All in favor 2, 1 non-voting, 1 absent. Motion Carried.

5.D. **PARKS CANADA PROPOSED NEW CAMPGROUND AREA:**

Awaiting additional information from Parks Canada and their engineer as they were going to explore options for servicing the new campsites down to the lagoon.

Mayor Jelley welcomed Gordon Toombs to the meeting.

6. **NEW BUSINESS:**

6.A. **Maintenance Contract:**

Gordon Toombs presented information on maintenance costs for 2021 / 2022.

Contract increase included:

Increase of 2% to the contract price and an increase per hour from \$60.00 - \$65.00 for work during regular hours and after hours from \$90.00 to \$97.50 per hour.

Proof of insurance was provided for the maintenance contract.

6.B. **Update on Maintenance Required on the system:**

Gordon also provided a list of projects that need to be looked at for 2021 and they include:

- 1) pumping out Seawood property with septic tank that includes repair pump, install riser and cover on septic tank.
- 2) Plug valves to be taken apart, cleaned and lubricated at the lagoon.
- 3) LS # 7 generator needs transfer switch. This is to be looked at by Sampson Equipment the next time they are on sight.

Gordon has called Samson Equipment to have them check the station the next time that they are on the Island.

- 4) Portable Generator work to be looked at for LS # 4 to allow it to be put on the site securely and for the contractor to be able to access it easier when needed to be taken away to another lift station.
- 5) LS # 4 discussion to be had on work required for the station based on a review by the engineer. CAO will check with Maritime Electric on the pole numbers from the Farmer's Market building down to LS # 4 for the costs to install three phase power in this area.

CBCL will investigate the previous work of the engineer to determine what is required for the lift station for current and future servicing needs as well as with the Department of Environment and what they will require for servicing of the station.

George Clark Dunning joined the meeting.

6.C. **2021/2022 Budget:**

It was moved by Vic, seconded by George that the budget for 2021 / 2022 for the Cavendish Sewer Utility with a revenue of \$425,350.00 and the expenses of \$425,350.00 be approved as presented.

Discussion:

The budget presented is showing a shortfall, as the revenue for fees has been increased to show a 24% increase to allow fees to raise enough to cover the expenses up to maximum increase of up to 24% to allow for increased revenue during this timeframe based on current decrease to rates due to COVID-19 and planned expenditures and increases to operating costs for 2021 / 2022.

All in favor 3, 1 non-voting. Motion Carried.

Capital Budget:

It was moved by Victor, seconded by George that the Capital Budget for 2021 / 2022 for revenues at \$333,605 and expenses at \$333,605.00 be approved as presented. All in favor 3, 1 non-voting. Motion Carried.

7. **OTHER:**

It was moved by George, seconded by Vic that MRSB be hired to do a rate increase review and proposal for next five years for the Cavendish Sewer Utility with a maximum increase of up to 24 % based on the projected expenses and revenue shortfall. All in favor 3, 1 non-voting. Motion Carried.

8. **ADJOURNMENT:**

Mayor Jelley adjourned the meeting at 4:55 p.m.



Matthew Jelley Mayor



Brenda MacDonald - CAO

Appendix B: Cavendish Sewer Utility Bylaw 19-7

RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH AND NORTH
RUSTICO

CAVENDISH SEWER UTILITY BYLAW

Bylaw No. 19-7

A Bylaw relating to the continuance and operation of a sewer collection and treatment utility for the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico.

This Bylaw is made under the authority of the *Municipal Government Act*, R.S.P.E.I. 1988, Cap. M-12.1.

WHEREAS the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish, and North Rustico enacted a bylaw to establish the Cavendish Sewer Utility, which bylaw is known as the Resort Municipality Sewer Utility Bylaw, Bylaw Number 11;

AND WHEREAS the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish, and North Rustico also enacted a bylaw to require mandatory sewer connection, which bylaw is known as the Resort Municipality Mandatory Sewer Connection Bylaw #12;

AND WHEREAS, the Cavendish Sewer Utility has been continued pursuant to subsection 260(2) of the *Municipal Government Act*, R.S.P.E.I. 1988, Cap. M-12.1;

AND WHEREAS, the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico wishes to enact a new bylaw to replace bylaws 11 and 12 and to reflect the requirements for sewer utilities as set forth in that Act.

BE IT ENACTED BY THE COUNCIL OF THE RESORT MUNICIPALITY OF STANLEY BRIDGE, HOPE RIVER, BAYVIEW, CAVENDISH AND NORTH RUSTICO as follows:

1. Title

This Bylaw may be cited and referred to as the "Cavendish Sewer Utility Bylaw".

2. Definitions

In this Bylaw:

- (a) "Act" means the *Municipal Government Act*, R.S.P.E.I. 1988, Cap. M-12.1, as amended from time to time.
- (b) "Bylaw" means the Cavendish Sewer Utility Bylaw, as amended from time to time.
- (c) "Chief Administrative Officer" means the person appointed to that position pursuant to the Act.
- (d) "Council" means the Council of the Resort Municipality.
- (e) "Council Procedures and General Business Bylaw" means the Council Procedures and General Business Bylaw, Bylaw No. 19-8.
- (f) "Councillor" means a member of the Council of the Resort Municipality, but excludes the Mayor.
- (g) "Customer" means a person, firm or corporation who or which requests or is supplied sewerage service at a specific location or locations.
- (h) "Director" means a director of the Utility and includes its chairperson.

- (i) “IRAC” means the Island Regulatory and Appeals Commission as established pursuant to the *Island Regulatory and Appeals Commission Act*, R.S.P.E.I. 1988, Cap. I-11, as amended from time to time.
- (j) “Mayor” means the mayor of the Resort Municipality’s Council.
- (k) “Owner” includes a part owner, joint tenant or tenant-in-common of the whole or any part of land or building and also includes a trustee, an executor, an administrator, a guardian, an agent, a mortgagee in possession and any other person having the care or control of any land or building in case of the absence or disability of the person having the title thereto.
- (l) “Resort Municipality” means the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico.
- (m) “Service Lateral” means the pipe in between the plumbing and the Sewer Line and includes the trench in which such piping lies.
- (n) “Sewer Line” means a sewer or drainage system constructed, purchased or otherwise acquired by the Utility and maintained as a public sewer or drain.
- (o) “Utility” means the Cavendish Sewer Utility, a controlled corporation continued in accordance with subsection 260(2) of the Act.
- (p) “Water and Sewerage Act” means the *Water and Sewerage Act* R.S.P.E.I. 1988, Cap. W-2, as amended from time to time.

3. Cavendish Sewer Utility

- 3.1 The Utility shall be composed of a board of directors comprised of three or more members appointed by the Council in accordance with the Council Procedures Bylaw.
- 3.2 The board of directors will include at least one Council member who will hold the position of chairperson.
- 3.3 The Chief Administrative Officer shall serve as a non-voting, *ex-officio* member of the Utility’s board of directors.
- 3.4 All meetings of the Utility shall be held in accordance with the requirements set forth in the Council Procedures Bylaw.
- 3.5 The Chief Administrative Officer shall supervise and direct the work of the Utility.

4. Functions of the Utility

- 4.1 The Utility shall have the following functions:
 - (a) constructing, altering, extending, managing, maintaining and operating a system for providing the services of sewer collection and treatment to the residents of the Resort Municipality and, with the approval of Council, residents of areas adjacent to the Resort Municipality, in accordance with the Water and Sewerage Act, and in accordance with the rules and regulations established by IRAC;
 - (b) acquiring, alienating, holding and disposing of real or personal properties or any interests therein;

- (c) engaging and paying personnel and/or independent contractors to provide services to the Utility;
- (d) securing financing, with the approval of Council, for any of its undertakings; and
- (e) subject to the approval of Council and pursuant to the provisions of the Water and Sewage Act, assessing, charging and collecting rates and charges for services provided to any Customer.

4.2 The Utility shall levy such user rates and/or frontage charges in respect of real property for the services of the Utility that are sufficient to cover the costs of providing the services of the Utility, in accordance with the Water and Sewerage Act and as approved by IRAC.

4.3 The Utility shall maintain separate financial accounts and shall prepare an annual financial statement to be submitted to Council.

4.4 On or before March 31 of each year, the Utility shall prepare a financial plan to be submitted to Council which shall contain, at a minimum:

- (a) an operating budget that includes estimates of revenue and expenditures;
- (b) a capital budget; and
- (c) a five-year capital expenditure program that includes an asset management program.

5. Fiscal Year

5.1 The fiscal year of the Utility shall be from April 1 to March 31.

6. Mandatory Connection

6.1 Every Owner of any dwelling house, shop, store, office or other building situate on land within the boundaries of the Resort Municipality which abuts a Sewer Line shall, within 24 months of substantial completion of the Sewer Line and at the Owner's expense, construct and maintain a Service Lateral therefrom and connect the same with the Sewer Line in accordance with the specifications of the regulations and the policies of the Utility and, upon connection to the Sewer Line, shall be responsible for the pumping out and the infilling of any private septic tank then situate upon the land serviced by a Sewer Line.

6.2 Any Owner who, as of the effective date of this Bylaw, failed to connect to any existing Sewer Line shall complete such connection within 12 months of the coming into force of this Bylaw in accordance with the requirements set forth in section 6.1 above.

7. Utility Standards

7.1 The Utility may hire professional engineers and/or contractors for the purpose of supervising the construction and maintenance of Service Laterals and to ensure that the requirements of this Bylaw are met.

7.2 Every Service Lateral shall be constructed in accordance with the requirements set forth by the Province of Prince Edward Island's Department of Communities, Land and Environment, or any successor Department of Environment.

7.3 Every Service Lateral shall be of such size and at such level and descent and with such mode of piercing or opening into the Sewer Line, and generally in such manner and of such materials as the Utility or such engineer or contractor designated by the Utility directs, and no such Service Lateral

shall be covered in until it has been approved by the Utility, or by such engineer or contractor designated by the Utility.

- 7.4 Every Sewer Lateral shall be constructed and maintained in accordance with the requirements of the current edition of the *Canadian Plumbing Code*.
- 7.5 Prior to putting the service into use, the Service Lateral must be inspected and tested by the Utility, or by such engineer or contractor designated by the Utility, after the pipe and fittings have been installed and before any of the materials have been covered over.
- 7.6 No Service Lateral shall be used until a satisfactory inspection and testing has been done by the Utility or by such engineer or contractor designated by the Utility.
- 7.7 In the case of a building so located that any plumbing fixture in the building is below street level or so as to be affected by a back flow on the Sewer Line, such premises shall be provided with a suitable check valve. The complete cost of the check valve shall be borne by the Customer.
- 7.8 The Utility shall give notice on an annual basis to all Customers of the necessity of installing the Sewer Line check valve. If, after the issuance of such notice, the Customer chooses not to install a check valve and a backup occurs in the Customer's premises, the Customer shall be responsible for any and all damage sustained to both the Customer and the Utility.
- 7.9 No generator shall be connected to any water supply that discharges to the sanitary sewer system unless the Utility has granted prior written approval for such connection.

8. Offences, Penalties and Enforcement

- 8.1 Any person who contravenes this Bylaw is guilty of an offence and is liable on summary conviction to
 - (a) a fine in an amount
 - (i) not less than \$200 and not more than \$10,000, and
 - (ii) an additional fine in an amount not less than \$500 and not more than \$2,500 for each day or part of a day on which the offence continues after the first day;
 - (b) imprisonment for up to one year; or
 - (c) both a fine in accordance with clause (a) and imprisonment in accordance with clause (b).
- 8.2 This Bylaw may be enforced in accordance with Part 9, Division 1 of the Act.

9. Repeals

- 9.1 All previous bylaws of the Resort Municipality pertaining to the establishment and operation of a sewage collection and treatment utility are hereby repealed including, without limitation, the Resort Municipality's Sewer Utility Bylaw, Bylaw No. 11, and the Resort Municipality Mandatory Sewer Connection Bylaw, Bylaw No. 12.

10. Effective Date

This Bylaw comes into force on **October 3, 2019**.

First Reading:

This Bylaw was read a first time at the Council meeting held on the 16th day of September, 2019.

This Bylaw was approved by a majority of Councillors present at the Council meeting held on the 16th day of September, 2019.

Second Reading:

This Bylaw was read a second time at the Council meeting held on the 3rd day of October, 2019.

This Bylaw was approved by a majority of Councillors present at the Council meeting held on the 3rd day of October, 2019.

Adoption and Approval by Council:

This Bylaw was adopted by a resolution of Council at the Council meeting held on the 3rd day of October, 2019.

This Bylaw is declared to be passed on the 3rd day of October, 2019.

WITNESS the corporate seal of the Resort Municipality.



Mayor



Chief Administrative Officer

BE IT RESOLVED THAT: Bylaw No. 19-7, being a bylaw related to the continuance and operation of a sewerage collection and treatment utility for the Resort Municipality, is hereby enacted as a bylaw of the Resort Municipality and the Mayor and Chief Administrative Officer be and they are hereby authorized to sign the Bylaw and apply the Resort Municipality's seal thereto.

Dated the 3rd day of October, 2019.



Mayor



Chief Administrative Officer

Appendix C: Statement of Revenue and Expenditures with Proposed Rate Increase

**CAVENDISH SEWER UTILITY
PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited - See Notice to Reader)**

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NOTICE TO READER ON THE COMPILATION OF A FINANCIAL PROJECTION

We have compiled a financial projection for the Cavendish Sewer Utility consisting of Projected Statements of Revenue and Expenditures (with proposed rate increase) for the years to end March 31, 2022 to 2026, using assumptions, including the hypotheses set out in Note 2, with an effective date of May 31, 2021, and other information provided by management. Our engagement was performed in accordance with the applicable guidance on compilation of a financial projection set out in the CPA Handbook-Assurance.

A compilation is limited to presenting, in the form of a financial projection, information provided by management and does not include evaluating the support for the assumptions including the hypotheses or other information underlying the projection. Accordingly, we do not express an opinion or any other form of assurance on the financial projection or assumptions including the hypotheses. Further, since this financial projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material. We have no responsibility to update this communication for events and circumstances occurring after the date of this communication. This financial projection is intended primarily for the purposes of inclusion in a rate filing submission to the Island Regulatory and Appeals Commission.

MRSB Chartered Professional Accountants d/c.

**CHARLOTTETOWN, P.E.I., CANADA
MAY 31, 2021**

M|R|S|B

CAVENDISH SEWER UTILITY
PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH PROPOSED RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

	2022	2023	2024	2025	2026
REVENUES					
Sewer fees	\$ 328,100	\$ 343,000	\$ 354,500	\$ 367,100	\$ 377,100
Interest	5,400	5,500	5,600	5,700	5,800
Other	<u>3,000</u>	<u>3,100</u>	<u>3,200</u>	<u>3,300</u>	<u>3,400</u>
	<u>336,500</u>	<u>351,600</u>	<u>363,300</u>	<u>376,100</u>	<u>386,300</u>
EXPENDITURES					
Administration	21,100	21,500	21,900	22,300	22,700
Amortization of tangible capital assets	32,500	28,400	25,200	27,700	30,200
Dues and fees	3,700	3,800	3,900	4,000	4,100
Electricity	35,500	37,100	38,300	39,600	40,700
Insurance	11,700	11,900	12,100	12,300	12,500
Interest and bank charges	300	300	300	300	300
Interest on long term debt	36,600	37,200	33,700	30,400	27,600
Maintenance	150,000	153,000	156,100	159,200	162,400
Miscellaneous	600	600	600	600	600
Office supplies	600	600	600	600	600
Professional fees	25,000	25,500	26,000	26,500	27,000
Property tax	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>
	<u>318,200</u>	<u>320,500</u>	<u>319,300</u>	<u>324,100</u>	<u>329,300</u>
CHANGE IN FUND BALANCE	18,300	31,100	44,000	52,000	57,000
FUND BALANCE - BEGINNING OF YEAR	<u>519,100</u>	<u>537,400</u>	<u>568,500</u>	<u>612,500</u>	<u>664,500</u>
FUND BALANCE - END OF YEAR	<u>\$ 537,400</u>	<u>\$ 568,500</u>	<u>\$ 612,500</u>	<u>\$ 664,500</u>	<u>\$ 721,500</u>

(The accompanying notes form an integral part of the projected financial statements.)

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH PROPOSED RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

1. Basis of Preparation

The Cavendish Sewer Utility provides sewer and water services for the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico.

These projections have been prepared for inclusion in an application for an increased utility rate submitted to the Island Regulatory and Appeals Commission (IRAC), and may not be appropriate for purposes other than those described. The projected statements of operations have been prepared as at May 31, 2021 using the hypotheses detailed in Note 2 together with assumptions that are based on management's judgment as to the most probable set of economic conditions as well as the entity's planned courses of action for the period covered.

These projections reflect only the assets, liabilities, revenues, expenditures, and changes in fund balances of the sewer fund and do not include all funds of the Resort Municipality.

In view of uncertainties inherent in predicting future conditions and actions, actual results achieved for the period will vary from the information presented and the variations may be material.

2. Hypotheses

The projection is based on the following hypotheses:

- The Cavendish Sewer Utility has undertaken, or will be commencing, infrastructure upgrades as described in Note 4, with the expected completion in 2022.
- The Cavendish Sewer Utility currently has loans with Provincial Credit Union and Bank of Montreal with rates and repayment terms as described in Note 5(e). Additional financing of \$130,100 is anticipated with a new loan at a rate of 3.00% amortized over a 20-year term.

3. Significant Accounting Policies

The Projected Statements of Revenue and Expenditures of the Cavendish Sewer Utility have been prepared in accordance with Canadian accounting standards for the public sector.

a) Basis of accounting

The accrual basis of accounting is utilized. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of 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.

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH PROPOSED RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

3. Significant Accounting Policies (continued)

b) Tangible capital assets

Tangible capital assets are stated at cost and are amortized using the straight-line method at the following rates:

Equipment	10.0%
Sewer mains	1.2%
Sewer equipment	5.0%
Sign	20.0%
Retention pond	1.2%

Amortization rates for the Sewer Utility were established using the estimated useful life of the asset in accordance with IRAC guidelines.

c) Contributions in aid of construction

Funds received through capital assistance programs are credited to contributions in aid of construction and amortized at the same rates as the tangible capital assets to which they apply.

d) Revenue recognition

Sewer dues are charged based on rates approved by the Island Regulatory and Appeals Commission. These charges are assessed annually and are recognized when billings come due.

The Utility follows the deferral method of accounting for grants and contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred, with recognition of excess amounts being deferred until the related expense is 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.

4. Project Costs and Financing

<u>Project costs</u>		<u>Project funding</u>	
Lift Station #4	\$ 333,600	Gas Tax funding	\$ 333,600
Trust fund payable settlement	<u>130,100</u>	New loan	<u>130,100</u>
	<u>\$ 463,700</u>		<u>\$ 463,700</u>

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH PROPOSED RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

5. Summary of Significant Assumptions

a) Revenue

The Utility is subject to rate regulation on sewer utility rates in Prince Edward Island in accordance with the *Water and Sewerage Act*. The purpose of this *Act*, which is administered by the Island Regulatory and Appeals Commission, is to regulate the water and wastewater utility rates within the Province of Prince Edward Island.

Utility rates and charges are fixed and determined in accordance with the generally accepted public utility practices after taking into consideration local conditions and circumstances. Municipalities may apply for changes to sewer utility rates with the Island Regulatory and Appeals Commission. The commission will review these requests and adjust the price accordingly.

Sewer rates are set by various categories: single family dwelling; apartments; mobile homes; stores, banks, clubs, churches, halls, recreational facilities and places of business (with or without additional toilet or urinal); seniors homes, tourist homes, schools, service stations and restaurants.

Residential units are currently charged an annual rate of \$456.00 with a proposed increase to \$565.00. Residents who live in the Seawood Estates' subdivision are charged an infrastructure contribution charge of \$175.00 per lot, per year. The Utility estimates that the number of units in these two areas will remain unchanged in 2022 and the combined growth of these two areas will be three residential units per year for 2023 through 2026.

Sewer charges for the commercial segment of the municipality are charged based on four items: a flow charge, a meter charge, a sewer unit charge, and in some cases, a frontage charge.

Flow charges, measured in cubic meters of waste and wastewater materials, are assessed on a reading taken from a water meter on the business' premises. These meters are read twice a year, and flow charges are assessed at a rate of \$0.45 per cubic meter with a proposed increase to \$0.56 per cubic meter. The Utility estimates that flows will decrease by 25% in 2022 due to COVID-19 impacts, then begin increasing by 20% per year through to 2026.

The fee assessed for the use of a meter in a business is currently \$281.00 per customer with a proposed increase to \$348.00 per customer. A commercial entity operating under the Utility is also charged a fee based on the number of sewer units it uses. The Utility estimates that meter charges will decrease by 25% in 2022 due to COVID-19 impacts, then increase by 5 units per year through to 2026.

Sewer units include public restrooms and facilities, and are billed based on a fee of \$133.00 per sewer unit, with a proposed increase to \$165.00 per unit. The Utility estimates a decrease of 100 sewer units in 2022 as a result of business closures due to the COVID-19 pandemic. The Utility estimates a recovery of 50 units in 2023, then an increase of 25 in 2024 and 2025 respectively to reach pre-pandemic levels. The Utility estimates an increase of 5 sewer units in 2026.

Frontage charges are assessed on eligible vacant properties in the area. Eligible properties include all lands adjacent to streets, roads, or highways on which there are no buildings or structures, or where sanitary disposal services are not required, but where the land is capable of being served by the existing facilities of the Utility. This frontage charge on an eligible property is currently calculated at a rate of \$1.60 per linear foot to a maximum of \$500 per annum. The proposed increase is a rate of \$1.98 per linear foot to a maximum of \$500 per annum.

b) Operating expenditures

Most operating expenditures are estimated to increase at a rate of 2% per year given the effects of inflation and increasing cost of purchasing goods and services.

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH PROPOSED RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

5. Summary of Significant Assumptions (continued)

c) Tangible capital assets

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2022
Land	0.0%	\$ 277,500	\$ 130,100	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,077,800	333,600	64,900	1,317,800	4,093,600
Sewer equipment	5.0%	1,039,700	-	52,000	1,015,200	24,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	220,600	1,019,400
Total Assets		\$ 7,649,400	\$ 463,700	\$ 131,800	\$ 2,568,000	\$ 5,545,100

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2023
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,382,700	4,028,700
Sewer equipment	5.0%	1,039,700	50,000	27,000	1,042,200	47,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	235,500	1,004,500
Total Assets		\$ 8,113,100	\$ 50,000	\$ 106,800	\$ 2,674,800	\$ 5,488,300

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2024
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,447,600	3,963,800
Sewer equipment	5.0%	1,089,700	50,000	5,000	1,047,200	92,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	250,400	989,600
Total Assets		\$ 8,163,100	\$ 50,000	\$ 84,800	\$ 2,759,600	\$ 5,453,500

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
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(Unaudited – See Notice to Reader)

5. Summary of Significant Assumptions (continued)

c) Tangible capital assets (continued)

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2025
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,512,500	3,898,900
Sewer equipment	5.0%	1,139,700	50,000	7,500	1,054,700	135,000
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	265,300	974,700
Total Assets		\$ 8,213,100	\$ 50,000	\$ 87,300	\$ 2,846,900	\$ 5,416,200

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2026
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,577,400	3,834,000
Sewer equipment	5.0%	1,189,700	50,000	10,000	1,064,700	175,000
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	280,200	959,800
Total Assets		\$ 8,263,100	\$ 50,000	\$ 89,800	\$ 2,936,700	\$ 5,376,400

d) Contribution in aid of construction – sewer assets

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2022
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	3,829,800	333,600	50,000	741,300	3,422,100
Sewer equipment	5.0%	793,900	-	39,700	775,100	18,800
Retention pond	1.2%	800,900	-	9,600	168,300	632,600
Total Contributions		\$ 5,634,400	\$ 333,600	\$ 99,300	\$ 1,687,200	\$ 4,280,800

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5. Summary of Significant Assumptions (continued)

d) Contribution in aid of construction – sewer assets (continued)

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2023
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	791,300	3,372,100
Sewer equipment	5.0%	793,900	-	18,800	793,900	-
Retention pond	1.2%	800,900	-	9,600	177,900	623,000
Total Contributions		\$ 5,968,000	\$ -	\$ 78,400	\$ 1,765,600	\$ 4,202,400

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2024
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	841,300	3,322,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	187,500	613,400
Total Contributions		\$ 5,968,000	\$ -	\$ 59,600	\$ 1,825,200	\$ 4,142,800

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2025
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	891,300	3,272,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	197,100	603,800
Total Contributions		\$ 5,968,000	\$ -	\$ 59,600	\$ 1,884,800	\$ 4,083,200

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2026
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	941,300	3,222,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	206,700	594,200
Total Contributions		\$ 5,968,000	\$ -	\$ 59,600	\$ 1,944,400	\$ 4,023,600

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH PROPOSED RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

5. Summary of Significant Assumptions (continued)

e) Long term debt

	2022	2023	2024	2025	2026
Provincial Credit Union - 3.65%; repayable in blended semi-annual installments of \$18,438; renewable November 15, 2023.	\$ 464,000	\$ 443,900	\$ 423,000	\$ 401,400	\$ 378,900
BMO - 2.9%; repayable in blended semi-annual installments of \$11,325; maturing August 31, 2041.	329,000	315,800	302,200	288,300	273,900
BMO - 3.04%; mortgage repayable in blended semi-annual installments of \$14,873; renewable April 30, 2023.	56,400	28,100	-	-	-
BMO term loan - 2.44%; repayable in blended semi-annual installments of \$2,606; maturing August 31, 2020.	17,400	12,500	7,600	2,500	-
New loan - 3.00%; repayable in blended semi-annual installments of \$4,349; due October 2041.	<u>130,100</u>	<u>125,300</u>	<u>120,300</u>	<u>115,200</u>	<u>109,900</u>
	996,900	925,600	853,100	807,400	762,700
Less: current portion	<u>71,300</u>	<u>72,500</u>	<u>45,700</u>	<u>44,700</u>	<u>43,400</u>
	<u>\$ 925,600</u>	<u>\$ 853,100</u>	<u>\$ 807,400</u>	<u>\$ 762,700</u>	<u>\$ 719,300</u>

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

2027	\$ 43,500
2028	45,000
2029	46,500
2030	48,000
2031	49,600
Thereafter	<u>530,100</u>
	<u>\$ 762,700</u>

Appendix D: Statement of Revenue and Expenditures without Proposed Rate Increase

**CAVENDISH SEWER UTILITY
PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH NO RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited - See Notice to Reader)**

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NOTICE TO READER ON THE COMPILATION OF A FINANCIAL PROJECTION

We have compiled a financial projection for the Cavendish Sewer Utility consisting of Projected Statements of Revenue and Expenditures (with no rate increase) for the years to end March 31, 2022 to 2026, using assumptions, including the hypotheses set out in Note 2, with an effective date of May 31, 2021, and other information provided by management. Our engagement was performed in accordance with the applicable guidance on compilation of a financial projection set out in the CPA Handbook-Assurance.

A compilation is limited to presenting, in the form of a financial projection, information provided by management and does not include evaluating the support for the assumptions including the hypotheses or other information underlying the projection. Accordingly, we do not express an opinion or any other form of assurance on the financial projection or assumptions including the hypotheses. Further, since this financial projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material. We have no responsibility to update this communication for events and circumstances occurring after the date of this communication. This financial projection is intended primarily for the purposes of inclusion in a rate filing submission to the Island Regulatory and Appeals Commission.

MRSB Chartered Professional Accountants d/c.

CHARLOTTETOWN, P.E.I., CANADA
MAY 31, 2021

M | R | S | B

CAVENDISH SEWER UTILITY
PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH NO RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

	2022	2023	2024	2025	2026
REVENUES					
Sewer fees	\$ 273,400	\$ 285,600	\$ 294,900	\$ 304,800	\$ 313,000
Interest	5,400	5,500	5,600	5,700	5,800
Other	<u>3,000</u>	<u>3,100</u>	<u>3,200</u>	<u>3,300</u>	<u>3,400</u>
	<u>281,800</u>	<u>294,200</u>	<u>303,700</u>	<u>313,800</u>	<u>322,200</u>
EXPENDITURES					
Administration	21,100	21,500	21,900	22,300	22,700
Amortization of tangible capital assets	32,500	28,400	25,200	27,700	30,200
Dues and fees	3,700	3,800	3,900	4,000	4,100
Electricity	35,500	37,100	38,300	39,600	40,700
Insurance	11,700	11,900	12,100	12,300	12,500
Interest and bank charges	300	300	300	300	300
Interest on long term debt	36,600	37,200	33,700	30,400	27,600
Maintenance	150,000	153,000	156,100	159,200	162,400
Miscellaneous	600	600	600	600	600
Office supplies	600	600	600	600	600
Professional fees	25,000	25,500	26,000	26,500	27,000
Property tax	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>
	<u>318,200</u>	<u>320,500</u>	<u>319,300</u>	<u>324,100</u>	<u>329,300</u>
CHANGE IN FUND BALANCE	(36,400)	(26,300)	(15,600)	(10,300)	(7,100)
FUND BALANCE - BEGINNING OF YEAR	<u>519,100</u>	<u>482,700</u>	<u>456,400</u>	<u>440,800</u>	<u>430,500</u>
FUND BALANCE - END OF YEAR	<u>\$ 482,700</u>	<u>\$ 456,400</u>	<u>\$ 440,800</u>	<u>\$ 430,500</u>	<u>\$ 423,400</u>

(The accompanying notes form an integral part of the projected financial statements.)

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH NO RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

1. Basis of Preparation

The Cavendish Sewer Utility provides sewer and water services for the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico.

These projections have been prepared for inclusion in an application for an increased utility rate submitted to the Island Regulatory and Appeals Commission (IRAC), and may not be appropriate for purposes other than those described. The projected statements of operations have been prepared as at May 31, 2021 using the hypotheses detailed in Note 2 together with assumptions that are based on management's judgment as to the most probable set of economic conditions as well as the entity's planned courses of action for the period covered.

These projections reflect only the assets, liabilities, revenues, expenditures, and changes in fund balances of the sewer fund and do not include all funds of the Resort Municipality.

In view of uncertainties inherent in predicting future conditions and actions, actual results achieved for the period will vary from the information presented and the variations may be material.

2. Hypotheses

The projection is based on the following hypotheses:

- The Cavendish Sewer Utility has undertaken, or will be commencing, infrastructure upgrades as described in Note 4, with the expected completion in 2022.
- The Cavendish Sewer Utility currently has loans with Provincial Credit Union and Bank of Montreal with rates and repayment terms as described in Note 5(e). Additional financing of \$130,100 is anticipated with a new loan at a rate of 3.00% amortized over a 20-year term.

3. Significant Accounting Policies

The Projected Statements of Revenue and Expenditures of the Cavendish Sewer Utility have been prepared in accordance with Canadian accounting standards for the public sector.

a) Basis of accounting

The accrual basis of accounting is utilized. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of 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.

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
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3. Significant Accounting Policies (continued)

b) Tangible capital assets

Tangible capital assets are stated at cost and are amortized using the straight-line method at the following rates:

Equipment	10.0%
Sewer mains	1.2%
Sewer equipment	5.0%
Sign	20.0%
Retention pond	1.2%

Amortization rates for the Sewer Utility were established using the estimated useful life of the asset in accordance with IRAC guidelines.

c) Contributions in aid of construction

Funds received through capital assistance programs are credited to contributions in aid of construction and amortized at the same rates as the tangible capital assets to which they apply.

d) Revenue recognition

Sewer dues are charged based on rates approved by the Island Regulatory and Appeals Commission. These charges are assessed annually and are recognized when billings come due.

The Utility follows the deferral method of accounting for grants and contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred, with recognition of excess amounts being deferred until the related expense is 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.

4. Project Costs and Financing

Project costs

Lift Station #4	\$ 333,600
Trust fund payable settlement	<u>130,100</u>
	<u>\$ 463,700</u>

Project funding

Gas Tax funding	\$ 333,600
New loan	<u>130,100</u>
	<u>\$ 463,700</u>

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH NO RATE INCREASE
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5. Summary of Significant Assumptions

a) Revenue

The Utility is subject to rate regulation on sewer utility rates in Prince Edward Island in accordance with the *Water and Sewerage Act*. The purpose of this *Act*, which is administered by the Island Regulatory and Appeals Commission, is to regulate the water and wastewater utility rates within the Province of Prince Edward Island.

Utility rates and charges are fixed and determined in accordance with the generally accepted public utility practices after taking into consideration local conditions and circumstances. Municipalities may apply for changes to sewer utility rates with the Island Regulatory and Appeals Commission. The commission will review these requests and adjust the price accordingly.

Sewer rates are set by various categories: single family dwelling; apartments; mobile homes; stores, banks, clubs, churches, halls, recreational facilities and places of business (with or without additional toilet or urinal); seniors homes, tourist homes, schools, service stations and restaurants.

Residential units are currently charged an annual rate of \$456.00. Residents who live in the Seawood Estates' subdivision are charged an infrastructure contribution charge of \$175.00 per lot, per year. The Utility estimates that the number of units in these two areas will remain unchanged in 2022 and the combined growth of these two areas will be three residential units per year for 2023 through 2026.

Sewer charges for the commercial segment of the municipality are charged based on four items: a flow charge, a meter charge, a sewer unit charge, and in some cases, a frontage charge.

Flow charges, measured in cubic meters of waste and wastewater materials, are assessed on a reading taken from a water meter on the business' premises. These meters are read twice a year, and flow charges are assessed at a rate of \$0.45 per cubic meter. The Utility estimates that flows will decrease by 25% in 2022 due to COVID-19 impacts, then begin increasing by 20% per year through to 2026.

The fee assessed for the use of a meter in a business is currently \$281 per customer. A commercial entity operating under the Utility is also charged a fee based on the number of sewer units it uses. The Utility estimates that meter charges will decrease by 25% in 2022 due to COVID-19 impacts, then increase by 5 units per year through to 2026.

Sewer units include public restrooms and facilities, and are billed based on a fee of \$133 per sewer unit. The Utility estimates a decrease of 100 sewer units in 2022 as a result of business closures due to the COVID-19 pandemic. The Utility estimates a recovery of 50 units in 2023, then an increase of 25 in 2024 and 2025 respectively to reach pre-pandemic levels. The Utility estimates an increase of 5 sewer units in 2026.

Frontage charges are assessed on eligible vacant properties in the area. Eligible properties include all lands adjacent to streets, roads, or highways on which there are no buildings or structures, or where sanitary disposal services are not required, but where the land is capable of being served by the existing facilities of the Utility. This frontage charge on an eligible property is currently calculated at a rate of \$1.60 per linear foot to a maximum of \$500 per annum.

b) Operating expenditures

Most operating expenditures are estimated to increase at a rate of 2% per year given the effects of inflation and increasing cost of purchasing goods and services.

CAVENDISH SEWER UTILITY
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5. Summary of Significant Assumptions (continued)

c) Tangible capital assets

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2022
Land	0.0%	\$ 277,500	\$ 130,100	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,077,800	333,600	64,900	1,317,800	4,093,600
Sewer equipment	5.0%	1,039,700	-	52,000	1,015,200	24,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	220,600	1,019,400
Total Assets		\$ 7,649,400	\$ 463,700	\$ 131,800	\$ 2,568,000	\$ 5,545,100

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2023
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,382,700	4,028,700
Sewer equipment	5.0%	1,039,700	50,000	27,000	1,042,200	47,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	235,500	1,004,500
Total Assets		\$ 8,113,100	\$ 50,000	\$ 106,800	\$ 2,674,800	\$ 5,488,300

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2024
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,447,600	3,963,800
Sewer equipment	5.0%	1,089,700	50,000	5,000	1,047,200	92,500
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	250,400	989,600
Total Assets		\$ 8,163,100	\$ 50,000	\$ 84,800	\$ 2,759,600	\$ 5,453,500

CAVENDISH SEWER UTILITY
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5. Summary of Significant Assumptions (continued)

c) Tangible capital assets (continued)

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2025
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,512,500	3,898,900
Sewer equipment	5.0%	1,139,700	50,000	7,500	1,054,700	135,000
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	265,300	974,700
Total Assets		\$ 8,213,100	\$ 50,000	\$ 87,300	\$ 2,846,900	\$ 5,416,200

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2026
Land	0.0%	\$ 407,600	\$ -	\$ -	\$ -	\$ 407,600
Equipment	10.0%	13,100	-	-	13,100	-
Sewer mains	1.2%	5,411,400	-	64,900	1,577,400	3,834,000
Sewer equipment	5.0%	1,189,700	50,000	10,000	1,064,700	175,000
Sign	20.0%	1,300	-	-	1,300	-
Retention pond	1.2%	1,240,000	-	14,900	280,200	959,800
Total Assets		\$ 8,263,100	\$ 50,000	\$ 89,800	\$ 2,936,700	\$ 5,376,400

d) Contribution in aid of construction – sewer assets

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2022
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	3,829,800	333,600	50,000	741,300	3,422,100
Sewer equipment	5.0%	793,900	-	39,700	775,100	18,800
Retention pond	1.2%	800,900	-	9,600	168,300	632,600
Total Contributions		\$ 5,634,400	\$ 333,600	\$ 99,300	\$ 1,687,200	\$ 4,280,800

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5. Summary of Significant Assumptions (continued)

d) Contribution in aid of construction – sewer assets (continued)

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2023
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	791,300	3,372,100
Sewer equipment	5.0%	793,900	-	18,800	793,900	-
Retention pond	1.2%	800,900	-	9,600	177,900	623,000
Total Contributions		\$ 5,968,000	\$ -	\$ 78,400	\$ 1,765,600	\$ 4,202,400

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2024
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	841,300	3,322,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	187,500	613,400
Total Contributions		\$ 5,968,000	\$ -	\$ 59,600	\$ 1,825,200	\$ 4,142,800

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2025
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	891,300	3,272,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	197,100	603,800
Total Contributions		\$ 5,968,000	\$ -	\$ 59,600	\$ 1,884,800	\$ 4,083,200

		Cost	Additions	Amortization	Accumulated Amortization	NBV 2026
Land	0.0%	\$ 207,300	\$ -	\$ -	\$ -	\$ 207,300
Equipment	10.0%	2,500	-	-	2,500	-
Sewer mains	1.2%	4,163,400	-	50,000	941,300	3,222,100
Sewer equipment	5.0%	793,900	-	-	793,900	-
Retention pond	1.2%	800,900	-	9,600	206,700	594,200
Total Contributions		\$ 5,968,000	\$ -	\$ 59,600	\$ 1,944,400	\$ 4,023,600

CAVENDISH SEWER UTILITY
NOTES TO THE PROJECTED STATEMENTS OF REVENUE AND EXPENDITURES
WITH NO RATE INCREASE
FOR THE YEARS TO END MARCH 31, 2022 TO 2026
(Unaudited – See Notice to Reader)

5. Summary of Significant Assumptions (continued)

e) Long term debt

	2022	2023	2024	2025	2026
Provincial Credit Union - 3.65%; repayable in blended semi-annual installments of \$18,438; renewable November 15, 2023.	\$ 464,000	\$ 443,900	\$ 423,000	\$ 401,400	\$ 378,900
BMO - 2.9%; repayable in blended semi-annual installments of \$11,325; maturing August 31, 2041.	329,000	315,800	302,200	288,300	273,900
BMO - 3.04%; mortgage repayable in blended semi-annual installments of \$14,873; renewable April 30, 2023.	56,400	28,100	-	-	-
BMO term loan - 2.44%; repayable in blended semi-annual installments of \$2,606; maturing August 31, 2020.	17,400	12,500	7,600	2,500	-
New loan - 3.00%; repayable in blended semi-annual installments of \$4,349; due October 2041.	<u>130,100</u>	<u>125,300</u>	<u>120,300</u>	<u>115,200</u>	<u>109,900</u>
	996,900	925,600	853,100	807,400	762,700
Less: current portion	<u>71,300</u>	<u>72,500</u>	<u>45,700</u>	<u>44,700</u>	<u>43,400</u>
	<u>\$ 925,600</u>	<u>\$ 853,100</u>	<u>\$ 807,400</u>	<u>\$ 762,700</u>	<u>\$ 719,300</u>

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

2027	\$ 43,500
2028	45,000
2029	46,500
2030	48,000
2031	49,600
Thereafter	<u>530,100</u>
	<u>\$ 762,700</u>

Appendix E: Audited Financial Statements: March 31, 2020

CAVENDISH SEWER UTILITY
NON-CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR THE NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements of the Cavendish Sewer Utility are the responsibility of management and have been prepared in accordance with Canadian accounting standards for the public sector. A summary of the significant accounting policies are described in the notes to the non-consolidated financial statements. The preparation of non-consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

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

The council met with management and the external auditors to review the non-consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the non-consolidated financial statements.

The non-consolidated financial statements have been audited by MRSB Chartered Professional Accountants Inc., independent external auditors appointed by the Utility. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the non-consolidated financial statements.

On behalf of the Cavendish Sewer Utility



Mayor

INDEPENDENT AUDITOR'S REPORT

TO THE MAYOR AND MEMBERS OF COUNCIL

Opinion

We have audited the non-consolidated financial statements of the Cavendish Sewer Utility, which comprise the non-consolidated statement of financial position as at March 31, 2020, and the non-consolidated statements of operations, changes in net debt and cash flow for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Cavendish Sewer Utility as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for the public sector.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Cavendish Sewer Utility in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements

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

In preparing the non-consolidated financial statements, management is responsible for assessing the Utility's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Utility or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Utility's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

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obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Utility's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Utility's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Utility to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MRSB Chartered Professional Accountants Inc.

CHARLOTTETOWN, P.E.I.

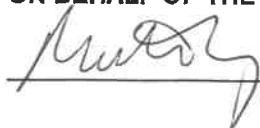
OCTOBER 13, 2020

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**CAVENDISH SEWER UTILITY
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020**

	2020	2019
Financial Assets		
Cash and cash equivalents		
Unrestricted	\$ 89,937	\$ 169,469
Accounts receivable	138,010	114,179
	<u>227,947</u>	<u>283,648</u>
Liabilities		
Accounts payable and accrued liabilities	23,887	39,076
Trust fund payable - Note 3	130,116	130,116
Long term debt - Note 4	991,167	1,053,890
Due to Resort Municipality	169,271	201,269
	<u>1,314,441</u>	<u>1,424,351</u>
Net Debt - Statement 3	<u>(1,086,494)</u>	<u>(1,140,703)</u>
Non-Financial Assets		
Tangible capital assets - Schedule 1	5,341,166	5,430,815
Prepaid expense	4,061	2,972
	<u>5,345,227</u>	<u>5,433,787</u>
Accumulated Surplus	<u>\$ 4,258,733</u>	<u>\$ 4,293,084</u>
Municipal Position		
Accumulated surplus - Statement 2	<u>\$ 4,258,733</u>	<u>\$ 4,293,084</u>

ON BEHALF OF THE UTILITY:



Mayor



Councilor

(Notes 1 to 12 are an integral part of these non-consolidated financial statements)

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CAVENDISH SEWER UTILITY
NON-CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020

	Budget 2020	Actual 2020	Actual 2019 (15 months)
Revenues			
Sewer fees - Note 5	\$ 304,000	\$ 293,790	\$ 396,779
Government transfers for capital - Note 6	353,605	30,815	31,160
Interest	7,000	5,876	8,239
Other	1,500	2,976	4,644
	<u>666,105</u>	<u>333,457</u>	<u>440,822</u>
Expenditures			
Administration - Note 5	20,480	20,749	23,110
Amortization of tangible capital assets	-	129,052	159,543
Bad debts (recovery)	-	(5,928)	-
Dues and fees	-	4,968	3,884
Electricity	34,000	38,156	43,152
Insurance	10,500	8,847	13,446
Interest and bank charges	3,025	526	282
Interest on long term debt	-	41,069	53,814
Maintenance	115,750	107,239	118,392
Miscellaneous	1,400	2,661	2,247
Office supplies	-	198	-
Professional fees	11,500	19,682	19,111
Property tax	1,345	589	1,345
	<u>198,000</u>	<u>367,808</u>	<u>438,326</u>
Change in Fund Balance	<u>\$ 468,105</u>	<u>(34,351)</u>	<u>2,496</u>
Accumulated Surplus - Beginning of Year		<u>4,293,084</u>	<u>4,290,588</u>
Accumulated Surplus - End of Year - Note 7		<u>\$ 4,258,733</u>	<u>\$ 4,293,084</u>

(Notes 1 to 12 are an integral part of these non-consolidated financial statements)

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CAVENDISH SEWER UTILITY
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2020

	Budget 2020	Actual 2020	Actual 2019 (15 months)
Change in fund balance	\$ 468,105	\$ (34,351)	\$ 2,496
Amortization of tangible capital assets	-	129,052	159,543
Purchase of tangible capital assets	(353,605)	(39,403)	(35,077)
(Increase) decrease in prepaid expense	-	(1,089)	2,872
Decrease in Net Debt	114,500	54,209	129,834
Net Debt - Beginning of Year	<u>(1,140,703)</u>	<u>(1,140,703)</u>	<u>(1,270,537)</u>
Net Debt - End of Year	<u>\$ (1,026,203)</u>	<u>\$ (1,086,494)</u>	<u>\$ (1,140,703)</u>

(Notes 1 to 12 are an integral part of these non-consolidated financial statements)

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**CAVENDISH SEWER UTILITY
NON-CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2020**

	2020	2019 (15 months)
Cash Flows From Operating Activities		
Change in fund balance	\$ (34,351)	\$ 2,496
Amortization of tangible capital assets	129,052	159,543
Increase in accounts receivable	(23,831)	(30,848)
(Increase) decrease in prepaid expense	(1,089)	2,872
Increase (decrease) in accounts payable and accrued liabilities	(15,189)	1,458
	<u>54,592</u>	<u>135,521</u>
Cash Flows From Capital Activity		
Purchase of tangible capital assets	(39,403)	(35,077)
Cash Flows From Financing Activities		
Repayment of long term debt	(62,723)	(67,675)
Advances to Resort Municipality	(31,998)	(40,537)
Decrease in trust fund payable	-	(9,504)
	<u>(94,721)</u>	<u>(117,716)</u>
Decrease in Cash and Cash Equivalents	<u>(79,532)</u>	<u>(17,272)</u>
Cash and Cash Equivalents - Beginning of Year	<u>169,469</u>	<u>186,741</u>
Cash and Cash Equivalents - End of Year	<u>\$ 89,937</u>	<u>\$ 169,469</u>

(Notes 1 to 12 are an integral part of these non-consolidated financial statements)

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**CAVENDISH SEWER UTILITY
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

1. Description of Business

The Cavendish Sewer Utility provides sewer and water services for the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish and North Rustico.

2. Accounting Policies

Basis of Preparation

These non-consolidated financial statements for the Cavendish Sewer Utility have been prepared in accordance with Canadian accounting standards for the public sector.

These non-consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures 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 year when the related expenditures are incurred, services are performed or the tangible capital assets are acquired.

Cash and Cash Equivalents

Cash is comprised of cash in banks.

Accounts Receivable

Accounts receivable arise from trade receivables, infrastructure funding, and Harmonized Sales 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 uncollectible 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.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for the 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 non-consolidated change in net debt for the year.

**CAVENDISH SEWER UTILITY
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

2. Accounting Policies (cont'd)

Tangible Capital Assets

Tangible capital assets are stated at cost and amortized using the straight-line method at the following rates set out in accordance with the Island Regulatory and Appeals Commission guidelines:

Equipment	10%
Sewer mains	1.2%
Sewer equipment	5%
Retention pond	1.2%
Signage	20%

Interest expense on capital debt incurred during the construction or renovation of an asset is included in the capitalized value.

Amortization rates were established using the estimated useful life of the asset in accordance with the Island Regulatory and Appeals Commission guidelines.

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 financial statements as revenue in the year 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.

Revenue Recognition

Sewer dues are charged based on rates approved by the Island Regulatory and Appeals Commission (IRAC). These charges are assessed annually and are recognized when billings come due.

The Utility follows the deferral method of accounting for revenues. Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

Interest revenue is recognized on a time proportion basis.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

**CAVENDISH SEWER UTILITY
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

2. Accounting Policies (cont'd)

Use of Estimates

The presentation of the non-consolidated financial statements in conformity with Canadian accounting standards for the public sector requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those reported. 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 lives of the Utility'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. Trust Fund Payable

In exchange for land transferred to the Utility from Parks Canada for the lagoon site, the Utility was obligated to establish a trust fund of \$250,000 to be administered by the Utility. The proceeds of the trust fund are to be used to satisfy the original land transfer for the P.E.I. National Park. At March 31, 2020, the Utility has purchased land totaling \$110,380 and incurred \$9,504 in costs towards the satisfaction of this trust obligation.

4. Long Term Debt

	2020	2019
Provincial Credit Union Limited - 3.65%; repayable in blended semi-annual installments of \$18,438; renewable November 15, 2023.	\$ 502,116	\$ 520,172
BMO - 2.90%; loan repayable in semi-annual installments of \$11,325; maturing August 31, 2041.	354,327	366,436
BMO - 3.04%; mortgage repayable in blended semi-annual installments of \$14,873; renewable April 30, 2023.	110,360	136,157
BMO - 2.44%; loan repayable in semi-annual installments of \$2,606; maturing August 31, 2020.	24,364	31,125
	<u>\$ 991,167</u>	<u>\$ 1,053,890</u>

As security for the loans, the Utility has provided demand notes and a borrowing resolution signed by directors.

**CAVENDISH SEWER UTILITY
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

4. Long Term Debt (cont'd)

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

2021	\$ 62,420
2022	64,401
2023	66,447
2024	490,509
2025	19,072

5. Related Party Transactions

During the year, \$20,749 (2019 - \$23,110) in administrative services were paid to, and frontage charges of \$299 (2019 - \$299) were received from, the Resort Municipality of Stanley Bridge, Hope River, Bayview, Cavendish, and North Rustico, a related party.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

6. Government Transfers For Capital

	2020	2019
Infrastructure funding	\$ 15,106	\$ -
New Deals Gas Tax	12,581	27,971
Municipal Capital Expenditures grant	3,128	3,189
	<u>\$ 30,815</u>	<u>\$ 31,160</u>

7. Accumulated Surplus

Unrestricted surplus	\$ 92,201	\$ 126,082
Investment in tangible capital assets - Note 8	4,166,532	4,167,002
	<u>\$ 4,258,733</u>	<u>\$ 4,293,084</u>

8. Investment in Tangible Capital Assets

Tangible capital assets - Schedule 1	\$ 7,649,449	\$ 7,610,046
Accumulated amortization - Schedule 1	(2,308,283)	(2,179,231)
CMHC loan	(183,467)	(209,923)
Long term debt - Note 4	(991,167)	(1,053,890)
	<u>\$ 4,166,532</u>	<u>\$ 4,167,002</u>

**CAVENDISH SEWER UTILITY
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

9. Financial Instruments

The Utility's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, trust fund payable, amount due to Resort Municipality and long term debt.

The Utility is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Utility's risk exposure and concentration as of March 31, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Utility is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Utility has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Utility is exposed to the risk mainly in respect of its receipt of funds, long term debt and accounts payable.

10. Budget Figures

A reconciliation of the 2020 fiscal operating budget prepared by Council to the budget figures disclosed in the non-consolidated financial statements is as follows:

Budgeted annual deficit	\$ -
Add: Capital expenditures	353,605
Add: Debt retirement	114,500
	<u>\$ 468,105</u>

The budget figures provided on Statements 2 and 3 were not subject to review or audit by the external auditor.

11. Rate Regulation

The Sewer Utility is subject to rate regulation on sewer utility rates in Prince Edward Island in accordance with the Water and Sewerage Act. The purpose of this Act, which is administered by the Island Regulatory and Appeals Commission (IRAC), is to regulate the water and wastewater utility rates within the Province of Prince Edward Island.

Utility rates and charges are fixed and determined in accordance with the generally accepted public utility practices after taking into consideration local conditions and circumstances. Municipalities may apply for changes to sewer utility rates with IRAC. The commission will review these requests and adjust the price accordingly.

**CAVENDISH SEWER UTILITY
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

12. Subsequent Event

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Utility or its residents, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Utility's business, the continued spread of COVID-19 and the measures taken by the federal and provincial governments to contain its impact could adversely impact the Utility's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the Utility's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

CAVENDISH SEWER UTILITY
SCHEDULE TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2020

Schedule 1

	Cost Beginning of Year	Additions	Disposals	Cost End of Year	Accum Amort Mar 31, 2019	Amort in Year	Accum Amort 2020	NBV 2020
Land	\$ 277,450	\$ -	\$ -	\$ 277,450	\$ -	\$ -	\$ -	\$ 277,450
Equipment	13,140	-	-	13,140	11,655	1,314	12,969	171
Sewer mains	5,039,661	38,176	-	5,077,837	1,131,164	60,874	1,192,038	3,885,799
Sewer equipment	1,038,485	1,227	-	1,039,712	859,178	51,985	911,163	128,549
Retention pond	1,239,972	-	-	1,239,972	175,896	14,879	190,775	1,049,197
Signage	1,338	-	-	1,338	1,338	-	1,338	-
	\$ 7,610,046	\$ 39,403	\$ -	\$ 7,649,449	\$ 2,179,231	\$ 129,052	\$ 2,308,283	\$ 5,341,166

	Cost Beginning of Period	Additions	Disposals	Cost End of Period	Accum Amort Dec 31, 2017	Amort in Period	Accum Amort Mar 31, 2019	NBV Mar 31, 2019
Land	\$ 277,450	\$ -	\$ -	\$ 277,450	\$ -	\$ -	\$ -	\$ 277,450
Equipment	13,140	-	-	13,140	11,213	442	11,655	1,485
Sewer mains	5,036,207	3,454	-	5,039,661	1,055,569	75,595	1,131,164	3,908,497
Sewer equipment	1,006,862	31,623	-	1,038,485	794,272	64,906	859,178	179,307
Retention pond	1,239,972	-	-	1,239,972	157,296	18,600	175,896	1,064,076
Signage	1,338	-	-	1,338	1,338	-	1,338	-
	\$ 7,574,969	\$ 35,077	\$ -	\$ 7,610,046	\$ 2,019,688	\$ 159,543	\$ 2,179,231	\$ 5,430,815

(Notes 1 to 12 are an integral part of these non-consolidated financial statements)

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Appendix F: Annual Report of Cavendish Sewer Utility



Charlottetown

Prince Edward Island

ANNUAL REPORT

- OF -

Cavendish Sewer Utility

FOR THE YEAR ENDED

MARCH 31, 2020

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 Cavendish Sewer Utility

REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION

OF PRINCE EDWARD ISLAND

FOR THE YEAR ENDED MARCH 31, 2020

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 Cavendish Sewer Utility
REPORT TO THE ISLAND REGULATORY AND APPEALS COMMISSION
OF PRINCE EDWARD ISLAND
FOR THE YEAR ENDED MARCH, 31 , 2020_____

Schedule 1

UTILITY INFORMATION

Chairman of Sewer and/or Water Committee: Matthew Jelley

Town/Community Administrator: Brenda MacDonald

Office Tel Number: (902) 963-2698 Office Fax Number: (902) 963-2932

Office Address: R.R #2 7591 Cawporne Lane, Cavendish
Hunter River, PE C0A 1N0

Office Hours: M-F 9:00am - 4:00pm Email: resort@pei.aibn.com

Name of Person Making this Report: MRSB Chartered Accountants

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).

Sanitary sewer collection and treatment upgrades

Schedule 3

CUSTOMERS

	Sewer	Water
Number of Customers	<u>288</u>	_____
Number of Proportionate Units Billed	_____	_____
Number of Metered Customers	<u>51</u>	_____
Number of Feet on Which Frontage Rates are Charged	<u>23,785</u>	_____

Schedule 4 - SewerMUNICIPALITY OF Cavendish Sewer Utility**STATEMENT OF REVENUE AND EXPENDITURES - SEWER
YEAR ENDED MARCH 31, 2020****Operating**

Revenues

521	Flat Rate Revenues	\$208,872	
522	Measured Revenues	84,918	
523	Revenues from Public Authorities		
525	Interdepartmental Revenues		
530	Frontage Rates		
531	Sale of Sludge		
532	Delayed Payment Charges		
534	Rents from Sewer Property		
536	Other Sewer Revenues	<u>8,852</u>	<u>\$302,642</u>

Operating Expenses

700	Salaries and Wages - Operational Employees		
705	Materials and Supplies		
710	Repairs and Maintenance	107,239	
715	Rentals		
720	Power or Electricity	38,156	
725	Chemicals	<u></u>	<u>145,395</u>

General Expenses

750	Salaries and Wages - Administrative Employees	20,749	
755	Employee Pensions and Benefits		
760	Office Supplies and Other Office Expenses	198	
761	Interest and Bank Service Charges	530	
765	Contractual Services	19,683	
770	Transportation Expenses		
775	Insurance	8,847	
780	Amortization - Rate Case Expense		
785	Regulatory Commission Fees	4,968	
790	Miscellaneous Expenses	3,249	
795	Bad Debt Expense	<u>-5,928</u>	<u>52,296</u>

Operating Income (Loss) \$104,951**Non-Operating Income and Expenses**

902	Small Tools Written Off During the Year		
903	Depreciation Expenses - Schedule 9A	\$33,790	
904	Interest on Long-Term Debt	<u>\$41,069</u>	<u>74,859</u>

Other Income (See Guide) Net Income (Loss) \$30,092Surplus (Deficit) April 1 \$353,335\$353,335Surplus (Deficit) March 31 \$383,427

ACCOUNTS RECEIVABLE DATA
YEAR ENDED MARCH 31, 2020

\$ 44,415

Schedule 7MUNICIPALITY OF Cavendish Sewer Utility**SEWER AND/OR WATER REVENUE FUND
BALANCE SHEET
YEAR ENDED MARCH 31, 2020****ASSETS**

Cash		89,937
Investments (temporary)		
Customer accounts receivable - arrears, Schedule 6	44,415	
Less: Allowance for uncollectable accounts	<u>-</u>	44,415
Other accounts receivable		93,595
Due from other funds (specify) Capital		344,583
Plant materials and supplies		
Prepaid expenses		4,061
Deferred charges		
Other assets (specify)		
		<u>576,591</u>

LIABILITIES AND SURPLUS

Bank loans and overdrafts		\$
Accounts payable		23,893
Accrued liabilities		
Due to other funds (specify) Resort		169,271
Other liabilities		
	Subtotal	<u>193,164</u>
Surplus (Deficit)		<u>383,427</u>
		<u>576,591</u>

Schedule 8

MUNICIPALITY OF Cavendish Sewer Utility

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

YEAR ENDED MARCH 31, 2020

ASSETS

Cash		\$
Due from other funds (specify)		
Other (specify)		
	Subtotal	<u>-</u>
Sewer system - undepreciated cost - Schedule 9A		5,341,164
Water system - undepreciated cost - Schedule 9A		\$
	Subtotal	<u>5,341,164</u>
		<u>5,341,164</u>

LIABILITIES AND CONTRIBUTIONS IN AID OF CONSTRUCTION

Long-term debt - Schedule 10		991,166
Accounts payable and accrued liabilities		130,114
Bank loans		-
Due to Resort Municipality		
Due to other funds (specify)	Revenue	344,583
	Subtotal	<u>1,465,863</u>
Sewer system - contributions in aid of construction - Schedule 9B		3,875,300
Water system - contributions in aid of construction - Schedule 9B		\$
	Subtotal	<u>3,875,300</u>
		<u>5,341,164</u>

Schedule 9A - Sewer

Municipality of Cavendish Sewer Utility

**Sewer and/or Water Capital and Loan Fund
Analysis of Sewer System
Schedule of Depreciation
Year Ended March 31, 2019**

	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	Additions	Deductions	December 31	Rate	Depreciation	January 1	Reserve	December 31	December 31
<u>Collection Plant</u>	%									
353 Land and Land Rights	277,450	\$	\$	277,450		\$	0	\$	0	277,450
354 Structures and Improvements	5,039,661	38,176		5,077,837	1.2%	60,874	1,131,164		1,192,038	3,885,799
360 Collection Sewers, Force, Gravity and Special	-			-						
389 Other Miscellaneous Equipment Other (Specify)	-			-						
<u>System Pumping Plant</u>										
353 Land and Land Rights										
354 Structures and Improvements										
371 Pumping Equipment	1,038,485	1,227		1,039,712	5.0%	51,986	859,178		911,164	128,548
389 Other Miscellaneous Equipment Other (Specify)										
<u>Treatment and Disposal Plant</u>										
380 Treatment and Disposal Equipment										
381 Plant Sewers										
382 Outfall Sewer Lines										
389 Other Miscellaneous Equipment Other (Retention pond)	1,239,972			1,239,972	1.2%	14,880	175,896		190,776	1,049,196
<u>General Plant</u>										
390 Office Furniture and Equipment	13,141			13,141	10.0%	1,314	11,657		12,971	170
391 Transportation Equipment										
392 Stores Equipment										
393 Tools, Shop and Garage Equipment Other (Sign)	1,338			1,338	20.0%		1,338		1,338	-
Totals	7,610,047	39,403	-	7,649,450	-	129,053	2,179,233	-	2,308,286	5,341,164

Less: Amortization - Contributions in Aid of Construction

(Taken from Column 6 of Schedule 9B - Sewer) -95,263

Net Depreciation Line 903 33,790

Schedule 9B - Sewer

Municipality of Cavendish Sewer Utility

**Sewer and/or Water Capital and Loan Fund
Analysis of Sewer System
Contributions in Aid of Construction
Year Ended March 31, 2019**

	1	2	3	4	5	6	7	8	9	10
				(1 + 2 - 3)		(4 x 5)			(6 + 7 - 8)	(4 - 9)
	Contributions			Contributions	Amortization		Amortization	Deductions	Amortization	Net
	January 1	Additions	Deductions	December 31	Rate	Amortization	Reserve	to	Reserve	Contributions
	January 1	Additions	Deductions	December 31	Rate	Amortization	January 1	Reserve	December 31	December 31
<u>Collection Plant</u>					%					
353 Land and Land Rights	207,321		-	207,321	0.0%	\$	-	\$	-	207,321
354 Structures and Improvements	3,799,060	30,703		3,829,763	1.2%	45,957	884,282		930,239	2,899,524
360 Collection Sewers, Force, Gravity and Special										
389 Other Miscellaneous Equipment										
Other (Specify)	-			-	1.2%	-	-		-	-
<u>System Pumping Plant</u>										
353 Land and Land Rights										
354 Structures and Improvements										
371 Pumping Equipment	793,783	112		793,895	5.0%	39,695	580,230		619,925	173,970
389 Other Miscellaneous Equipment										
Other (Specify)										
<u>Treatment and Disposal Plant</u>										
380 Treatment and Disposal Equipment										
381 Plant Sewers										
382 Outfall Sewer Lines										
389 Other Miscellaneous Equipment										-
Other (Retention pond)	800,940			800,940	1.2%	9,611	196,843		206,454	594,486
<u>General Plant</u>										
390 Office Furniture and Equipment	2,530			2,530	10.0%	-	2,530		2,530	0
391 Transportation Equipment						-				
392 Stores Equipment										
393 Tools, Shop and Garage Equipment										
Other (Specify)										
Totals	5,603,634	30,815	-	5,634,449	-	95,263	1,663,885	-	1,759,148	3,875,300

Schedule 10

MUNICIPALITY OF Cavendish Sewer Utility

**SEWER AND/OR WATER CAPITAL AND LOAN FUND
ANALYSIS OF LONG-TERM DEBT
YEAR ENDED MARCH 31, 2019**

Description of Each Loan or Debenture Issue	Outstanding April 1	Add New Debt Incurred	Subtotal	Deduct Repayments	Outstanding March 31
<u>Sewer</u>	\$	\$	\$	\$	\$
Provincial Credit Union Ltd. 3.29%; repayable in blended semi-annual installments of \$22,138; renewable Nov 16/18	520,172	-	520,172	18,057	502,115
BMO - 3.04%; mortgage repayable in blended semi- annual installments of \$14,873; due March 15, 2023	136,157	-	136,157	25,797	110,360
BMO - 2.44%; mortgage repayable in blended semi-annual installments of \$2,606; due August 31, 2020	31,125.00		31,125	6,761	24,364
BMO - 2.9%; mortgage repayable in blended semi-annual installments of \$11,3; due August 31, 2020	366,436.00		366,436	12,109	354,327
Totals	<u>\$ 1,053,890</u>	<u>\$ -</u>	<u>\$ 1,053,890</u>	<u>\$ 62,724</u>	<u>\$ 991,166</u>

SANITARY SEWER SYSTEMS

	Rate of Straight Line Depreciation
COLLECTION PLANT	
Structures & Improvements	1.20
Sanitary Laterals	1.20
Sewer Mains	1.20
SYSTEM PUMPING PLANT	
Structures & Improvements	1.20
Pumping Equipment	5.00
TREATMENT PLANT	
Lift Equipment	5.00
Pump Equipment	5.00
Outfalls	1.20
GENERAL PLANT	
Office Furniture & Equipment	10.00
Informations Systems	20.00
Transportation	20.00
Tools & Shop	20.00