

Financial Statements of

**MUNICIPALITY OF THE COUNTY
OF ANTIGONISH WATER UTILITY**

Year ended March 31, 2018

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Financial Statements

Year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Warden and Council of
Municipality of the County of Antigonish Water Utility

We have audited the accompanying financial statements of Municipality of the County of Antigonish Water Utility which comprise the statements of financial position as at March 31, 2018 and the statements of operations and surplus, accumulated allowance for depreciation, investment in capital assets, depreciation fund cash and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Municipality of the County of Antigonish Water Utility as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared for the Municipality of the County of Antigonish Water Utility to comply with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. As a result the financial statements may not be suitable for another purpose.

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
September 18, 2018

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Financial Position – Operating Fund

March 31, 2018, with comparative figures for 2017

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2018	2017
ASSETS				
Accounts receivable	\$ 37,691	\$ 20,576	\$ 58,267	\$ 49,825
Due from (to) Municipality of the County of Antigonish, operating fund	958,785	(378,256)	580,529	603,523
	\$ 996,476	\$ (357,680)	\$ 638,796	\$ 653,348
LIABILITIES				
Accrued interest	\$ 3,890	\$ 13,423	\$ 17,313	\$ 17,313
Due to capital fund	–	–	–	127,354
Due to Municipality of the County of Antigonish, special reserve fund	6,331	–	6,331	6,331
Deferred revenue	81,650	–	81,650	84,100
	91,871	13,423	105,294	235,078
SURPLUS (DEFICIT)				
Surplus (deficit)	904,605	(371,103)	533,502	418,250
	\$ 996,476	\$ (357,680)	\$ 638,796	\$ 653,348

See accompanying notes to non-consolidated financial statements.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Operations and Surplus – Operating Fund

Year ended March 31, 2018, with comparative figures for 2017

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2018	2017
REVENUES				
Operating revenues				
Water rates	\$ 640,045	\$ 319,148	\$ 959,193	\$ 896,714
Public fire	239,600	77,263	316,863	311,771
	879,645	396,411	1,276,056	1,208,485
Non-operating revenue				
Interest	2,992	1,537	4,529	3,988
	882,637	397,948	1,280,585	1,212,473
EXPENDITURES				
Operating expenditures				
Source of supply	260,328	8,210	268,538	260,149
Power and pumping	–	18,554	18,554	18,473
Water treatment	8,612	29,588	38,200	44,346
Transmission and distribution	241,097	86,765	327,862	258,870
Administrative	131,291	41,653	172,944	133,643
Property taxes	13,523	48,677	62,200	62,311
Depreciation	100,254	49,095	149,349	139,414
Amortization of deferred contributions	(14,740)	(2,891)	(17,631)	(12,059)
	740,365	279,651	1,020,016	905,147
Non-operating expenditures				
Debt charges, principal	27,374	56,397	83,771	83,742
Debt charges, interest	20,616	40,930	61,546	64,995
	47,990	97,327	145,317	148,737
	788,355	376,978	1,165,333	1,053,884
EXCESS OF REVENUES OVER EXPENDITURES	94,282	20,970	115,252	158,589
SURPLUS (DEFICIT), BEGINNING OF YEAR	810,323	(392,073)	418,250	259,661
SURPLUS (DEFICIT), END OF YEAR	\$ 904,605	\$ (371,103)	\$ 533,502	\$ 418,250

See accompanying notes to non-consolidated financial statements.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Financial Position – Capital Fund

March 31, 2018, with comparative figures for 2017

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2018	2017
ASSETS				
Restricted cash – depreciation reserve	\$ 795,875	\$ 134,571	\$ 930,446	\$ 1,038,087
Due from operating fund	–	–	–	127,354
Due from Municipality of the County of Antigonish, general operating fund	10,100	–	10,100	–
Tangible capital assets				
Utility plant and equipment	5,397,424	2,455,342	7,852,766	7,417,946
	\$ 6,203,399	\$ 2,589,913	\$ 8,793,312	\$ 8,583,387
LIABILITIES				
Deferred contributions	\$ 1,103,879	\$ 216,620	\$ 1,320,499	\$ 903,310
Due to Municipality of the County of Antigonish, general operating fund	–	–	–	366,715
Long-term debt (schedule)	504,324	932,229	1,436,553	1,520,324
	1,608,203	1,148,849	2,757,052	2,790,349
RESERVES				
Accumulated allowance for depreciation	1,315,021	393,724	1,708,745	1,559,396
SURPLUS				
Surplus	3,280,175	1,047,340	4,327,515	4,233,642
	\$ 6,203,399	\$ 2,589,913	\$ 8,793,312	\$ 8,583,387

See accompanying notes to non-consolidated financial statements.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Accumulated Allowance for Depreciation

Year ended March 31, 2018, with comparative figures for 2017

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2018	2017
BALANCE, BEGINNING OF YEAR	\$ 1,214,767	\$ 344,629	\$ 1,559,396	\$ 1,419,982
Depreciation for the year	100,254	49,095	149,349	139,414
BALANCE, END OF YEAR	\$ 1,315,021	\$ 393,724	\$ 1,708,745	\$ 1,559,396

Statement of Investment in Capital Assets

Year ended March 31, 2018, with comparative figures for 2017

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2018	2017
BALANCE, BEGINNING OF YEAR	\$ 3,243,182	\$ 990,460	\$ 4,233,642	\$ 4,414,614
Term debt retired	26,891	56,880	83,771	83,742
Interest on depreciation funds	10,102	—	10,102	8,286
BALANCE, END OF YEAR	\$ 3,280,175	\$ 1,047,340	\$ 4,327,515	\$ 4,233,642

See accompanying notes to non-consolidated financial statements.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Depreciation Fund Cash

Year ended March 31, 2018, with comparative figures for 2017

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2018	2017
FUND, BEGINNING OF YEAR	\$ 1,077,074	\$ 88,367	\$ 1,165,441	\$ 1,038,086
Depreciation	100,254	49,095	149,349	139,414
Deferred assistance transferred	(14,740)	(2,891)	(17,631)	(12,059)
FUND, END OF YEAR	1,162,588	134,571	1,297,159	1,165,441
Amount unfunded	(366,713)	–	(366,713)	(127,354)
CASH, END OF YEAR	\$ 795,875	\$ 134,571	\$ 930,446	\$ 1,038,087

See accompanying notes to non-consolidated financial statements.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Cash Flows – Operating Fund

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 115,252	\$ 158,589
Change in non-cash items		
Increase in accounts receivable	(8,442)	(6,533)
Increase (decrease) in deferred revenue	(2,450)	8,056
	<u>104,360</u>	<u>160,112</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in due from		
Municipality of County of Antigonish, operating fund	22,994	(287,466)
Increase (decrease) in due to capital fund	(127,354)	127,354
	<u>(104,360)</u>	<u>(160,112)</u>
NET CHANGE IN CASH	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to non-consolidated financial statements.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Notes to Financial Statements

Year ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Regulation

In matters of administrative policy relating to rates, capital expenditures, depreciation rates and accounting matters, the Commission is subject to the jurisdiction of the Nova Scotia Utility and Review Board (NSUARB). Rates charged to and collected from customers are designed to recover costs of providing the regulated services. These statements have been prepared in accordance with the Accounting and Reporting Handbook for Water Utilities (Handbook) issued by the NSUARB. There are differences in the accounting treatment of certain transactions from Canadian generally accepted accounting principles including the accounting of principal and debt payments and gains and losses on the disposal of fixed assets.

Regulatory assets represent costs incurred that have been deferred as approved by the NSUARB and will be recovered through future rates collected from customers.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, net of bank indebtedness.

(c) Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for the major classifications of utility plant in service are as follows:

Structures and improvements	50 to 100 years
Pumping equipment	5 to 30 years
Purification and treatment equipment	20 to 50 years
SCADA equipment	5 to 25 years
Water, wastewater and stormwater mains	60 to 100 years
Services and laterals	50 to 60 years
Meters	20 to 25 years
Hydrants	50 to 80 years
Tools and work equipment	5 to 30 years
Office equipment and furniture and transportation equipment	3 to 10 years

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the year of acquisition, depreciation is calculated at 50% of the above rates unless a project is significant, in which case depreciation is prorated for the number of months the asset was in use.

(d) Revenues and expenditures

All revenues and expenditures are recorded on an accrual basis. Receivables include outstanding revenue billed by the Utility and estimated revenue not yet billed.

(e) Long-term debt

Repayment of long-term debt is recorded on an accrual basis as an expense on the statement of operations. Interest on long-term debt is recorded on an accrual basis. Debt issue costs are deferred and amortized over the term of the debt to which it relates.

(f) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation of accounts receivable and carrying amount of capital assets. Actual results could differ from those estimates.

2. LONG-TERM DEBT

Principal repayments required during the next five years are as follows:

2019	\$	79,000
2020		81,000
2021		81,000
2022		82,000
2023		83,000

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2018

3. TRANSACTIONS WITH MUNICIPALITY OF THE COUNTY OF ANTIGONISH

- a) In general, and where identifiable, costs incurred by the County on behalf of the Utility are charged to the Utility.
- b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the Utility.
- c) At March 31, 2018, the County owed \$584,298 to the Utility (2017 - \$230,477) with respect to this inter-fund balance, no interest has been charged to the County.
- d) The Utility provides public fire protection to the County. The charge for this service (included in operating revenues) amounted to \$316,863 (2017 - \$311,771). The charge is governed by the Nova Scotia Utility and Review Board.

4. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2018, the Municipality of the County of Antigonish Water Utility had a rate of return on rate base of 5.3% (2017 – 6.1%).

5. FINANCIAL INSTRUMENTS

The carrying value of cash and accounts receivable approximate their fair value due to the relatively short terms to maturity.

The carrying value of inter-fund balances and due to/from Municipality of the County of Antigonish approximates its fair value due to special conditions attached thereto.

The fair value of capital debt approximate their carrying value because the contractual rates of interest approximate the current market rates available to the Utility.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Schedule of Long-Term Debt

Year ended March 31, 2018

	Date of Issue	Maturity Date	Interest Rate %	Beginning of Year	Issued	Redeemed	End of Year
Municipal Finance Corporation							
Water, extension	2007	2022	4.625 - 4.770	\$ 768,000	\$ -	\$ 48,000	\$ 720,000
Water, building	2008	2023	5.010 - 5.480	150,960	-	8,880	142,080
				918,960	-	56,880	862,080
Municipality of the County of Antigonish Reserve Funds							
Water, various	2008	2033	3.000	601,364	-	26,891	574,473
				\$ 1,520,324	\$ -	\$ 83,771	\$ 1,436,553