

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

March 31, 2020

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Municipality of the County of Antigonish Water Utility which comprise the statement of financial position as at March 31, 2020 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.

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, 2020 and the results of 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 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 Financial Statements section of our report. We are independent of the Water Utility in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 in the financial statements, which describes the basis of presentation. The financial statements are prepared in accordance with the Accounting and Reporting Handbook for Water Utilities issued by the Nova Scotia Utility and Review Board. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Municipality of the County of Antigonish Water Utility for the year ended March 31, 2019 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed an unmodified opinion on those statements on October 1, 2019.

Responsibility of Management and Those Charged with Governance 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.

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 decision of users taken on the basis of these 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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 Water 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 Water 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 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 Water Utility to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Sydney, Nova Scotia
November 9, 2020

MNP LLP

Chartered Professional Accountants

MNP
LLP

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Financial Statements

Year ended March 31, 2020

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Management's Responsibility for the Financial Statements

The accompanying financial statements of the Municipality of the County of Antigonish Water Utility (the "Water Utility") are the responsibility of the Water Utility's management and have been prepared in compliance with legislation, and in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. A summary of the significant accounting policies is described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Water Utility's 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 financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by MNP LLP, independent external auditors appointed by the Water Utility. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Water Utility's financial statements.



Glenn Horne
CAO

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Financial Position – Operating Fund

March 31, 2020, with comparative figures for 2019

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2020	2019 (Restated)
ASSETS				
Accounts receivable	\$ 62,412	\$ 30,389	\$ 92,801	\$ 79,081
Due from (to) Municipality of the County of Antigonish, operating fund	1,110,993	(352,745)	758,248	671,583
	<u>\$ 1,173,405</u>	<u>\$ (322,356)</u>	<u>\$ 851,049</u>	<u>\$ 750,664</u>
LIABILITIES				
Accrued interest	\$ 2,951	\$ 9,862	\$ 12,813	\$ 17,313
Due to Municipality of the County of Antigonish, special reserve fund	6,331	–	6,331	6,331
Due to Municipality of the County of Antigonish Water Utility, capital fund	51,139	–	51,139	37,264
Deferred revenue	83,807	–	83,807	82,126
	<u>144,228</u>	<u>9,862</u>	<u>154,090</u>	<u>143,034</u>
SURPLUS (DEFICIT)				
Surplus (deficit)	1,029,177	(332,218)	696,959	607,630
	<u>\$ 1,173,405</u>	<u>\$ (322,356)</u>	<u>\$ 851,049</u>	<u>\$ 750,644</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Municipality of the County of Antigonish:

 Warden

 CAO

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Operations and Surplus – Operating Fund

Year ended March 31, 2020, with comparative figures for 2019

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2020	2019 (Restated)
REVENUES				
Operating revenues				
Water rates	\$ 686,674	\$ 309,647	\$ 996,321	\$ 992,046
Public fire	244,893	77,696	322,589	319,196
	931,567	387,343	1,318,910	1,311,242
Non-operating revenue				
Interest	2,184	1,230	3,414	4,786
	933,751	388,573	1,322,324	1,316,028
EXPENDITURES				
Operating expenditures				
Source of supply	288,531	19,121	307,652	338,033
Power and pumping	–	18,607	18,607	17,001
Water treatment	16,428	40,228	56,656	41,810
Transmission and distribution	256,982	100,950	357,932	341,854
Administrative	136,100	39,078	175,178	172,285
Property taxes	13,523	24,642	38,165	52,007
Depreciation	129,297	53,691	182,988	146,422
Amortization of deferred contributions	(27,673)	(10,487)	(38,160)	(32,351)
	813,188	285,830	1,099,018	1,077,061
Non-operating expenditures				
Debt charges, principal	27,347	56,826	84,173	79,131
Debt charges, interest	16,827	32,977	49,804	57,592
Transfer to water capital fund	–	–	–	4,727
	44,174	89,803	133,977	141,450
	857,362	375,633	1,232,995	1,218,511
EXCESS OF REVENUES OVER EXPENDITURES				
	76,389	12,940	89,329	97,517
SURPLUS (DEFICIT), BEGINNING OF YEAR				
As previously reported	990,052	(345,158)	644,894	533,502
Restatement (note 6)	(37,264)	–	(37,264)	(23,389)
As restated	952,788	(345,158)	607,630	510,113
SURPLUS (DEFICIT), END OF YEAR				
	\$ 1,029,177	\$ (332,218)	\$ 696,959	\$ 607,630

See accompanying notes to non-consolidated financial statements.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

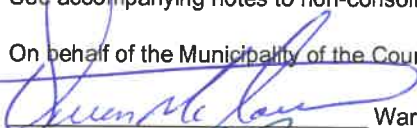
Statement of Financial Position – Capital Fund


March 31, 2020, with comparative figures for 2019

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2020	2019 (Restated)
ASSETS				
Restricted cash – depreciation reserve	\$ 1,021,492	\$ 179,745	\$ 1,201,237	\$ 1,076,646
Due from Municipality of the County of Antigonish, general operating fund	–	78,455	78,455	–
Due from Municipality of the County of Antigonish Water Utility, operating fund	51,139	–	51,139	37,264
Tangible capital assets Utility plant and equipment	6,169,781	2,547,779	8,717,560	7,921,633
	\$ 7,242,412	\$ 2,805,979	\$ 10,048,391	\$ 9,035,543
LIABILITIES				
Deferred contributions	\$ 1,336,467	\$ 265,925	\$ 1,602,392	\$ 1,276,719
Due to Municipality of the County of Antigonish, general operating fund	68,470	–	68,470	18,378
Long-term debt (schedule)	774,899	807,923	1,582,822	1,357,422
	2,179,836	1,073,848	3,253,684	2,652,519
RESERVES				
Accumulated allowance for depreciation	1,514,340	550,748	2,065,088	1,882,100
SURPLUS				
Surplus	3,548,236	1,181,383	4,729,619	4,500,924
	\$ 7,242,412	\$ 2,805,979	\$ 10,048,391	\$ 9,035,543

See accompanying notes to non-consolidated financial statements.

On behalf of the Municipality of the County of Antigonish:


Warden


CAO

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Statement of Accumulated Allowance for Depreciation

Year ended March 31, 2020, with comparative figures for 2019

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2020	2019 (Restated)
BALANCE, BEGINNING OF YEAR				
As previously reported	\$ 1,375,645	\$ 435,226	\$ 1,810,871	\$ 1,708,745
Restatement (note 6)	11,368	59,861	71,229	42,737
As restated	1,387,013	495,087	1,882,100	1,751,482
Depreciation for the year	127,327	55,661	182,988	146,422
Assets written off	—	—	—	(15,804)
BALANCE, END OF YEAR	\$ 1,514,340	\$ 550,748	\$ 2,065,088	\$ 1,882,100

Statement of Investment in Capital Assets

Year ended March 31, 2020, with comparative figures for 2019

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2020	2019
BALANCE, BEGINNING OF YEAR	\$ 3,391,450	\$ 1,109,474	\$ 4,500,924	\$ 4,327,515
Term debt retired, water operating fund	27,347	56,826	84,173	79,131
Term debt retired, general operating fund	26,731	—	26,731	—
Interest on depreciation funds	18,707	3,292	21,999	17,529
Capital out of water operation, water fund	—	—	—	4,727
Capital out of operations, general fund	84,001	11,791	95,792	72,022
BALANCE, END OF YEAR	\$ 3,548,236	\$ 1,181,383	\$ 4,729,619	\$ 4,500,924

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, 2020, with comparative figures for 2019

	Fringe Area	St. Andrew's and Lower South River	Total	Total
			2020	2019 (Restated)
FUND, BEGINNING OF YEAR				
As previously reported	\$ 1,224,173	\$ 173,182	\$ 1,397,355	\$ 1,297,159
Restatement (note 6)	75,875	(38,611)	37,264	23,389
As restated	1,300,048	134,571	1,434,619	1,320,548
Depreciation	127,327	55,661	182,988	146,422
Deferred assistance transferred	(27,673)	(10,487)	(38,160)	(32,351)
FUND, END OF YEAR	1,399,702	179,745	1,579,447	1,434,619
Amount unfunded	(378,210)	—	(378,210)	(357,973)
CASH, END OF YEAR	\$ 1,021,492	\$ 179,745	\$ 1,201,237	\$ 1,076,646

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, 2020, with comparative figures for 2019

	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 89,329	\$ 97,517
Change in non-cash items		
Increase in accounts receivable	(13,720)	(20,864)
Increase in deferred revenue	1,681	476
Decrease in accrued interest	(4,500)	–
	<u>72,790</u>	<u>77,129</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from Municipality of County of Antigonish, operating fund	(86,665)	(91,054)
Increase in due to Municipality of the County of Antigonish Water Utility, capital fund	13,875	13,925
	<u>(72,790)</u>	<u>(77,129)</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, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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) Tangible capital assets

Tangible capital assets are recorded at cost.

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, 2020

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:

2021	\$	110,904
2022		110,904
2023		590,904
2024		151,684
2025		54,024

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2020

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, 2020, the County owed \$761,902 to the Utility (2019 - \$646,874) 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 \$322,589 (2019 - \$319,196). 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, 2020, the Municipality of the County of Antigonish Water Utility had a rate of return on rate base of 4.4% (2019 – 4.9%).

5. FINANCIAL INSTRUMENTS

The carrying value of 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.

6. RESTATEMENT

During the year, the Utility determined that it had not properly recorded depreciation of tangible capital assets and related deferred contributions. This error was corrected retrospectively, and as a result accumulated allowance for depreciation was increased \$42,737, deferred contributions were decreased \$19,348 and surplus was decreased \$23,389 as at April 1, 2018; accumulated allowance for amortization and depreciation expense were increased \$28,492, deferred contributions were decreased \$14,617 and amortization of deferred contributions were increased \$14,617 as at March 31, 2019.

MUNICIPALITY OF THE COUNTY OF ANTIGONISH WATER UTILITY

Schedule of Long-Term Debt

Year ended March 31, 2020

	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	\$ 672,000	\$ -	\$ 48,000	\$ 624,000
Water, building	2008	2023	5.010 - 5.480	133,200	--	8,880	124,320
Municipality of the County of Antigonish Reserve Funds							
Water, various	2008	2034	3.000	805,200	--	56,880	748,320
				\$ 1,357,422	\$ 336,304	\$ 110,904	\$ 1,582,822