

**Municipality of the County of
Antigonish Water Utility
Financial Statements**

March 31, 2021

Independent Auditors' Report

To the Warden and Councillors 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, 2021 and the statements of financial activities and statement of 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, 2021 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

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. 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.

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
February 15, 2022

MNP LLP

Chartered Professional Accountants

MNP

Municipality of the County of Antigonish Water Utility
Financial Statements

For the year ended March 31, 2021

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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
As at March 31, 2021

	2021	2020
ASSETS		
Accounts receivable	\$ 179,910	\$ 92,801
Due from Municipality of the County of Antigonish, operating fund	677,030	758,248
	\$ 856,940	\$ 851,049
LIABILITIES		
Accrued interest	\$ 12,813	\$ 12,813
Due to Municipality of the County of Antigonish, special reserve fund	6,331	6,331
Due to Municipality of the County of Antigonish Water Utility, capital fund	75,989	51,139
Deferred revenue	25	83,807
	95,158	154,090
SURPLUS		
Surplus	761,782	696,959
	\$ 856,940	\$ 851,049

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

For the year ended March 31, 2021

	2021	2020
REVENUES		
Operating revenues		
Water rates	\$ 1,074,479	\$ 996,321
Public fire protection	367,987	322,589
	1,442,466	1,318,910
Non-operating revenue		
Interest	3,933	3,414
	1,446,399	1,322,324
EXPENDITURES		
Operating expenditures		
Source of supply	339,753	307,652
Power and pumping	18,852	18,607
Water treatment	59,923	56,656
Transmission and distribution	377,158	357,932
Administrative	191,302	175,178
Property taxes	37,904	38,165
Depreciation	220,932	182,988
Amortization of deferred contributions	–	(38,160)
	1,245,824	1,099,018
Non-operating expenditures		
Debt charges, principal	84,173	84,173
Debt charges, interest	51,579	49,804
	135,752	133,977
	1,381,576	1,232,995
EXCESS OF REVENUES OVER EXPENDITURES	64,823	89,329
SURPLUS, BEGINNING OF YEAR	696,959	607,630
SURPLUS, END OF YEAR	\$ 761,782	\$ 696,959

See accompanying notes to non-consolidated financial statements.

Municipality of the County of Antigonish Water Utility
Statement of Financial Position – Capital Fund
As at March 31, 2021

	2021	2020
ASSETS		
Restricted cash – depreciation reserve	\$ 1,269,504	\$ 1,201,237
Due from Province of Nova Scotia	80,294	–
Due from Municipality of the County of Antigonish, general operating fund	68,222	9,985
Due from Municipality of the County of Antigonish Water Utility, operating fund	75,989	51,139
Tangible capital assets Utility plant and equipment	11,217,302	8,717,560
	\$ 12,711,311	\$ 9,979,921
LIABILITIES		
Deferred contributions	\$ 3,746,564	\$ 1,602,392
Long-term debt (schedule)	1,471,158	1,582,822
	5,217,722	3,185,214
RESERVES		
Accumulated allowance for depreciation	2,286,020	2,065,088
SURPLUS		
Surplus	5,207,569	4,729,619
	\$ 12,711,311	\$ 9,979,921

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

For the year ended March 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 2,065,088	\$ 1,882,100
Depreciation for the year	220,932	182,988
BALANCE, END OF YEAR	\$ 2,286,020	\$ 2,065,088

Statement of Investment in Capital Assets

For the year ended March 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 4,729,619	\$ 4,500,924
Term debt retired, water operating fund	84,173	84,173
Term debt retired, general operating fund	27,491	26,731
Interest on depreciation funds	10,715	21,999
Amortization of deferred contributions	75,989	-
Capital out of operations, general fund	279,582	95,792
BALANCE, END OF YEAR	\$ 5,207,569	\$ 4,729,619

Statement of Depreciation Fund Cash

For the year ended March 31, 2021

	2021	2020
FUND, BEGINNING OF YEAR	\$ 1,273,077	\$ 1,128,249
Depreciation	220,932	182,988
Deferred assistance transferred	-	(38,160)
FUND, END OF YEAR	1,494,009	1,273,077
Amount unfunded	(224,505)	(71,840)
CASH, END OF YEAR	\$ 1,269,504	\$ 1,201,237

See accompanying notes to non-consolidated financial statements.

Municipality of the County of Antigonish Water Utility
Statement of Cash Flows – Operating Fund

For the year ended March 31, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 64,823	\$ 89,329
Change in non-cash items		
Increase in accounts receivable	(87,109)	(13,720)
Increase (decrease) in deferred revenue	(83,782)	1,681
Decrease in accrued interest	–	(4,500)
	(106,068)	72,790
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in due from Municipality of County of Antigonish, operating fund	81,218	(86,665)
Increase in due to Municipality of the County of Antigonish Water Utility, capital fund	24,850	13,875
	106,068	(72,790)
NET CHANGE IN CASH	–	–
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	–	–
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ –	\$ –

See accompanying notes to non-consolidated financial statements.

Municipality of the County of Antigonish Water Utility

Notes to Financial Statements

For the year ended March 31, 2021

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
For the year ended March 31, 2021

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) Deferred contributions

Deferred contributions represent funding received from external sources. Amortization is provided using the straight-line method which corresponds with the rates of the related tangible capital assets and is recognized to investment in capital assets.

(f) Capital 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.

(g) 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:

2022	\$	111,700
2023		591,700
2024		152,500
2025		54,800
2026		54,800

Municipality of the County of Antigonish Water Utility
Notes to Financial Statements
For the year ended March 31, 2021

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, 2021, the County owed \$745,252 to the Utility (2020 - \$768,733) 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 \$367,987 (2020 - \$322,589). 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, 2021, the Municipality of the County of Antigonish Water Utility had a rate of return on rate base of 3.8% (2020 – 4.4%).

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.

Municipality of the County of Antigonish Water Utility
Schedule of Long-Term Debt
For the 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	\$ 624,000	–	\$ 48,000	\$ 576,000
Water, building	2008	2023	5.010 – 5.480	124,320	–	8,880	115,440
				748,320	–	56,880	691,440
Municipality of the County of Antigonish Reserve Funds							
Water, various	2008	2034	3.000	834,502	–	54,784	779,718
				\$ 1,582,822	–	\$ 111,664	\$ 1,471,158