

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

March 31, 2022

To the Warden and Councillors of Municipality of the County of Antigonish Water Utility:

Opinion

We have audited the financial statements of Municipality of the County of Antigonish (the "Water Utility"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Water Utility as at March 31, 2022, and the results of its operations, changes in its net debt 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 the 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.

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

Management is responsible for the preparation and fair presentation of the 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 the 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.

Auditor's Responsibilities 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 decisions 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
April 21, 2023

MNP LLP
Chartered Professional Accountants

Municipality of the County of Antigonish Water Utility
Financial Statements

For the year ended March 31, 2022

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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

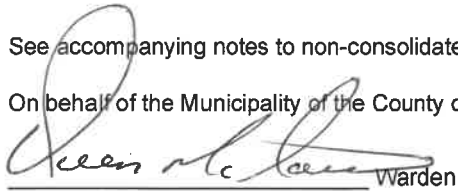
Municipality of the County of Antigonish Water Utility
Statement of Financial Position – Operating Fund

As at March 31, 2022

| | 2022 | 2021 |
|--|------------|------------|
| ASSETS | | |
| Accounts receivable | \$ 188,832 | \$ 179,910 |
| Due from Municipality of the County of Antigonish, operating fund | 752,396 | 677,030 |
| | \$ 941,228 | \$ 856,940 |
| LIABILITIES | | |
| Accrued interest | \$ 12,814 | \$ 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 | 169,938 | 75,989 |
| Deferred revenue | 25 | 25 |
| | 189,108 | 95,158 |
| SURPLUS | | |
| Surplus | 752,120 | 761,782 |
| | \$ 941,228 | \$ 856,940 |

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, 2022

| | 2022 | 2021 |
|--|--------------|--------------|
| REVENUES | | |
| Operating revenues | | |
| Water rates | \$ 1,051,594 | \$ 1,074,479 |
| Public fire protection | 466,693 | 367,987 |
| | 1,518,287 | 1,442,466 |
| Non-operating revenue | | |
| Interest | 4,006 | 3,933 |
| | 1,522,293 | 1,446,399 |
| EXPENDITURES | | |
| Operating expenditures | | |
| Source of supply | 356,826 | 339,753 |
| Power and pumping | 16,308 | 18,852 |
| Water treatment | 51,695 | 59,923 |
| Transmission and distribution | 462,946 | 377,158 |
| Administrative | 239,509 | 191,302 |
| Property taxes | 37,380 | 37,904 |
| Depreciation | 234,287 | 220,932 |
| | 1,398,951 | 1,245,824 |
| Non-operating expenditures | | |
| Debt charges, principal | 84,173 | 84,173 |
| Debt charges, interest | 48,831 | 51,579 |
| | 133,004 | 135,752 |
| | 1,531,955 | 1,381,576 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (9,662) | 64,823 |
| SURPLUS, BEGINNING OF YEAR | 761,782 | 696,959 |
| SURPLUS, END OF YEAR | \$ 752,120 | \$ 761,782 |

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, 2022

| | 2022 | 2021 |
|---|----------------------|----------------------|
| ASSETS | | |
| Restricted cash – depreciation reserve | \$ 1,425,499 | \$ 1,269,504 |
| Due from Province of Nova Scotia | – | 80,294 |
| Due from Municipality of the County of Antigonish, general operating fund | 144,468 | 68,222 |
| Due from Municipality of the County of Antigonish Water Utility, operating fund | 169,938 | 75,989 |
| Tangible capital assets Utility plant and equipment | 12,929,202 | 11,217,302 |
| | \$ 14,669,107 | \$ 12,711,311 |
| LIABILITIES | | |
| Deferred contributions | \$ 5,030,299 | \$ 3,746,564 |
| Long-term debt (schedule) | 1,359,494 | 1,471,158 |
| | 6,389,793 | 5,217,722 |
| RESERVES | | |
| Accumulated allowance for depreciation | 2,520,307 | 2,286,020 |
| SURPLUS | | |
| Surplus | 5,759,007 | 5,207,569 |
| | \$ 14,669,107 | \$ 12,711,311 |

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, 2022

| | 2022 | 2021 |
|-----------------------------------|---------------------|---------------------|
| BALANCE, BEGINNING OF YEAR | \$ 2,286,020 | \$ 2,065,088 |
| Depreciation for the year | 234,287 | 220,932 |
| BALANCE, END OF YEAR | \$ 2,520,307 | \$ 2,286,020 |

Statement of Investment in Capital Assets

For the year ended March 31, 2022

| | 2022 | 2021 |
|---|---------------------|---------------------|
| BALANCE, BEGINNING OF YEAR | \$ 5,207,569 | \$ 4,729,619 |
| Term debt retired, water operating fund | 84,173 | 84,173 |
| Term debt retired, general operating fund | 27,491 | 27,491 |
| Interest on depreciation funds | 11,613 | 10,715 |
| Amortization of deferred contributions | 98,125 | 75,989 |
| Capital out of operations, general fund | 330,036 | 279,582 |
| BALANCE, END OF YEAR | \$ 5,759,007 | \$ 5,207,569 |

Statement of Depreciation Fund Cash

For the year ended March 31, 2022

| | 2022 | 2021 |
|--------------------------------|---------------------|---------------------|
| FUND, BEGINNING OF YEAR | \$ 1,494,009 | \$ 1,262,362 |
| Depreciation | 234,287 | 220,932 |
| Interest earned | 11,613 | 10,715 |
| FUND, END OF YEAR | 1,739,909 | 1,494,009 |
| Amount unfunded | (314,410) | (224,505) |
| CASH, END OF YEAR | \$ 1,425,499 | \$ 1,269,504 |

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, 2022

| | 2022 | 2021 |
|--|------------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenditures | \$ (9,662) | \$ 64,823 |
| Change in non-cash items | | |
| Accounts receivable | (8,922) | (87,109) |
| Deferred revenue | - | (83,782) |
| Accrued interest | 1 | - |
| | (18,583) | (106,068) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease (increase) in due from Municipality of County of Antigonish, operating fund | (75,366) | 81,218 |
| Increase in due to Municipality of the County of Antigonish Water Utility, capital fund | 93,949 | 24,850 |
| | 18,583 | 106,068 |
| 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, 2022

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, 2022

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:

| | |
|------|------------|
| 2023 | \$ 591,664 |
| 2024 | 152,464 |
| 2025 | 54,784 |
| 2026 | 54,784 |
| 2027 | 41,905 |

Municipality of the County of Antigonish Water Utility
Notes to Financial Statements
For the year ended March 31, 2022

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, 2022, the County owed \$890,533 to the Utility (2021 - \$738,921) 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 \$466,693 (2021 - \$367,987). 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, 2022, the Municipality of the County of Antigonish Water Utility had a rate of return on rate base of 2.2% (2021 – 3.8%).

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, 2022

| | 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 | \$ 576,000 | \$ – | \$ 48,000 | \$ 528,000 |
| Water, building | 2008 | 2023 | 5.010 – 5.480 | 115,440 | – | 8,880 | 106,560 |
| | | | | 691,440 | – | 56,880 | 634,560 |
| Municipality of the County of Antigonish Reserve Funds | | | | | | | |
| Water, various | 2008 | 2034 | 3.000 | 779,718 | – | 54,784 | 724,934 |
| | | | | \$ 1,471,158 | \$ – | \$ 111,664 | \$ 1,359,494 |