Municipality of the County of Antigonish Water Utility

Financial Statements

March 31, 2024

Municipality of the County of Antigonish Water Utility
Financial Statements
For the year ended March 31, 2024

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Independent Auditor's Report

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 Water Utility (the "Water Utility"), which comprise the statements of financial position - operating fund and capital fund as at March 31, 2024, and the statements of operations and surplus - operating fund, accumulated allowance for depreciation, investment in capital assets, depreciation fund cash, cash flows - operating fund and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Water Utility as at March 31, 2024, and the results of its operations 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.

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.

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
July 17, 2025

MNP LLP
Chartered Professional Accountants

Municipality of the County of Antigonish Water Utility
Statement of Financial Position – Operating Fund
As at March 31, 2024

	2024	2023
ASSETS		
Accounts receivable	$ 231,727	$ 194,354
Due from Municipality of the County of Antigonish, operating fund	677,968	722,070
	$ 909,695	$ 916,424
LIABILITIES		
Accrued interest	$ 2,951	$ 2,951
Due to Municipality of the County of Antigonish, special reserve fund	6,331	6,331
Deferred revenue	25	25
	9,307	9,307
SURPLUS		
Surplus	900,388	907,117
	$ 909,695	$ 916,424

See accompanying notes to financial statements.

On behalf of the Municipality of the County of Antigonish:

D. Mackinnon Warden

Shirlyn Donovan CAO

Municipality of the County of Antigonish Water Utility
Statement of Operations and Surplus – Operating Fund
For the year ended March 31, 2024

	2024		2023
	Budget	Actual	Actual
REVENUES			
Operating Revenues			
Water rates	$ 1,175,000	$ 1,141,647	$ 1,125,936
Public fire protection	495,391	487,791	494,841
	1,670,391	1,629,438	1,620,777
EXPENDITURES			
Operating expenditures			
Source of supply	399,500	401,088	366,485
Power and pumping	23,000	17,211	19,189
Water treatment	95,300	55,306	75,524
Transmission and distribution	452,219	393,858	413,818
Administrative	322,545	280,890	245,279
Property Taxes	37,163	37,163	37,388
Depreciation	169,000	308,487	266,593
	1,498,727	1,494,003	1,424,276
NET OPERATING REVENUE	171,664	135,435	196,501
NON-OPERATING REVENUES (EXPENDITURES)			
Water rates	7,700	4,356	6,836
Debt charges, principal	(138,880)	(124,973)	(36,173)
Debt charges, interest	(40,500)	(21,547)	(12,167)
	(171,680)	(142,164)	(41,504)
CHANGE IN FUND BALANCE	(16)	(6,729)	154,997
SURPLUS, BEGINNING OF YEAR	907,117	907,117	752,120
SURPLUS, END OF YEAR	$ 907,101	$ 900,388	$ 907,117

See accompanying notes to financial statements.

Municipality of the County of Antigonish Water Utility
Statement of Financial Position – Capital Fund
As at March 31, 2024

	2024	2023
ASSETS		
Restricted cash – depreciation reserve	$ 1,905,474	$ 1,607,972
Due from Municipality of the County of Antigonish, general operating fund	561,475	453,930
Tangible capital assets		
Utility plant and equipment	17,638,795	14,420,032
	$ 20,105,744	$ 16,481,934
LIABILITIES		
Deferred contributions	$ 8,434,648	$ 6,038,118
Long-term debt (Schedule)	625,328	772,811
	9,059,976	6,810,929
RESERVES		
Accumulated allowance for depreciation	3,095,387	2,786,900
SURPLUS		
Surplus	7,950,381	6,884,105
	$ 20,105,744	$ 16,481,934

See accompanying notes to financial statements.

On behalf of the Municipality of the County of Antigonish:

D. MacInnis Warden

Shirlyn Donovan CAO

Municipality of the County of Antigonish Water Utility

Statement of Accumulated Allowance for Depreciation

For the year ended March 31, 2024

	2024	2023
BALANCE, BEGINNING OF YEAR	$ 2,786,900	$ 2,520,307
Depreciation for the year	308,487	266,593
BALANCE, END OF YEAR	$ 3,095,387	$ 2,786,900

Statement of Investment in Capital Assets

For the year ended March 31, 2024

	2024	2023
BALANCE, BEGINNING OF YEAR	$ 6,884,105	$ 5,759,007
Term debt retired, water operating fund	124,973	36,173
Term debt retired, general operating fund	22,510	550,510
Interest on depreciation funds	96,561	53,319
Amortization of deferred contributions	145,202	111,250
Capital out of operations, general fund	677,030	70,767
Transfer from general capital fund	–	303,079
BALANCE, END OF YEAR	$ 7,950,381	$ 6,884,105

Statement of Depreciation Fund Cash

For the year ended March 31, 2024

	2024	2023
FUND, BEGINNING OF YEAR	$ 2,059,821	$ 1,739,909
Depreciation	308,487	266,593
Interest earned	96,561	53,319
FUND, END OF YEAR	2,464,869	2,059,821
Amount unfunded	(559,395)	(451,849)
CASH, END OF YEAR	$ 1,905,474	$ 1,607,972

See accompanying notes to financial statements.

Municipality of the County of Antigonish Water Utility
Statement of Cash Flows – Operating Fund
For the year ended March 31, 2024

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ (6,729)	$ 154,997
Change in non-cash items		
Accounts receivable	(37,373)	(5,522)
Accrued interest	–	(9,863)
	(44,102)	139,612
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due from Municipality of the County of Antigonish, operating fund	44,102	30,326
Decrease in due from Municipality of the County of Antigonish Water Utility, capital fund	–	(169,938)
	44,102	(139,612)
NET CHANGE IN CASH	–	–
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	–	–
CASH AND CASH EQUIVALENTS, END OF YEAR	$ –	$ –

See accompanying notes to financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with generally accepted accounting principles adopted for Water Utilities in Nova Scotia and are intended for the use of the Municipality of the County of Antigonish Water Utility (the "Water Utility"), Council and Service Nova Scotia and Municipal Relations.

The basis of accounting used in these financial statements differs materially from generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants Handbook (the CPA Canada Handbook). The significant differences between generally accepted accounting principles for Water Utilities in Nova Scotia and the CPA Canada Handbook are that the CPA Canada Handbook requires the:

- Financial statements be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in net assets and in financial position of all organizations, commissions and agencies which are owned or controlled by the Water Utility. This would include, at a minimum, the individual funds represented in these March 31, 2024 financial statements – Operating Fund and Capital Fund. The consolidated financial statements prepared in accordance with the CPA Canada Handbook would include a Statement of Financial Position, Statement of Financial Activities and a Statement of Changes in Financial Position;
- Revenues and expenses be recorded on a full accrual basis;
- The Water Utility capitalize all of its capital acquisitions rather than charging some to operations in the year acquired; and
- Principal debt repayments not be recorded as an expense of the Water Utility;

(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:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Tangible capital assets (Continued)

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

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 expenses

Major revenue and expense items are recorded on an accrual basis. Resident billings of rates for subsequent periods are recorded as deferred revenues.

Certain sources of revenues, including forfeited discounts and interest on past due rates, are recorded on a cash basis.

Capital grants and contributions received for the purchase of capital assets are recorded using the deferral method of accounting and are amortized to revenues at a rate corresponding with the amortization of the related capital asset.

Principal relating to long-term debt is recorded as expenses when due for payment. Interest is recorded on an accrual basis.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(h) Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Financial instruments consist of cash and cash equivalents, receivables, trade payables, accrued interest payable and long-term debt.

Subsequent measurement

At each reporting date, the Water Utility measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Water Utility uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of financial activities. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, trade payables accrued interest payable and long-term debt.

Impairment

For financial assets measured at cost or amortized cost, the Water Utility regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Water Utility determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of financial activities. Any reversals of previously recognized impairment losses are recognized in activities in the year the reversal occurs.

Unless otherwise noted, it is management's opinion that the Water Utility is not exposed to significant interest or credit risks arising from financial instruments.

2. LONG-TERM DEBT

Principal repayments required during the next years are as follows:

2024	$ 152,464
2025	49,803
2026	49,803
2027	49,803
2028	49,803
2029	49,803

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, 2024, the County owed $1,233,112 to the Utility (2023 - $1,169,669) 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 $487,791 (2023 - $494,841). 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, 2024, the Municipality of the County of Antigonish Water Utility had a rate of return on rate base of 2.2% (2023 – 3.5%).

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, 2024

	Date of Issue	Maturity Date	Interest Rate %	Beginning of Year	Issued	Redeemed	End of Year
Municipal Finance Corporation							
Water, building	2008	2023	5.010 – 5.480	97,680	–	(97,680)	–
Municipality of the County of Antigonish Reserve Funds							
Water, various	2008	2034	3.000	675,131	–	(49,803)	625,328
				$ 772,811	$ –	$ (147,483)	$ 625,328