

Financial statements

Victoria County Water Utility

March 31, 2020

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Independent auditor's report

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To the Commissioners of the
Victoria County Water Utility

Opinion

We have audited the accompanying financial statements of Victoria County Water Utility ("The Entity"), which comprise the operating and capital fund balance sheets as at March 31, 2020, and the statements of operations and deficit, investment in capital assets, 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 Victoria County Water Utility as at March 31, 2020, and its results of operations for the year then ended in accordance with the financial reporting standards for Nova Scotia water utilities as outlined in Note 2.

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 Entity 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.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Victoria County Water Utility comply with financial reporting standards for Nova Scotia water utilities. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Victoria County Water Utility and the Nova Scotia Utility and Review Board and should be distributed to or used by parties other than the Victoria County Water Utility or the Nova Scotia Utility and Review Board.

Responsibilities 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 Canadian public sector accounting standards, 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using



the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

Sydney, Canada
September 28, 2020

Chartered Professional Accountants

Victoria County Water Utility

Statement of operations and deficit

Year ended March 31	Budget	2020	2019
Operating revenues			
Metered sales	\$ 759,000	\$ 776,865	\$ 747,027
Public fire protection	275,829	275,829	263,178
Other revenue	12,700	7,618	22,097
	<u>1,047,529</u>	<u>1,060,312</u>	<u>1,032,302</u>
Operating expenses			
Pumping (page 8)	133,333	128,011	158,502
Water treatment (page 8)	184,833	219,273	196,745
Transmission and distribution (page 8)	183,883	140,889	143,740
Administrative and general (page 8)	122,500	63,159	107,128
Depreciation	-	108,491	107,307
	<u>624,549</u>	<u>659,823</u>	<u>713,422</u>
Operating profit	<u>422,980</u>	<u>400,489</u>	<u>318,880</u>
Non-operating expenses			
Principal repayments to the Municipality	-	-	44,000
Interest on long term debt payable to the Municipality	-	-	1,074
	<u>-</u>	<u>-</u>	<u>45,074</u>
Non-operating revenue			
Amortization of deferred government contributions	-	1,996	1,996
Excess of revenue over expenses (expenses over revenues)	<u>\$ 422,980</u>	<u>402,485</u>	<u>275,802</u>
Deficit, beginning of year		<u>(1,775,023)</u>	<u>(2,050,825)</u>
Deficit, end of year		<u>\$ (1,372,538)</u>	<u>\$ (1,775,023)</u>

See accompanying notes to the financial statements.

Victoria County Water Utility

Capital fund balance sheet

March 31

2020

2019

Assets

Due from operating fund	\$ 1,156,530	\$ 1,050,035
Utility plant and equipment (page 7)	<u>5,762,491</u>	<u>5,762,491</u>
	<u>\$ 6,919,021</u>	<u>\$ 6,812,526</u>

Liabilities

Deferred government contributions	\$ 145,010	147,006
Accumulated depreciation	<u>1,816,356</u>	<u>1,707,865</u>
	1,961,366	1,854,871

Equity

Investment in capital assets (page 6)	<u>4,957,655</u>	<u>4,957,655</u>
	<u>\$ 6,919,021</u>	<u>\$ 6,812,526</u>

On behalf of the Victoria County Water Utility

_____ Warden _____ CAO

See accompanying notes to the financial statements.

Victoria County Water Utility

Statement of investment in capital assets

Year ended March 31 2020 2019

Balance, beginning of year	\$ 4,957,655	\$ 4,913,655
Debt repayments	<u> -</u>	<u> 44,000</u>
Balance, end of year	<u>\$ 4,957,655</u>	<u>\$ 4,957,655</u>

See accompanying notes to the financial statements.

Victoria County Water Utility

Schedule of utility plant and equipment

March 31

2020

2019

Land and land rights	\$ 26,074	\$ 26,074
Structures and improvements		
Pumping and purification	434,381	434,381
Distribution reservoirs and stand pipes	1,248,649	1,248,649
Equipment		
Pumping	190,804	190,804
Water treatment	274,518	274,518
Tools and work	8,590	8,590
Meters	117,339	117,339
Transmission and distribution mains	2,948,474	2,948,474
Services	421,658	421,658
Study	35,118	35,118
Hydrants	<u>56,886</u>	<u>56,886</u>
	<u>\$ 5,762,491</u>	<u>\$ 5,762,491</u>

See accompanying notes to the financial statements.

Victoria County Water Utility

Schedule of operating expenses

Year ended March 31	Budget	2020	2019
Pumping			
Operation labour	\$ 73,333	\$ 65,698	\$ 70,289
Power purchased	39,550	45,372	40,655
Maintenance of equipment	<u>20,450</u>	<u>16,941</u>	<u>47,558</u>
	<u>\$ 133,333</u>	<u>\$ 128,011</u>	<u>\$ 158,502</u>
Water treatment			
Operation labour	\$ 73,333	\$ 65,698	\$ 70,289
Chemical additives	18,500	33,452	27,735
Source water protection	5,000	827	5,159
Maintenance of equipment	19,500	12,863	2,205
Testing and maintenance	53,500	90,921	66,548
Monitor stations	13,000	13,876	21,273
Operator training	<u>2,000</u>	<u>1,636</u>	<u>3,536</u>
	<u>\$ 184,833</u>	<u>\$ 219,273</u>	<u>\$ 196,745</u>
Transmission and distribution			
Operation labour	\$ 73,333	\$ 65,698	\$ 70,289
Maintenance of reservoirs	18,500	12,579	12,496
Maintenance of services	16,500	9,780	1,705
Maintenance of meters	7,000	11,806	5,956
Maintenance of hydrants	20,000	319	2,895
Shop/safety expenses	7,000	4,216	10,069
Telemetry monitoring	11,000	16,597	12,174
Transportation	<u>30,550</u>	<u>19,894</u>	<u>28,156</u>
	<u>\$ 183,883</u>	<u>\$ 140,889</u>	<u>\$ 143,740</u>
Administrative and general			
Salaries	52,000	21,611	52,226
Office	2,000	12,514	20,630
Professional fees	60,500	17,787	22,442
Regulatory	4,000	3,088	3,671
Insurance	<u>4,000</u>	<u>8,159</u>	<u>8,159</u>
	<u>\$ 122,500</u>	<u>\$ 63,159</u>	<u>\$ 107,128</u>

See accompanying notes to the financial statements.

Victoria County Water Utility

Notes to the financial statements

March 31, 2020

1. Nature of operations

The Victoria County Water Utility ("the Utility") was formed on May 1, 2009, through the amalgamation of the Ingonish Water Utility, Dingwall Water Utility, Neil's Harbour-New Haven Water Utility, and the Little Narrows Water Utility. This amalgamation was approved by the Nova Scotia Utility and Review Board.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared to conform in all material respects to the accounting principles for water utilities by the Nova Scotia Utility and Review Board.

Revenue and expense

Major revenue and expense items are recorded on an accrual basis.

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

Utility plant and equipment

Utility, plant and equipment and projects in progress are recorded at cost. Interest incurred during construction on significant water capital projects is capitalized. Interest is calculated at the prevailing prime rate for projects temporarily funded by general or water utility operations. Funds received through capital assistance programs, cost-sharing arrangements, or loan forgiveness are treated as deferred government contributions which are amortized at the same rate as the related asset.

Depreciation

Depreciation of utility, plant and equipment, as recorded in the water capital fund, is calculated on a formula prescribed by the Nova Scotia Utility and Review Board.

Taxes

The Municipality of the County of Victoria has exempted the Victoria County Water Utility from municipal taxes.

3. Return on rate base

For the year ended March 31, 2019 the Water Utility had a rate of return on rate base of 10.1% (2019: 7.9%).
