

**Town of Stewiacke Water Utility  
Financial Statements**

*March 31, 2021*

## Independent Auditors' Report

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To the Mayor and Council of  
Town of Stewiacke Water Utility

### Opinion

We have audited the accompanying financial statements of Town of Stewiacke 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 Town of Stewiacke 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

These financial statements of Town of Stewiacke Water Utility are the first financial statements prepared in accordance with generally accepted accounting principles for Water Utilities in Nova Scotia. The details of previous reporting and required adjustments are disclosed in note 6 to the financial statements. 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  
August 30, 2021

*MNP LLP*

Chartered Professional Accountants

**MNP**<sub>LLP</sub>

**Town of Stewiacke Water Utility  
Financial Statements**

*For the year ended March 31, 2021*

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# STEWIACKE

RIVERS OF OPPORTUNITY



## **Management's Responsibility for the Financial Statements**

The accompanying financial statements of the Town of Stewiacke 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.

  
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Mr. Dale Bogle  
Chief Administrative Officer


**Town of Stewiacke Water Utility**  
**Statement of Financial Position - Operating Fund**  
*As at March 31, 2021*

	2021	2020
<b>ASSETS</b>		
Cash	\$ 97,473	\$ 209,968
Receivables		
Rates	75,222	35,862
Due from federal government and its agencies	-	15,308
Due from Town of Stewiacke, Operating Fund	5,166	4,076
Due from Water Capital Fund	271,256	92,253
	<b>\$ 449,117</b>	<b>\$ 357,467</b>
<b>LIABILITIES</b>		
Trade payables	\$ 20,966	\$ 28,758
<b>FUND BALANCE</b>		
	428,151	328,709
	<b>\$ 449,117</b>	<b>\$ 357,467</b>

See accompanying notes to non-consolidated financial statements.

On behalf of the Town of Stewiacke Water Utility:

 Mayor

 Chief Administrative Officer

**Town of Stewiacke Water Utility**  
**Statement of Financial Activities - Operating Fund**

*For the year ended March 31, 2021*

	2021	2020	
	Budget (unaudited)	Actual	Actual
<b>OPERATING REVENUES</b>			
Operating			
Sale of water	\$ 445,846	\$ 432,349	\$ 383,886
Public fire protection	189,000	189,000	175,199
	634,846	621,349	559,085
<b>OPERATING EXPENSES</b>			
Pumping	2,917	152,703	140,764
Water treatment	214,923	76,934	80,592
Transmission and distribution	77,911	21,139	24,401
Administration and general	74,429	68,360	65,927
Depreciation	88,200	76,795	81,190
Taxes	33,481	31,570	31,600
	491,861	427,501	424,474
<b>EXCESS OF OPERATING REVENUES OVER EXPENSES BEFORE THE FOLLOWING</b>	142,985	193,848	134,611
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Other income	5,900	4,463	2,642
Debt charges, principal	(84,936)	(78,182)	(99,203)
Debt charges, interest	(24,138)	(20,687)	(29,288)
Capital expenditures out of operations	(1,500)	-	(122,256)
<b>CHANGE IN FUND BALANCE</b>	38,311	99,442	(113,494)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	328,709	328,709	442,203
<b>FUND BALANCE, END OF YEAR</b>	\$ 367,020	\$ 428,151	\$ 328,709

See accompanying notes to non-consolidated financial statements.

**Town of Stewiacke Water Utility**  
**Statement of Cash Flows – Operating Fund**  
*For the year ended March 31, 2021*

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in fund balance	\$ 99,442	\$ (113,494)
Change in non-cash operating working capital		
Decrease (increase) in rates receivable	(39,360)	30,563
Decrease in due from federal government and its agencies	15,308	131
Decrease in trade payables	(7,792)	(84,761)
	67,598	(167,561)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due from own funds	(180,093)	(78,753)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(112,495)	(246,314)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	209,968	456,282
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 97,473	\$ 209,968

See accompanying notes to non-consolidated financial statements.



**Town of Stewiacke Water Utility**  
**Statement of Financial Position - Capital Fund**

*As at March 31, 2021*

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 98,905	\$ 98,618
Restricted cash – depreciation fund	482,670	284,049
Tangible capital assets		
Utility plant and equipment (Schedule A)	4,596,030	4,447,094
	<b>\$ 5,177,605</b>	<b>\$ 4,829,761</b>
<b>LIABILITIES</b>		
Due to Water Operating Fund	\$ 271,256	\$ 92,253
Deferred contributions	1,684,615	1,622,498
Accumulated depreciation	1,021,329	944,534
Long-term debt (note 2)	486,291	564,473
	3,463,491	3,223,758
<b>NET ASSETS</b>		
Fund balance	46,037	44,856
Investment in capital assets	1,668,077	1,561,147
	1,714,114	1,606,003
	<b>\$ 5,177,605</b>	<b>\$ 4,829,761</b>

See accompanying notes to non-consolidated financial statements.

On behalf of the Town of Stewiacke Water Utility:

 \_\_\_\_\_ Mayor

 \_\_\_\_\_ Chief Administrative Officer

**Town of Stewiacke Water Utility**  
**Water Utility Section**  
**Statement of Accumulated Allowance for Depreciation**  
*For the year ended March 31, 2021*

	2021	2020
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 944,534	\$ 863,344
Depreciation for the year	76,795	81,190
<b>BALANCE, END OF YEAR</b>	<b>\$ 1,021,329</b>	<b>\$ 944,534</b>

**Schedule of Changes in Capital Fund**  
*For the year ended March 31, 2021*

	2021	2020
<b>FUND BALANCE, BEGINNING OF YEAR</b>	\$ 44,856	\$ 32,734
Interest revenue	1,181	12,122
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 46,037</b>	<b>\$ 44,856</b>
<b>INVESTMENT IN CAPITAL ASSETS, BEGINNING OF YEAR</b>	<b>\$ 1,561,147</b>	<b>\$ 1,308,642</b>
Capital out of revenue	-	122,256
Repayment of long-term debt	78,182	99,203
Long-term debt transferred	-	(25,086)
Assets transferred from general capital	-	28,595
Amortization of deferred contributions	28,748	27,537
<b>INVESTMENT IN CAPITAL ASSETS, END OF YEAR</b>	<b>\$ 1,668,077</b>	<b>\$ 1,561,147</b>

**Statement of Depreciation Fund Cash**  
*For the year ended March 31, 2021*

	2021	2020
<b>FUND, BEGINNING OF YEAR</b>	\$ 308,222	\$ 227,032
Depreciation	76,795	81,190
Purchase of tangible capital assets	(58,071)	-
<b>FUND, END OF YEAR</b>	<b>326,946</b>	<b>308,222</b>
Excess amount (unfunded)	155,724	(24,173)
<b>CASH, END OF YEAR</b>	<b>\$ 482,670</b>	<b>\$ 284,049</b>

# Town of Stewiacke Water Utility

## Notes to Financial Statements

*For the year ended March 31, 2021*

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### 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 Town of Stewiacke Water Utility (the 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 Chartered Professional Accountants Handbook (the CPA Handbook). The significant differences between generally accepted accounting principles for Water Utilities in Nova Scotia and the CPA Handbook are that the CPA 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 financial statements – Operating Fund and Capital Fund. The consolidated financial statements prepared in accordance with the CPA Handbook would include consolidated statements of financial position, financial activities, changes in net financial assets and cash flows;
- Revenues and expenses be recorded on a full accrual basis;
- The 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 Utility.

#### (b) Cash and cash equivalents

Cash and cash equivalents of the operating fund is defined as cash on hand and on deposit at banks net of outstanding cheques and deposits.

#### (c) Revenues and expenses

Major revenues and expenses items are recorded on an accrual basis. Consumer 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.

#### (c) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting consumer rates receivable outstanding.

**Town of Stewiacke Water Utility**  
**Notes to Financial Statements**

*For the year ended March 31, 2021*

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(d) 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**

	Interest rate - %	Matures	Balance March 31/20	Repaid	Balance March 31/21
<b>Water Capital Fund</b>					
Scotia Bank Truck	5.89%	2024	\$ 20,069	\$ (5,017)	\$ 15,052
Nova Scotia Municipal Finance Corporation					
	2.1 – 3.3%	2029	78,750	(8,750)	70,000
	2.0 – 2.3%	2024	140,924	(28,185)	112,739
	4.1 – 4.9%	2025	263,230	(15,730)	247,500
	2.6 – 3.5%	2023	61,500	(20,500)	41,000
			\$ 564,473	\$ (78,182)	\$ 486,291

Principal payments required in each of the next five years on debt held as at March 31, 2021 are as follows:

2022	\$ 89,900
2023	90,200
2024	69,200
2025	201,900
2026	8,800

**Town of Stewiacke Water Utility**  
**Notes to Financial Statements**

*For the year ended March 31, 2021*

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**3. TRANSACTIONS WITH TOWN OF STEWIACKE**

- a) In general, and where identifiable, costs incurred by the Town 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 Utility operating fund owed \$5,166 to the Town (2020 – \$4,076) with respect to this inter-fund balance, no interest has been charged by the Town.

**4. RATE OF RETURN ON RATE BASE**

For the year ended March 31, 2021, the Town of Stewiacke Water Utility had a rate of return on rate base of 10.3% (2020 – 7.2%).

**5. FINANCIAL INSTRUMENTS**

The carrying value of cash, rates and other receivables and trade payables approximate their fair value due to the relatively short terms to maturity.

The carrying value of inter-fund balances and due to/from Town of Stewiacke approximates its fair value due to special conditions attached thereto.

**6. ADOPTION OF ACCOUNTING PRINCIPLES**

These financial statements are the first financial statements prepared in accordance with generally accepted accounting principles for Water Utilities in Nova Scotia.

The financial results for the year ended March 31, 2020 were presented as an unaudited schedule of the Town of Stewiacke consolidated financial statements in accordance with Canadian public sector accounting standards and have been adjusted to reflect the reporting requirements of generally accepted accounting principles for Water Utilities in Nova Scotia as follows:

No adjustments were required for the Water Utility Operating Fund.

**Town of Stewiacke Water Utility**  
**Notes to Financial Statements**

*For the year ended March 31, 2021*

**6. ADOPTION OF ACCOUNTING PRINCIPLES (CONTINUED)**

**Statement of Financial Position - Capital Fund**

*As at March 31, 2020*

	As previously reported at March 31, 2020	Adjustment on adoption of accounting principles	As adjusted in accordance with accounting principles for Water Utilities
<b>ASSETS</b>			
Cash and cash equivalents	\$ 98,618	\$ —	\$ 98,618
Restricted cash – depreciation fund	284,049	—	284,049
Tangible capital assets			
Utility plant and equipment (Schedule A)	4,447,094	—	4,447,094
	\$ 4,829,761	\$ —	\$ 4,829,761
<b>LIABILITIES</b>			
Due to Water Operating Fund	\$ 92,253	\$ —	\$ 92,253
Deferred contributions	—	1,622,498	1,622,498
Accumulated depreciation	944,534	—	944,534
Long-term debt (note 2)	564,473	—	564,473
	1,601,260	1,622,498	3,223,758
<b>NET ASSETS</b>			
Fund balance	44,856	—	44,856
Investment in capital assets	3,183,645	(1,622,498)	1,561,147
	3,228,501	(1,622,498)	1,606,003
	\$ 4,829,761	\$ —	\$ 4,829,761

**Town of Stewiacke Water Utility**  
**Notes to Financial Statements**

*For the year ended March 31, 2021*

**6. ADOPTION OF ACCOUNTING PRINCIPLES (CONTINUED)**

**Schedule of Changes in Capital Fund**

*For the year ended March 31, 2020*

	As previously reported at March 31, 2020	Adjustment on adoption of accounting principles	As adjusted in accordance with accounting principles for Water Utilities
<b>FUND BALANCE, BEGINNING OF YEAR</b>	\$ 32,734	\$ —	\$ 32,734
Interest revenue	12,122	—	12,122
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 44,856</b>	<b>\$ —</b>	<b>\$ 44,856</b>
<b>INVESTMENT IN CAPITAL ASSETS, BEGINNING OF YEAR</b>	<b>\$ 2,927,392</b>	<b>\$ (1,618,750)</b>	<b>\$ 1,308,642</b>
Capital out of revenue	122,256	—	122,256
Grant – Province of Nova Scotia	31,285	(31,285)	—
Repayment of long-term debt	99,203	—	99,203
Long-term debt transferred	(25,086)	—	(25,086)
Assets transferred from general capital	28,595	—	28,595
Amortization of deferred contributions	—	27,537	27,537
<b>INVESTMENT IN CAPITAL ASSETS, END OF YEAR</b>	<b>\$ 3,183,645</b>	<b>\$ (1,622,498)</b>	<b>\$ 1,561,147</b>

**Town of Stewiacke Water Utility**  
**Schedule A – Utility Plant and Equipment**

*For the year ended March 31, 2021*

	2021	2020
Water storage plant	\$ 1,716,814	\$ 1,716,814
Equipment	147,077	147,077
Mains	1,946,865	1,856,000
Services	207,498	149,427
Meters	41,626	41,626
Hydrants	77,718	77,718
Water treatment plant	405,786	405,786
Trucks	28,595	28,595
Computer software	24,051	24,051
	<b>\$ 4,596,030</b>	<b>\$ 4,447,094</b>