
MUNICIPALITY OF THE DISTRICT OF EAST HANTS

EAST HANTS WATER UTILITY

FINANCIAL REPORT

March 31, 2014

Municipality of the District of East Hants
East Hants Water Utility
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INDEPENDENT AUDITOR'S REPORT

To the Municipal Council of the
Municipality of the District of East Hants

We have audited the accompanying financial statements of East Hants Water Utility, which comprise the statement of financial position as at March 31, 2014, and the statements of financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management the Municipality of the District of East Hants based on the accounting principles prescribed for Nova Scotia water utilities by the Nova Scotia Utility and Review Board.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed for Nova Scotia water utilities by the Nova Scotia Utility and Review Board, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

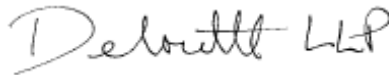
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of East Hants Water Utility as at March 31, 2014, and the results of its financial activities for the year then ended in accordance with the accounting principles prescribed for Nova Scotia water utilities by the Nova Scotia Utility and Review Board.

Basis for Accounting and Restrictions on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared for the information and use of Council of the Municipality of the District of East Hants, Service Nova Scotia and Municipal Relations, and the Nova Scotia Utility and Review Board. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Council of the Municipality of the District of East Hants, Service Nova Scotia and Municipal Relations, and the Nova Scotia Utility and Review Board and should not be distributed to or used by parties other than Council of the Municipality of the District of East Hants, Service Nova Scotia and Municipal Relations, and the Nova Scotia Utility and Review Board.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Accountants
July 23, 2014
Halifax, Nova Scotia

**Municipality of the District of East Hants
 East Hants Water Utility Operating Fund
 Statement of Financial Position
 As at March 31, 2014**

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Bank - cash	\$ 899,288	\$ 860,628
Rates receivable (less allowance for doubtful accounts - \$9,483; 2013 - \$4,988 - Note 1b)	507,513	520,999
Accounts receivable	35,288	36,275
Inventory, at cost	9,801	9,091
Prepaid expenses	14,550	14,392
	<u>\$ 1,466,440</u>	<u>\$ 1,441,385</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 67,929	\$ 134,906
Deferred revenue - general	29,680	25,586
	<u>97,609</u>	<u>160,492</u>
SURPLUS	<u>1,368,831</u>	<u>1,280,893</u>
	<u>\$ 1,466,440</u>	<u>\$ 1,441,385</u>

**Approved on Behalf of the Municipality
 of the District of East Hants**

.....Warden

.....Clerk

**Municipality of the District of East Hants
 East Hants Water Utility Operating Fund
 Statement of Financial Activities
 Year Ended March 31, 2014**

	Budget <u>2014</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUE			
Metered sales	\$ 1,722,900	\$ 1,632,922	\$ 1,716,059
Public fire protection	516,897	542,561	516,897
Coin meter	27,000	24,452	31,549
Miscellaneous income	17,350	14,790	16,314
TOTAL OPERATING REVENUE	<u>2,284,147</u>	<u>2,214,725</u>	<u>2,280,819</u>
OPERATING EXPENDITURES			
Source of Supply	7,000	4,023	6,201
Pumping	238,675	194,060	240,153
Water treatment	436,883	429,063	400,296
Transmission and distribution	770,743	561,534	644,215
Administrative and general	362,883	280,872	316,480
Depreciation	325,830	231,317	232,620
TOTAL OPERATING EXPENDITURES	<u>2,142,014</u>	<u>1,700,869</u>	<u>1,839,965</u>
NET OPERATING REVENUE	<u>142,133</u>	<u>513,856</u>	<u>440,854</u>
NON-OPERATING REVENUE			
Interest	7,200	8,679	8,495
Transfer from operating	175,000	-	-
	<u>182,200</u>	<u>8,679</u>	<u>8,495</u>
NON-OPERATING EXPENDITURES			
Interest	245,010	245,006	253,078
Principal	189,600	189,591	182,834
Capital Expenditure Out of Operations	-	-	-
	<u>434,610</u>	<u>434,597</u>	<u>435,912</u>
NET NON-OPERATING EXPENDITURES	<u>(252,410)</u>	<u>(425,918)</u>	<u>(427,417)</u>
NET REVENUE	(110,277)	87,938	13,437
SURPLUS, BEGINNING OF YEAR	1,280,893	1,280,893	1,267,456
SURPLUS, END OF YEAR	<u>\$ 1,170,616</u>	<u>\$ 1,368,831</u>	<u>\$ 1,280,893</u>

**Municipality of the District of East Hants
 East Hants Water Utility Capital Fund
 Statement of Financial Position
 As at March 31, 2014**

	<u>2014</u>	<u>2013</u>
ASSETS		
Bank - cash	\$ 6,497	\$ 2,798
Cash - Amortization/Depreciation (Note 2)	1,342,803	1,182,628
Accounts receivable	208	1,389
Utility plant and equipment	21,440,099	21,354,311
Utility plant and equipment - Work in progress	1,283	-
	<u>\$ 22,790,890</u>	<u>\$ 22,541,126</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,704	\$ 4,187
Term debt (Note 3)	5,142,576	5,332,167
Deferred contributions	6,320,808	6,417,615
Accumulated depreciation	4,280,528	3,952,404
	<u>15,750,616</u>	<u>15,706,373</u>
INVESTMENT IN CAPITAL ASSETS	<u>7,040,274</u>	<u>6,834,753</u>
	<u>\$ 22,790,890</u>	<u>\$ 22,541,126</u>

Approved on Behalf of the Municipality
 of the District of East Hants

.....Warden

.....Clerk

**Municipality of the District of East Hants
 East Hants Water Utility Capital Fund
 Statement of Financial Activities
 Year Ended March 31, 2014**

	<u>2014</u>	<u>2013</u>
REVENUE		
Investment income	\$ 15,930	\$ 12,945
FINANCING AND TRANSFERS		
Transfers from operations	-	2,133
Term debt retired	189,591	182,834
Change in Equity - Loss on Disposal of Assets	-	(12,196)
	<u>189,591</u>	<u>172,771</u>
CHANGE IN FUND BALANCE	<u>205,521</u>	<u>185,716</u>
BEGINNING FUND BALANCE	6,834,753	6,649,037
ENDING FUND BALANCE	<u>\$ 7,040,274</u>	<u>\$ 6,834,753</u>

MUNICIPALITY OF THE DISTRICT OF EAST HANTS
EAST HANTS WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance to conform in all material respects to the accounting principles prescribed for Nova Scotia water utilities by the Nova Scotia Utility and Review Board (NSURB) and are intended for the use of Council, Service Nova Scotia and Municipal Relations and the NSURB.

The basis of accounting used in these financial statements differs materially from Canadian generally accepted accounting principles (GAAP) as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). The significant differences from GAAP are described below. GAAP requires that:

- Principal payments on debt should not be reported on the Statement of Financial Activities.
- A Statement of Cash Flows should be presented.

Other significant accounting policies are as follows:

a) Revenue and Expenditure

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

Certain sources of revenue, including forfeited discounts, are recorded on a cash basis.

Principal and interest payments relating to long-term debt are recorded as an expense when paid.

Interest earned on amortization funds is recorded as an addition to the Amortization Reserve Fund.

The Municipal Water Utility receives donated capital assets and grants to cover capital expenditures. These are recorded as deferred contributions and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

b) Allowance for Doubtful Accounts

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

**MUNICIPALITY OF THE DISTRICT OF EAST HANTS
EAST HANTS WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014**

c) Capital Assets

Capital assets and projects in progress are recorded at the Utility's gross cost. Funds received through capital assistance programs or cost-sharing arrangements are treated as deferred contributions in the capital fund. Interest incurred during construction on significant water capital projects is capitalized. Interest is calculated at the prevailing rates for projects temporarily funded by general or water utility operations. Capital assets donated by external parties, generally developers, have been recorded at their estimated value.

d) Amortization/Depreciation

Amortization of donated capital assets and depreciation of other capital assets is recorded in the Water Capital Fund calculated on a formula prescribed by the Utility Review Board. The amortization/depreciation charge in the Operating Fund is transferred to a special bank account in the Capital Fund.

e) Allocation of Municipal Costs to Water Utility Funds

Where identifiable, costs incurred by the Municipality of East Hants on behalf of the water utility are charged to the utility funds. The salaries and overtime of Public Works staff is allocated in proportion to time spent working for the utility. A portion of administrative salaries and other expense of the Municipality are allocated to sewer and water operations.

2. AMORTIZATION/DEPRECIATION FUND

	2014	2013
Cash, beginning of year	\$1,182,628	\$1,004,316
Add:		
Depreciation	231,317	232,620
Interest earned	15,930	12,945
Deduct :		
Appropriations to Capital Fund	(87,072)	(67,253)
Cash, end of year	<u>\$1,342,803</u>	<u>\$1,182,628</u>

3. LONG-TERM DEBT

All debt has been issued in the name of the Municipality and has been properly authorized by Service Nova Scotia and Municipal Relations.

**Municipality of the District of East Hants
 East Hants Water Utility
 Schedule of Investment in Water Utility Plant and Equipment
 As at March 31, 2014**

	<u>2014</u>	<u>2013</u>
Land and Land rights		
Coin meter	\$ 7,500	\$ 7,500
Other	17,533	17,533
Fence	13,540	13,540
Source of supply	<u>204,432</u>	<u>204,432</u>
	<u>243,005</u>	<u>243,005</u>
Structures and improvements		
Source of supply	260,667	260,667
Pumping	118,280	118,280
Water treatment	11,984,060	11,976,049
Distribution reservoirs	<u>1,937,385</u>	<u>1,937,385</u>
	<u>14,300,392</u>	<u>14,292,381</u>
Equipment		
Pumping	378,504	378,504
Water treatment	742,988	733,792
Transportation	28,603	28,603
Tools and work equipment	40,471	40,471
Other	<u>282,297</u>	<u>273,192</u>
	<u>1,472,863</u>	<u>1,454,562</u>
Water Utilities Contributed Buried Services	709,542	709,542
Mains		
Transmission	3,739,845	3,739,845
Distribution	<u>118,776</u>	<u>118,776</u>
	<u>3,858,621</u>	<u>3,858,621</u>
Services	294,879	294,879
Meters	96,373	96,373
Hydrants	464,424	404,948
	<u>\$ 21,440,099</u>	<u>\$ 21,354,311</u>

**Municipality of the District of East Hants
 East Hants Water Utility Operating Fund
 Schedule to Statement of Financial Activities
 As at March 31, 2014**

	<u>2014</u>	<u>2013</u>
Source of Supply		
Supplies and expenses	<u>\$ 4,023</u>	<u>\$ 6,201</u>
Pumping		
Power	\$ 124,219	\$ 120,673
Maintenance	69,841	119,480
	<u>\$ 194,060</u>	<u>\$ 240,153</u>
Water Treatment		
Supervision and engineering	\$ 19,420	\$ 10,243
Labour	163,726	162,871
Supplies and expenses	177,025	179,779
Maintenance of structures and improvements	68,892	47,403
Maintenance of equipment	-	-
	<u>\$ 429,063</u>	<u>\$ 400,296</u>
Transmission and distribution		
Supervision and engineering	\$ 23,308	\$ 12,292
Labour	206,209	210,772
Maintenance of mains	268,895	367,625
Maintenance of other distribution plant	13,985	202
Store expenses	33,218	39,195
Transportation expenses	15,919	14,129
	<u>\$ 561,534</u>	<u>\$ 644,215</u>
Administration and general		
Supervision	\$ 120,298	\$ 164,792
Consumer billing and accounting	79,297	79,117
Uncollectible accounts	4,486	1,254
General office expenses	68,896	63,219
Audit	5,219	5,419
Regulatory expenses	2,676	2,679
	<u>\$ 280,872</u>	<u>\$ 316,480</u>

**Municipality of the District of East Hants
 East Hants Water Utility Capital Fund
 Schedule of Capital Debt Charges and Term Debt
 As at March 31, 2014**

Date	Balance 2012/2013	Issued 2014	Redeemed 2013/2014	Balance 2013/2014	Interest 2013/2014	Interest Rate
2006	\$ 497,345	\$ -	\$ 24,592	\$ 472,753	\$ 23,894	4.285-5.08%
2006	\$ 1,721,660	\$ -	\$ 55,206	\$ 1,666,454	\$ 77,151	4.095-4.59%
2007	\$ 1,760,385	\$ -	\$ 54,899	\$ 1,705,486	\$ 81,068	4.385-4.77%
2007	\$ 800,000	\$ -	\$ 40,000	\$ 760,000	\$ 40,070	4.385-4.77%
2008	\$ 216,455	\$ -	\$ 6,074	\$ 210,381	\$ 10,598	3.75-5.088%
2011	\$ 336,322	\$ -	\$ 8,820	\$ 327,502	\$ 12,225	1.219-4.026%
	\$ 5,332,167	\$ -	\$ 189,591	\$ 5,142,576	\$ 245,006	