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**MUNICIPALITY OF THE DISTRICT OF EAST HANTS**

**EAST HANTS WATER UTILITY**

**FINANCIAL REPORT**

March 31, 2015

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**Municipality of the District of East Hants**  
**East Hants Water Utility**  
**Table of Contents**  
**March 31, 2015**

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	<u>Page</u>
Auditor's Report	
Statement of Financial Position of the Water Utility Operating Fund	1
Statement of Financial Activities of the Water Utility Operating Fund	2
Statement of Financial Position of the Water Utility Capital Fund	3
Statement of Financial Activities of the Water Utility Capital Fund	4
Notes to the Financial Statements	5 - 6
Schedule of Investment in Water Utility Plant and Equipment	7
Schedule to the Statement of Financial Activities of the Water Utility Operating Fund	8
Schedule of Capital Debt Charges and Term Debt of the Water Utility Capital Fund	9



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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, 2015, 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.

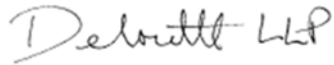
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2015, 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.



Chartered Professional Accountants

July 30, 2015

Halifax, Nova Scotia

**Municipality of the District of East Hants  
 East Hants Water Utility Operating Fund  
 Statement of Financial Position  
 As at March 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>FINANCIAL ASSETS</b>		
Bank - cash	\$ 941,210	\$ 899,288
Rates receivable (less allowance for doubtful accounts - \$12,865; 2014 - \$9,483 - Note 1b)	547,546	507,513
Accounts receivable	33,139	35,288
Inventory, at cost	9,080	9,801
Prepaid expenses	10,894	14,550
	<u>\$ 1,541,869</u>	<u>\$ 1,466,440</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 109,733	\$ 67,929
Deferred revenue - general	36,252	29,680
	<u>145,985</u>	<u>97,609</u>
	<u>1,395,884</u>	<u>1,368,831</u>
<b>SURPLUS</b>	<u>\$ 1,541,869</u>	<u>\$ 1,466,440</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, 2015**

	Budget <u>2015</u> (Unaudited)	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUE</b>			
Metered sales	\$ 1,645,310	\$ 1,641,197	\$ 1,632,922
Public fire protection	537,828	516,897	542,561
Coin meter	27,000	43,174	24,452
Miscellaneous income	15,450	14,260	14,790
<b>TOTAL OPERATING REVENUE</b>	<u>2,225,588</u>	<u>2,215,528</u>	<u>2,214,725</u>
<b>OPERATING EXPENDITURES</b>			
Source of Supply	11,500	5,605	4,023
Pumping	232,340	230,458	194,060
Water treatment	480,957	426,350	429,063
Transmission and distribution	667,969	558,653	561,534
Administrative and general	380,798	310,204	280,872
Depreciation	331,450	232,268	231,317
<b>TOTAL OPERATING EXPENDITURES</b>	<u>2,105,014</u>	<u>1,763,538</u>	<u>1,700,869</u>
<b>NET OPERATING REVENUE</b>	<u>120,574</u>	<u>451,990</u>	<u>513,856</u>
<b>NON-OPERATING REVENUE</b>			
Interest	7,200	8,266	8,679
Transfer from operating	175,000	-	-
	<u>182,200</u>	<u>8,266</u>	<u>8,679</u>
<b>NON-OPERATING EXPENDITURES</b>			
Interest	236,496	236,495	245,006
Principal	196,708	196,708	189,591
	<u>433,204</u>	<u>433,203</u>	<u>434,597</u>
<b>NET NON-OPERATING EXPENDITURES</b>	<u>(251,004)</u>	<u>(424,937)</u>	<u>(425,918)</u>
<b>NET REVENUE</b>	(130,430)	27,053	87,938
<b>SURPLUS, BEGINNING OF YEAR</b>	1,368,831	1,368,831	1,280,893
<b>SURPLUS, END OF YEAR</b>	<u>\$ 1,238,401</u>	<u>\$ 1,395,884</u>	<u>\$ 1,368,831</u>

**Municipality of the District of East Hants  
 East Hants Water Utility Capital Fund  
 Statement of Financial Position  
 As at March 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Bank - cash	\$ -	\$ 6,497
Cash - Amortization/Depreciation (Note 2)	1,519,508	1,342,803
Accounts receivable	7,522	208
Utility plant and equipment	22,262,955	21,440,099
Utility plant and equipment - Work in progress	-	1,283
	<u>\$ 23,789,985</u>	<u>\$ 22,790,890</u>
<b>LIABILITIES</b>		
Bank - indebtedness	\$ 7,521	\$ -
Accounts payable and accrued liabilities	-	6,704
Term debt (Note 3)	4,945,869	5,142,576
Deferred contributions	6,971,093	6,320,808
Accumulated depreciation	4,609,603	4,280,528
	<u>16,534,086</u>	<u>15,750,616</u>
<b>INVESTMENT IN CAPITAL ASSETS</b>	<u>7,255,899</u>	<u>7,040,274</u>
	<u>\$ 23,789,985</u>	<u>\$ 22,790,890</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, 2015**

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	<u>2015</u>	<u>2014</u>
<b>REVENUE</b>		
Investment income	<u>\$ 18,917</u>	<u>\$ 15,930</u>
<b>FINANCING AND TRANSFERS</b>		
Term debt retired	<u>196,708</u>	<u>189,591</u>
	<u>196,708</u>	<u>189,591</u>
<b>CHANGE IN FUND BALANCE</b>	<u>215,625</u>	<u>205,521</u>
<b>BEGINNING FUND BALANCE</b>	7,040,274	6,834,753
<b>ENDING FUND BALANCE</b>	<u><u>\$ 7,255,899</u></u>	<u><u>\$ 7,040,274</u></u>



**MUNICIPALITY OF THE DISTRICT OF EAST HANTS  
EAST HANTS WATER UTILITY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2015**

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**1. ACCOUNTING POLICIES**

The East Hants Water Utility 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 (NSUARB) and are intended for the use of Council, Nova Scotia Municipal Affairs and the NSUARB.

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 Chartered Professional Accountants of Canada (PSAS). 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, 2015**

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**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**

	<b>2015</b>	<b>2014</b>
Cash, beginning of year	\$1,342,803	\$1,182,628
Add:		
Depreciation	232,268	231,317
Interest earned	18,917	15,930
Deduct :		
Appropriations to Capital Fund	(74,480)	(87,072)
Cash, end of year	<u>\$1,519,508</u>	<u>\$1,342,803</u>

**3. LONG-TERM DEBT**

All debt has been issued in the name of the Municipality of East Hants and has been properly authorized by Nova Scotia Municipal Affairs.

**Municipality of the District of East Hants  
 East Hants Water Utility  
 Schedule of Investment in Water Utility Plant and Equipment  
 As at March 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>Land and Land rights</b>		
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>
<b>Structures and improvements</b>		
Source of supply	260,667	260,667
Pumping	118,280	118,280
Water treatment	11,984,060	11,984,060
Distribution reservoirs	<u>1,937,385</u>	<u>1,937,385</u>
	<u>14,300,392</u>	<u>14,300,392</u>
<b>Equipment</b>		
Pumping	378,504	378,504
Water treatment	742,988	742,988
Transportation	28,603	28,603
Tools and work equipment	40,471	40,471
Other	<u>296,795</u>	<u>282,297</u>
	<u>1,487,361</u>	<u>1,472,863</u>
<b>Water Utilities Contributed Buried Services</b>	<u>1,234,334</u>	<u>709,542</u>
<b>Mains</b>		
Transmission	3,942,428	3,739,845
Distribution	<u>118,776</u>	<u>118,776</u>
	<u>4,061,204</u>	<u>3,858,621</u>
<b>Services</b>	294,879	294,879
<b>Meters</b>	96,373	96,373
<b>Hydrants</b>	545,407	464,424
	<u>\$ 22,262,955</u>	<u>\$ 21,440,099</u>

**Municipality of the District of East Hants  
 East Hants Water Utility Operating Fund  
 Schedule to Statement of Financial Activities  
 Year Ended March 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>Source of Supply</b>		
Supplies and expenses	<u>\$ 5,605</u>	<u>\$ 4,023</u>
<b>Pumping</b>		
Power	131,321	124,219
Maintenance	99,137	69,841
	<u>\$ 230,458</u>	<u>\$ 194,060</u>
<b>Water Treatment</b>		
Supervision and engineering	19,944	19,420
Labour	164,147	163,726
Supplies and expenses	169,775	177,025
Maintenance of structures and improvements	72,484	68,892
	<u>\$ 426,350</u>	<u>\$ 429,063</u>
<b>Transmission and distribution</b>		
Supervision and engineering	23,936	23,308
Labour	205,574	206,209
Maintenance of mains	278,692	268,895
Maintenance of other distribution plant	2,271	13,985
Store expenses	33,608	33,218
Transportation expenses	14,572	15,919
	<u>\$ 558,653</u>	<u>\$ 561,534</u>
<b>Administration and general</b>		
Supervision	131,956	120,298
Consumer billing and accounting	91,614	79,297
Uncollectible accounts	3,645	4,486
General office expenses	74,856	68,896
Audit	5,623	5,219
Regulatory expenses	2,510	2,676
	<u>\$ 310,204</u>	<u>\$ 280,872</u>

**Municipality of the District of East Hants  
 East Hants Water Utility Capital Fund  
 Schedule of Capital Debt Charges and Term Debt  
 Year Ended March 31, 2015**

<b>Date</b>	<b>Balance March 31/2014</b>	<b>Issued 2014/2015</b>	<b>Redeemed 2014/2015</b>	<b>Balance March 31/2015</b>	<b>Interest 2014/2015</b>	<b>Interest Rate</b>
2006	\$ 472,753	\$ -	\$ 25,760	\$ 446,993	\$ 22,679	4.285-5.08%
2006	\$ 1,666,455	\$ -	\$ 58,085	\$ 1,608,370	\$ 74,752	4.095-4.59%
2007	\$ 1,705,486	\$ -	\$ 57,483	\$ 1,648,003	\$ 78,525	4.385-4.77%
2007	\$ 760,000	\$ -	\$ 40,000	\$ 720,000	\$ 38,139	4.385-4.77%
2008	\$ 210,381	\$ -	\$ 6,377	\$ 204,004	\$ 10,318	3.75-5.088%
2011	\$ 327,502	\$ -	\$ 9,003	\$ 318,499	\$ 12,082	1.219-4.026%
	<b>\$ 5,142,577</b>	<b>\$ -</b>	<b>\$ 196,708</b>	<b>\$ 4,945,869</b>	<b>\$ 236,495</b>	