
MUNICIPALITY OF THE DISTRICT OF EAST HANTS

EAST HANTS WATER UTILITY

FINANCIAL REPORT

March 31, 2016

**Municipality of the District of East Hants
East Hants Water Utility
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March 31, 2016**

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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, 2016, 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 of 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.

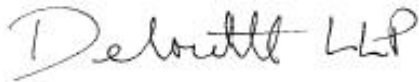
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, 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 Municipal Affairs, 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 Municipal Affairs, and the Nova Scotia Utility and Review Board and should not be distributed to or used by other parties.



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

Chartered Professional Accountants
July 28, 2016
Halifax, Nova Scotia

**Municipality of the District of East Hants
 East Hants Water Utility Operating Fund
 Statement of Financial Position
 As at March 31, 2016**

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Bank - cash	\$ 847,356	\$ 941,210
Rates receivable (less allowance for doubtful accounts - \$4,598; 2015 - \$12,865 - Note 1b)	548,215	547,546
Accounts receivable	74,402	33,139
Inventory, at cost	6,656	9,080
Prepaid expenses	10,897	10,894
	<u>\$ 1,487,526</u>	<u>\$ 1,541,869</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 97,895	\$ 109,733
Deferred revenue - general	37,854	36,252
	<u>135,749</u>	<u>145,985</u>
SURPLUS	<u>1,351,777</u>	<u>1,395,884</u>
	<u>\$ 1,487,526</u>	<u>\$ 1,541,869</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, 2016**


	Budget <u>2016</u> (Unaudited)	<u>2016</u>	<u>2015</u>
OPERATING REVENUE			
Metered sales	\$ 1,629,900	\$ 1,617,722	\$ 1,641,197
Public fire protection	552,519	516,897	516,897
Coin meter	30,000	32,146	43,174
Miscellaneous income	15,050	21,545	14,260
TOTAL OPERATING REVENUE	<u>2,227,469</u>	<u>2,188,310</u>	<u>2,215,528</u>
OPERATING EXPENDITURES			
Source of Supply	11,500	10,477	5,605
Pumping	255,090	234,469	230,458
Water treatment	497,562	426,112	426,350
Transmission and distribution	868,593	681,920	558,653
Administrative and general	341,183	269,089	310,204
Depreciation	330,418	230,733	232,268
TOTAL OPERATING EXPENDITURES	<u>2,304,346</u>	<u>1,852,800</u>	<u>1,763,538</u>
NET OPERATING REVENUE	<u>(76,877)</u>	<u>335,510</u>	<u>451,990</u>
NON-OPERATING REVENUE			
Interest	7,200	5,955	8,266
Provincial PCAP Funding	-	74,022	-
Transfer from operating	175,000	-	-
	<u>182,200</u>	<u>79,977</u>	<u>8,266</u>
NON-OPERATING EXPENDITURES			
Interest	227,528	227,531	236,495
Principal	204,211	204,210	196,708
Capital out of revenue	30,000	27,853	-
	<u>461,739</u>	<u>459,594</u>	<u>433,203</u>
NET NON-OPERATING EXPENDITURES	<u>(279,539)</u>	<u>(379,617)</u>	<u>(424,937)</u>
NET REVENUE	(356,416)	(44,107)	27,053
SURPLUS, BEGINNING OF YEAR	1,395,884	1,395,884	1,368,831
SURPLUS, END OF YEAR	<u>\$ 1,039,468</u>	<u>\$ 1,351,777</u>	<u>\$ 1,395,884</u>

**Municipality of the District of East Hants
 East Hants Water Utility Capital Fund
 Statement of Financial Position
 As at March 31, 2016**

	<u>2016</u>	<u>2015</u>
ASSETS		
Bank - cash	\$ 10,282	\$ -
Cash - Amortization/Depreciation (Note 2)	1,708,158	1,519,508
Accounts receivable	106	7,522
Utility plant and equipment	22,531,417	22,262,955
	<u>\$ 24,249,963</u>	<u>\$ 23,789,985</u>
LIABILITIES		
Bank - indebtedness	\$ -	\$ 7,521
Term debt (Note 3)	4,741,659	4,945,869
Deferred contributions	7,045,513	6,971,093
Accumulated depreciation	4,933,502	4,609,603
	<u>16,720,674</u>	<u>16,534,086</u>
INVESTMENT IN CAPITAL ASSETS	<u>7,529,289</u>	<u>7,255,899</u>
	<u>\$ 24,249,963</u>	<u>\$ 23,789,985</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, 2016**

	<u>2016</u>	<u>2015</u>
REVENUE		
Investment income	\$ 17,826	\$ 18,917
FINANCING AND TRANSFERS		
Transfers from operations	27,853	-
Transfers from special reserves (capital)	23,501	-
Term debt retired	204,210	196,708
	<u>255,564</u>	<u>196,708</u>
CHANGE IN FUND BALANCE	<u>273,390</u>	<u>215,625</u>
BEGINNING FUND BALANCE	7,255,899	7,040,274
ENDING FUND BALANCE	<u>\$ 7,529,289</u>	<u>\$ 7,255,899</u>

**MUNICIPALITY OF THE DISTRICT OF EAST HANTS
EAST HANTS WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016**

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 in the Canadian Sector Canadian accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). 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, 2016**

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. An amount of cash equal to the depreciation claimed is set aside annually out of earnings and transferred to a Depreciation 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

	2016	2015
Cash, beginning of year	\$1,519,508	\$1,342,803
Add:		
Depreciation	230,733	232,268
Interest earned	17,826	18,917
Deduct :		
Appropriations to Capital Fund	(59,909)	(74,480)
Cash, end of year	<u>\$1,708,158</u>	<u>\$1,519,508</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
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016**

4. RATE BASE & RATE OF RETURN

	2016	2015
Net operating revenue		
Operating revenue	\$2,188,310	\$2,215,528
Operating expenditures	1,852,800	1,763,538
Net operating revenue	\$335,510	\$451,990
Rate base		
Utility plant and equipment	22,531,417	22,262,955
Less: Accumulated depreciation	4,933,502	4,609,603
Less: contributed assets	7,515,090	7,329,289
Rate Base	\$10,082,825	\$10,324,063
Rate of return on rate base	3.33%	4.38%

Rate of return on rate base: $\frac{\text{Net operating revenue}}{\text{Rate Base}} \times 100$

5. BUDGET FIGURES

The East Hants Water Utility's annual budget is approved by Council. The budget figures are not subject to audit procedures.

6. PROPERTY TAX EXEMPTION

The property assets held by the East Hants Water Utility are exempt for property taxes by the Municipality of East Hants.

**Municipality of the District of East Hants
 East Hants Water Utility
 Schedule of Investment in Water Utility Plant and Equipment
 As at March 31, 2016**

	<u>2016</u>	<u>2015</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	11,984,060
Distribution reservoirs	<u>2,145,054</u>	<u>1,937,385</u>
	<u>14,508,061</u>	<u>14,300,392</u>
Equipment		
Pumping	378,504	378,504
Water treatment	742,988	742,988
Transportation	29,488	28,603
Tools and work equipment	40,471	40,471
Other	<u>296,794</u>	<u>296,795</u>
	<u>1,488,245</u>	<u>1,487,361</u>
Water Utilities Contributed Buried Services	1,234,334	1,234,334
Mains		
Transmission	3,942,428	3,942,428
Distribution	<u>118,776</u>	<u>118,776</u>
	<u>4,061,204</u>	<u>4,061,204</u>
Services	294,879	294,879
Meters	96,373	96,373
Hydrants	605,316	545,407
	<u>\$ 22,531,417</u>	<u>\$ 22,262,955</u>

**Municipality of the District of East Hants
 East Hants Water Utility Operating Fund
 Schedule to Statement of Financial Activities
 Year Ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
Source of Supply		
Supplies and expenses	\$ 10,477	\$ 5,605
Pumping		
Power	\$ 129,647	\$ 131,321
Maintenance	104,822	99,137
	<u>\$ 234,469</u>	<u>\$ 230,458</u>
Water Treatment		
Supervision and engineering	\$ 20,335	\$ 19,944
Labour	168,187	164,147
Supplies and expenses	180,158	169,775
Maintenance of structures and improvements	57,432	72,484
	<u>\$ 426,112</u>	<u>\$ 426,350</u>
Transmission and distribution		
Supervision and engineering	\$ 24,404	\$ 23,936
Labour	187,217	205,574
Maintenance of mains	424,893	278,692
Maintenance of other distribution plant	2,847	2,271
Store expenses	34,942	33,608
Transportation expenses	7,617	14,572
	<u>\$ 681,920</u>	<u>\$ 558,653</u>
Administration and general		
Supervision	\$ 79,430	\$ 131,956
Consumer billing and accounting	86,296	91,614
Uncollectible accounts	(538)	3,645
General office expenses	95,575	74,856
Audit	5,831	5,623
Regulatory expenses	2,495	2,510
	<u>\$ 269,089</u>	<u>\$ 310,204</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, 2016**

Date	Balance March 31/2015	Issued 2015/2016	Redeemed 2015/2016	Balance March 31/2016	Interest 2015/2016	Interest Rate
2006	\$ 446,993	\$ -	\$ 26,988	\$ 420,005	\$ 21,390	4.285-5.08%
2006	\$ 1,608,370	\$ -	\$ 61,110	\$ 1,547,260	\$ 72,192	4.095-4.59%
2007	\$ 1,648,003	\$ -	\$ 60,191	\$ 1,587,812	\$ 75,828	4.385-4.77%
2007	\$ 720,000	\$ -	\$ 40,000	\$ 680,000	\$ 36,190	4.385-4.77%
2008	\$ 204,004	\$ -	\$ 6,694	\$ 197,310	\$ 7,491	3.75-5.088%
2011	\$ 318,499	\$ -	\$ 9,227	\$ 309,272	\$ 14,440	1.219-4.026%
	\$ 4,945,869	\$ -	\$ 204,210	\$ 4,741,659	\$ 227,531	