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**MUNICIPALITY OF THE DISTRICT OF EAST HANTS**

**EAST HANTS WATER UTILITY**

**FINANCIAL REPORT**

March 31, 2022

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**Municipality of the District of East Hants**  
**East Hants Water Utility**  
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**March 31, 2022**

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## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of East Hants Water Utility (the "Utility"), which comprise the statements of financial position as at March 31, 2022 and the statements of financial activities for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Utility as at March 31, 2022, and the result of its operations 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 (the "Financial Reporting Framework").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Utility 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.

### Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Utility in complying with the Financial Reporting Framework. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Financial Reporting Framework, 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 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 Utility or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Utility'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 GAAS 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 GAAS, 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 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 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 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.

*Deloitte LLP*

Chartered Professional Accountants  
July 28, 2022

**Municipality of the District of East Hants  
 East Hants Water Utility Operating Fund  
 Statement of Financial Position  
 As at March 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>FINANCIAL ASSETS</b>		
Cash - bank	\$ 1,701,617	\$ 1,834,953
Rates receivable (less allowance for doubtful accounts - \$16,683; 2022 - \$11,348; 2021 - Note 1b)	753,839	727,384
Accounts receivable	45,903	38,234
Inventory, at cost (Note 2)	10,137	8,370
Prepaid expenses	14,212	14,646
	<u>\$ 2,525,708</u>	<u>\$ 2,623,587</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 122,545	\$ 116,086
Due to Municipal Operations	240,717	231,816
Due to Water Utility Capital	489,044	498,102
Deferred revenue	75,099	58,157
	<u>927,405</u>	<u>904,161</u>
<b>SURPLUS</b>	<u>1,598,303</u>	<u>1,719,426</u>
	<u>\$ 2,525,708</u>	<u>\$ 2,623,587</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, 2022**

	<b>Budget 2022</b> (Unaudited - Note 7)	<b>2022</b>	<b>2021</b>
<b>OPERATING REVENUE</b>			
Metered sales	\$ 2,154,300	\$ 2,146,241	\$ 2,154,264
Public fire protection	547,285	554,989	543,345
Coin meter	81,000	116,788	128,045
Miscellaneous income	18,075	18,920	19,300
<b>TOTAL OPERATING REVENUE</b>	<b>2,800,660</b>	<b>2,836,938</b>	<b>2,844,954</b>
<b>OPERATING EXPENDITURES</b>			
Source of Supply (Schedule 2)	18,400	9,765	7,613
Pumping (Schedule 2)	292,879	240,111	240,467
Water treatment (Schedule 2)	628,845	574,261	461,448
Transmission and distribution (Schedule 2)	685,514	731,471	762,591
Administrative and general (Schedule 2)	340,029	275,673	281,706
Depreciation (Note 3)	470,701	456,294	481,411
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,436,368</b>	<b>2,287,575</b>	<b>2,235,236</b>
<b>NET OPERATING REVENUE</b>	<b>364,292</b>	<b>549,363</b>	<b>609,718</b>
<b>NON-OPERATING REVENUE</b>			
Interest	6,560	8,683	6,582
Transfer to fund debt balloon payment	225,000	-	-
Obligatory Reserves - Water	100,000	-	-
	<b>331,560</b>	<b>8,683</b>	<b>6,582</b>
<b>NON-OPERATING EXPENDITURES</b>			
Interest (Schedule 3)	138,709	138,694	176,012
Principal (Schedule 3)	507,726	507,725	237,420
Capital out of revenue	32,750	32,750	16,691
	<b>679,185</b>	<b>679,169</b>	<b>430,123</b>
<b>NET NON-OPERATING EXPENDITURES</b>	<b>(347,625)</b>	<b>(670,486)</b>	<b>(423,541)</b>
<b>NET (LOSS) REVENUE</b>	<b>16,667</b>	<b>(121,123)</b>	<b>186,177</b>
<b>SURPLUS, BEGINNING OF YEAR</b>	<b>1,719,425</b>	<b>1,719,426</b>	<b>1,533,249</b>
<b>SURPLUS, END OF YEAR</b>	<b>\$ 1,736,092</b>	<b>\$ 1,598,303</b>	<b>\$ 1,719,426</b>

**Municipality of the District of East Hants  
 East Hants Water Utility Capital Fund  
 Statement of Financial Position  
 As at March 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash - bank	\$ 116,132	\$ 102,400
Cash - depreciation (Note 3)	2,082,469	2,421,632
Accounts receivable	11,329	1,327
Due from Water Utility operating fund	489,044	498,102
Due from Municipal Operations	7,133	5,174
Utility plant and equipment (Schedule 1)	30,361,642	28,506,332
	<u>\$ 33,067,749</u>	<u>\$ 31,534,967</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 142,453	\$ 438
Deferred revenue - capital	-	102,221
Term debt (Note 4 and Schedule 3)	3,106,600	3,614,326
Deferred contributions (Note 5)	9,850,306	9,216,402
Accumulated depreciation	7,300,974	6,844,680
	<u>20,400,333</u>	<u>19,778,067</u>
<b>INVESTMENT IN CAPITAL ASSETS</b>	<u>12,667,416</u>	<u>11,756,900</u>
	<u>\$ 33,067,749</u>	<u>\$ 31,534,967</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, 2022**

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	<u>2022</u>	<u>2021</u>
<b>REVENUE</b>		
Investment income	\$ 26,747	\$ 21,058
Capital contributions (Note 5)	157,346	146,840
Development & other contributions applied	185,948	-
	<u>370,041</u>	<u>167,898</u>
<b>FINANCING AND TRANSFERS</b>		
Transfers from operations	32,750	16,691
Term debt retired (Schedule 3)	1,615,340	237,420
Term debt issued (Schedule 3)	(1,107,615)	-
	<u>540,475</u>	<u>254,111</u>
<b>CHANGE IN FUND BALANCE</b>	<u>910,516</u>	<u>422,009</u>
<b>BEGINNING FUND BALANCE</b>	11,756,900	11,334,891
<b>ENDING FUND BALANCE</b>	<u>\$ 12,667,416</u>	<u>\$ 11,756,900</u>



**MUNICIPALITY OF THE DISTRICT OF EAST HANTS  
EAST HANTS WATER UTILITY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2022**

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**1. ACCOUNTING POLICIES**

The East Hants Water Utility financial statements have been prepared in accordance with 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 Public Sector 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
- Accumulated depreciation be netted against Utility Plant and Equipment and presented within assets

Other significant accounting policies are as follows:

**a) Revenue and Expenditure**

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 Depreciation 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 depreciation 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, 2022**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**c) Utility Plant and Equipment**

Utility plant and equipment 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. Utility plant and equipment donated by external parties, generally developers, have been recorded at their estimated value.

**d) Depreciation**

Depreciation of donated Utility plant and equipment 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 deprecation 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 Infrastructure & Operations Water staff is allocated in proportion to time spent working for the Utility. A portion of administrative salaries and other expenses of the Municipality are allocated to water operations.

**2. INVENTORY, AT COST**

	<b>2022</b>	<b>2021</b>
Parts	\$10,137	\$8,370

**3. DEPRECIATION FUND**

	<b>2022</b>	<b>2021</b>
Cash, beginning of year	\$2,421,632	\$1,976,331
Add:		
Depreciation	456,294	481,411
Interest earned	26,747	21,058
Outstanding transfers	23,158	-
Deduct:		
Appropriations to Capital Fund	(845,362)	(47,248)
Outstanding transfers	-	(9,920)
Cash, end of year	<u>\$2,082,469</u>	<u>\$2,421,632</u>

**4. TERM DEBT**

All term debt has been issued in the name of the Municipality of East Hants and has been properly authorized by Nova Scotia Municipal Affairs. See schedule of Capital Debt Charges and Term Debt.

**MUNICIPALITY OF THE DISTRICT OF EAST HANTS  
EAST HANTS WATER UTILITY  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2022**

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**5. DEFERRED CONTRIBUTIONS**

	<b>2022</b>	<b>2021</b>
Balance, beginning of year	\$9,216,402	\$9,345,952
Add: contributions received	791,250	17,290
Less: depreciation of contributions	(157,346)	(146,840)
Balance, end of year	\$9,850,306	\$9,216,402

**6. RATE BASE & RATE OF RETURN**

	<b>2022</b>	<b>2021</b>
Net operating revenue		
Operating revenue	\$2,836,938	\$2,844,954
Operating expenditures	(2,287,575)	(2,235,236)
Net operating revenue	\$549,363	\$609,718
Rate base		
Utility plant and equipment	30,361,642	28,506,332
Less: Accumulated depreciation	7,300,974	6,844,680
Less: contributed assets	9,850,306	9,216,402
Rate base	\$13,210,362	\$12,445,250
<b>Rate of return on rate base</b>	<b>4.16%</b>	<b>4.90%</b>

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

**7. BUDGET FIGURES**

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

**8. 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 1 - Schedule of Investment in Water Utility Plant and Equipment  
 As at March 31, 2022**

	<u>2022</u>	<u>2021</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	404,556	398,930
Pumping	118,280	118,280
Water treatment	12,006,094	12,006,094
Distribution reservoirs	<u>2,145,054</u>	<u>2,145,053</u>
	<u>14,673,984</u>	<u>14,668,357</u>
<b>Equipment</b>		
Pumping	378,504	378,504
Water treatment	776,860	742,988
Transportation	35,298	35,298
Tools and work equipment	40,471	40,471
Other	<u>315,285</u>	<u>306,117</u>
	<u>1,546,418</u>	<u>1,503,378</u>
<b>Water Utilities Contributed Buried Services</b>	1,715,349	1,406,156
<b>Mains</b>		
Transmission	8,329,138	8,329,138
Distribution	<u>1,354,497</u>	<u>118,776</u>
	<u>9,683,635</u>	<u>8,447,914</u>
<b>Services</b>	294,879	294,879
<b>Meters</b>	1,334,087	1,164,526
<b>Hydrants</b>	798,631	751,403
<b>Work In Progress</b>	71,654	26,714
	<u>\$ 30,361,642</u>	<u>\$ 28,506,332</u>

**Municipality of the District of East Hants  
 East Hants Water Utility Operating Fund  
 Schedule 2 - Schedule to Statement of Financial Activities  
 Year Ended March 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>Source of Supply</b>		
Supplies and expenses	<u>\$ 9,765</u>	<u>\$ 7,613</u>
<b>Pumping</b>		
Power	\$ 137,748	\$ 138,184
Maintenance	102,363	102,283
	<u>\$ 240,111</u>	<u>\$ 240,467</u>
<b>Water Treatment</b>		
Supervision and engineering	\$ 24,819	\$ 19,510
Labour	304,398	178,201
Supplies and expenses	195,368	215,351
Maintenance of structures and improvements	49,676	48,386
	<u>\$ 574,261</u>	<u>\$ 461,448</u>
<b>Transmission and distribution</b>		
Supervision and engineering	\$ 29,783	\$ 23,413
Labour	263,680	201,459
Maintenance of mains	375,916	482,614
Maintenance of other distribution plant	1,507	332
Store expenses	49,904	46,810
Transportation expenses	10,681	7,963
	<u>\$ 731,471</u>	<u>\$ 762,591</u>
<b>Administration and general</b>		
Supervision	\$ 66,498	\$ 93,005
Consumer billing and accounting	87,127	76,639
Uncollectible accounts	5,302	3,457
General office expenses	105,615	97,998
Audit	7,896	7,657
Regulatory expenses	3,235	2,950
	<u>\$ 275,673</u>	<u>\$ 281,706</u>

**Municipality of the District of East Hants  
 East Hants Water Utility Capital Fund  
 Schedule 3 - Schedule of Capital Debt Charges and Term Debt  
 Year Ended March 31, 2022**

<b>Date</b>	<b>Balance March 31/2021</b>	<b>Issued 2021/2022</b>	<b>Redeemed 2021/2022</b>	<b>Balance March 31/2022</b>	<b>Interest 2021/2022</b>	<b>Interest Rate</b>
2006	\$ 285,231	\$ -	\$ 285,231	\$ -	\$ 2,468	4.285 - 5.08%
2006	\$ 1,190,495	\$ -	\$ 1,190,495	\$ -	\$ 30,925	4.095 - 4.59%
2007	\$ 1,241,578	\$ -	\$ 79,327	\$ 1,162,251	\$ 56,083	4.385 - 4.77%
2007	\$ 480,000	\$ -	\$ 40,000	\$ 440,000	\$ 24,059	4.385 - 4.77%
2008	\$ 158,496	\$ -	\$ 8,959	\$ 149,537	\$ 7,725	3.75 - 5.088%
2011	\$ 258,525	\$ -	\$ 11,328	\$ 247,197	\$ 10,125	1.219 - 4.026%
2021	\$ -	\$ 1,107,615	\$ -	\$ 1,107,615	\$ 7,309	0.5 - 2.259%
	<b>\$ 3,614,325</b>	<b>\$ 1,107,615</b>	<b>\$ 1,615,340</b>	<b>\$ 3,106,600</b>	<b>\$ 138,694</b>	