
MUNICIPALITY OF THE DISTRICT OF EAST HANTS

EAST HANTS WATER UTILITY

FINANCIAL REPORT

March 31, 2023

Municipality of the District of East Hants
East Hants Water Utility
Table of Contents
March 31, 2023

	<u>Page</u>
Independent 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 - 7
Schedule 1 - Schedule of Investment in Water Utility Plant and Equipment	8
Schedule 2 - Schedule to the Statement of Financial Activities of the Water Utility Operating Fund	9
Schedule 3 - Schedule of Capital Debt Charges and Term Debt of the Water Utility Capital Fund	10

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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, 2023 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, 2023, 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
August 8, 2023

**Municipality of the District of East Hants
 East Hants Water Utility Operating Fund
 Statement of Financial Position
 As at March 31, 2023**

	<u>2023</u>	<u>2022</u>
FINANCIAL ASSETS		
Cash - bank	\$ 1,859,557	\$ 1,701,617
Rates receivable (less allowance for doubtful accounts - \$8,300; 2023 - \$16,683; 2022 - Note 1b)	750,974	753,839
Accounts receivable	60,389	45,903
Inventory, at cost (Note 2)	7,367	10,137
Prepaid expenses	23,133	14,212
	<u>\$ 2,701,420</u>	<u>\$ 2,525,708</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 118,320	\$ 122,545
Due to Municipal Operations	235,492	240,717
Due to Water Utility Capital	519,594	489,044
Deferred revenue	82,713	75,099
	<u>956,119</u>	<u>927,405</u>
SURPLUS	<u>1,745,301</u>	<u>1,598,303</u>
	<u>\$ 2,701,420</u>	<u>\$ 2,525,708</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, 2023**

	Budget 2023 (Unaudited - Note 7)	2023	2022
OPERATING REVENUE			
Metered sales	\$ 2,179,400	\$ 2,200,251	\$ 2,146,241
Public fire protection	549,995	626,859	554,989
Bulk water	98,000	170,761	116,788
Miscellaneous income	18,275	34,537	18,920
TOTAL OPERATING REVENUE	2,845,670	3,032,408	2,836,938
OPERATING EXPENDITURES			
Source of Supply (Schedule 2)	48,450	21,729	9,765
Pumping (Schedule 2)	343,115	307,682	240,111
Water treatment (Schedule 2)	644,305	627,414	574,261
Transmission and distribution (Schedule 2)	804,921	876,859	731,471
Administrative and general (Schedule 2)	342,508	291,562	275,673
Depreciation (Note 3)	485,146	491,568	456,294
TOTAL OPERATING EXPENDITURES	2,668,445	2,616,814	2,287,575
NET OPERATING REVENUE	177,225	415,594	549,363
NON-OPERATING REVENUE			
Interest	6,560	36,438	8,683
Obligatory Reserves - Water	100,000	64,921	-
	106,560	101,359	8,683
NON-OPERATING EXPENDITURES			
Interest (Schedule 3)	71,822	93,256	138,694
Principal (Schedule 3)	255,035	255,034	507,725
Capital out of revenue	32,750	21,665	32,750
	359,607	369,955	679,169
NET NON-OPERATING EXPENDITURES	(253,047)	(268,596)	(670,486)
NET (LOSS) REVENUE	(75,822)	146,998	(121,123)
SURPLUS, BEGINNING OF YEAR	1,598,303	1,598,303	1,719,426
SURPLUS, END OF YEAR	\$ 1,522,481	\$ 1,745,301	\$ 1,598,303

**Municipality of the District of East Hants
 East Hants Water Utility Capital Fund
 Statement of Financial Position
 As at March 31, 2023**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash - bank	\$ 164,092	\$ 116,132
Cash - depreciation (Note 3)	2,148,599	2,082,469
Accounts receivable	29,560	11,329
Due from Water Utility operating fund	519,594	489,044
Due from Municipal Operations	23,072	7,133
Utility plant and equipment (Schedule 1)	31,862,349	30,361,642
	<u>\$ 34,747,266</u>	<u>\$ 33,067,749</u>
LIABILITIES		
Accounts payable	\$ 214,566	\$ 142,453
Term debt (Note 4 and Schedule 3)	2,851,567	3,106,600
Deferred contributions (Note 5)	10,471,657	9,850,306
Accumulated depreciation	7,792,542	7,300,974
Asset retirement obligation	40,115	-
	<u>21,370,447</u>	<u>20,400,333</u>
INVESTMENT IN CAPITAL ASSETS	<u>13,376,819</u>	<u>12,667,416</u>
	<u>\$ 34,747,266</u>	<u>\$ 33,067,749</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, 2023**

	<u>2023</u>	<u>2022</u>
REVENUE		
Investment income	\$ 97,329	\$ 26,747
Capital contributions (Note 5)	157,558	157,346
Development & other contributions applied	177,818	185,948
	<u>432,705</u>	<u>370,041</u>
FINANCING AND TRANSFERS		
Transfers from operations	21,665	32,750
Term debt retired (Schedule 3)	1,734,224	1,615,340
Term debt issued (Schedule 3)	(1,479,191)	(1,107,615)
	<u>276,698</u>	<u>540,475</u>
CHANGE IN FUND BALANCE	<u>709,403</u>	<u>910,516</u>
BEGINNING FUND BALANCE	12,667,416	11,756,900
ENDING FUND BALANCE	<u>\$ 13,376,819</u>	<u>\$ 12,667,416</u>

MUNICIPALITY OF THE DISTRICT OF EAST HANTS
EAST HANTS WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

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 as a reduction against Utility Plant and Equipment and presented within assets rather than as a liability on the Statement of Financial Position

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, 2023**

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

	2023	2022
Parts	\$7,367	\$10,137

3. DEPRECIATION FUND

	2023	2022
Cash, beginning of year	\$2,082,469	\$2,421,632
Add:		
Depreciation	491,568	456,294
Interest earned	97,329	26,747
Outstanding transfers	-	23,158
Deduct:		
Appropriations to Capital Fund	(471,552)	(845,362)
Outstanding transfers	(51,215)	-
Cash, end of year	\$2,148,599	\$2,082,469

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, 2023**

5. DEFERRED CONTRIBUTIONS

	2023	2022
Balance, beginning of year	\$9,850,306	\$9,216,402
Add: contributions received	778,909	791,250
Less: depreciation of contributions	(157,558)	(157,346)
Balance, end of year	\$10,471,657	\$9,850,306

6. RATE BASE & RATE OF RETURN

	2023	2022
Net operating revenue		
Operating revenue	\$3,032,408	\$2,836,938
Operating expenditures	(2,616,814)	(2,287,575)
Net operating revenue	\$415,594	\$549,363
Rate base		
Utility plant and equipment	31,862,349	30,361,642
Less: Accumulated depreciation	7,792,542	7,300,974
Less: contributed assets	10,471,657	9,850,306
Rate base	\$13,598,150	\$13,210,362
Rate of return on rate base	3.06%	4.16%

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, 2023**

	<u>2023</u>	<u>2022</u>
Land and Land rights		
Bulk water	\$ 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	404,556	404,556
Pumping	118,280	118,280
Water treatment	12,046,209	12,006,094
Distribution reservoirs	<u>2,145,054</u>	<u>2,145,054</u>
	<u>14,714,099</u>	<u>14,673,984</u>
Equipment		
Pumping	378,504	378,504
Water treatment	776,860	776,860
Transportation	35,298	35,298
Tools and work equipment	40,471	40,471
Other	<u>315,285</u>	<u>315,285</u>
	<u>1,546,418</u>	<u>1,546,418</u>
Water Utilities Contributed Buried Services	1,945,213	1,715,349
Mains		
Transmission	8,329,138	8,329,138
Distribution	<u>1,834,846</u>	<u>1,354,497</u>
	<u>10,163,984</u>	<u>9,683,635</u>
Services	294,879	294,879
Meters	1,366,400	1,334,087
Hydrants	924,506	798,631
Work In Progress	663,845	71,654
	<u>\$ 31,862,349</u>	<u>\$ 30,361,642</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, 2023**

	<u>2023</u>	<u>2022</u>
Source of Supply		
Supplies and expenses	<u>\$ 21,729</u>	<u>\$ 9,765</u>
Pumping		
Power	\$ 150,368	\$ 137,748
Maintenance	157,314	102,363
	<u>\$ 307,682</u>	<u>\$ 240,111</u>
Water Treatment		
Supervision and engineering	\$ 25,541	\$ 24,819
Labour	221,230	304,398
Supplies and expenses	234,352	195,368
Maintenance of structures and improvements	146,291	49,676
	<u>\$ 627,414</u>	<u>\$ 574,261</u>
Transmission and distribution		
Supervision and engineering	\$ 30,650	\$ 29,783
Labour	290,260	263,680
Maintenance of mains	466,542	375,916
Maintenance of other distribution plant	12,403	1,507
Store expenses	63,771	49,904
Transportation expenses	13,233	10,681
	<u>\$ 876,859</u>	<u>\$ 731,471</u>
Administration and general		
Supervision	\$ 72,494	\$ 66,498
Consumer billing and accounting	96,499	87,127
Uncollectible accounts	(7,991)	5,302
General office expenses	119,143	105,615
Audit	8,361	7,896
Regulatory expenses	3,056	3,235
	<u>\$ 291,562</u>	<u>\$ 275,673</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, 2023**

Date	Balance March 31/2022	Issued 2022/2023	Redeemed 2022/2023	Balance March 31/2023	Interest 2022/2023	Interest Rate
2007	\$ 1,162,251	\$ -	\$ 1,162,251	\$ -	\$ 9,443	4.385 - 4.77%
2007	\$ 440,000	\$ -	\$ 440,000	\$ -	\$ 12,532	4.385 - 4.77%
2008	\$ 149,537	\$ -	\$ 9,405	\$ 140,132	\$ 7,259	3.75 - 5.088%
2011	\$ 247,197	\$ -	\$ 11,806	\$ 235,391	\$ 9,700	1.219 - 4.026%
2021	\$ 1,107,615	\$ -	\$ 110,762	\$ 996,853	\$ 16,384	0.5 - 2.259%
2022	\$ -	\$ 1,079,191	\$ -	\$ 1,079,191	\$ 31,035	2.575 - 4.119%
2022	\$ -	\$ 400,000	\$ -	\$ 400,000	\$ 6,903	3.847 - 4.177%
	\$ 3,106,600	\$ 1,479,191	\$ 1,734,224	\$ 2,851,567	\$ 93,256	