
MUNICIPALITY OF THE DISTRICT OF EAST HANTS
EAST HANTS WATER UTILITY
FINANCIAL REPORT

March 31, 2025

Municipality of the District of East Hants
East Hants Water Utility
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March 31, 2025

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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, 2025 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, 2025, 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

Municipality of the District of East Hants
East Hants Water Utility Operating Fund
Statement of Financial Position
As at March 31, 2025

	<u>2025</u>	<u>2024</u>
FINANCIAL ASSETS		
Cash - bank	\$ 1,559,420	\$ 1,509,637
Rates receivable (less allowance for doubtful accounts - \$5,973; 2025 - \$3,897; 2024 - Note 1b)	881,162	789,560
Accounts receivable	69,506	51,865
Inventory, at cost (Note 2)	11,784	5,314
Prepaid expenses	20,001	14,003
	<u><u>\$ 2,541,873</u></u>	<u><u>\$ 2,370,379</u></u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 156,321	\$ 86,675
Due to Municipal Operations	512,206	40,547
Due to Water Utility Capital	556,261	612,466
Deferred revenue	99,069	91,687
	<u><u>1,323,856</u></u>	<u><u>831,375</u></u>
SURPLUS	<u><u>1,218,017</u></u>	<u><u>1,539,004</u></u>
	<u><u>\$ 2,541,873</u></u>	<u><u>\$ 2,370,379</u></u>

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

Eleanor Roulstone Warden
KR Clerk

Municipality of the District of East Hants
East Hants Water Utility Operating Fund
Statement of Financial Activities
Year Ended March 31, 2025

	Budget		
	2025	2025	2024
	(Unaudited - Note 7)		
OPERATING REVENUE			
Metered sales	\$ 2,303,600	\$ 2,382,116	\$ 2,277,246
Public fire protection	650,091	627,920	554,705
Bulk water	120,000	177,137	124,004
Miscellaneous income	20,550	26,385	23,842
TOTAL OPERATING REVENUE	3,094,241	3,213,558	2,979,797
OPERATING EXPENDITURES			
Source of Supply (Schedule 2)	213,955	34,387	28,027
Pumping (Schedule 2)	400,691	368,325	352,680
Water treatment (Schedule 2)	657,874	668,480	726,101
Transmission and distribution (Schedule 2)	976,249	1,083,860	883,150
Administrative and general (Schedule 2)	462,233	374,068	313,633
Depreciation (Note 3)	522,717	522,744	500,016
TOTAL OPERATING EXPENDITURES	3,233,719	3,051,864	2,803,607
NET OPERATING REVENUE	(139,478)	161,694	176,190
NON-OPERATING REVENUE			
Interest	50,000	45,681	57,112
Obligatory Reserves - Water	-	-	33,926
	50,000	45,681	91,038
NON-OPERATING EXPENDITURES			
Interest (Schedule 3)	228,645	197,165	79,998
Principal (Schedule 3)	297,681	297,681	280,397
Capital out of revenue	37,500	33,516	113,130
	563,826	528,362	473,525
NET NON-OPERATING EXPENDITURES	(513,826)	(482,681)	(382,487)
NET (LOSS) REVENUE	(653,304)	(320,987)	(206,297)
SURPLUS, BEGINNING OF YEAR	1,539,004	1,539,004	1,745,301
SURPLUS, END OF YEAR	\$ 885,700	\$ 1,218,017	\$ 1,539,004

Municipality of the District of East Hants
East Hants Water Utility Capital Fund
Statement of Financial Position
As at March 31, 2025

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash - bank	\$ 115,455	\$ -
Cash - depreciation (Note 3)	2,751,845	2,563,567
Accounts receivable	19,999	35,393
Due from Water Utility operating fund	556,261	612,466
Due from Municipal Operations	39,361	25,512
Utility plant and equipment (Schedule 1)	38,220,370	37,518,117
	<u>\$ 41,703,290</u>	<u>\$ 40,755,055</u>
LIABILITIES		
Bank indebtedness	\$ -	\$ 3,370,109
Accounts payable	25,500	23,815
Deferred revenue - capital	143,470	-
Term debt (Note 4 and Schedule 3)	5,573,489	2,571,170
Deferred contributions (Note 5)	10,874,119	10,900,575
Accumulated depreciation	8,788,829	8,266,084
Asset retirement obligation	48,574	44,345
	<u>25,453,981</u>	<u>25,176,098</u>
INVESTMENT IN CAPITAL ASSETS		
	<u>16,249,309</u>	<u>15,578,957</u>
	<u>\$ 41,703,290</u>	<u>\$ 40,755,055</u>

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

Eleanor Roulstone Warden
Kh Clerk

Municipality of the District of East Hants
East Hants Water Utility Capital Fund
Statement of Financial Activities
Year Ended March 31, 2025

	<u>2025</u>	<u>2024</u>
REVENUE		
Investment income	\$ 147,881	\$ 158,944
Capital contributions (Note 5)	184,037	175,791
Development & other contributions applied	65,385	1,477,846
	<u>397,303</u>	<u>1,812,581</u>
EXPENSE		
Asset retirement obligation accretion	4,230	4,230
	<u>4,230</u>	<u>4,230</u>
NET REVENUE	393,073	1,808,351
	<u>393,073</u>	<u>1,808,351</u>
FINANCING AND TRANSFERS		
Transfers from operations	33,516	113,130
Term debt retired (Schedule 3)	297,681	411,127
Term debt refinanced	-	(130,730)
Transfer from general capital fund	(53,919)	260
	<u>277,278</u>	<u>393,787</u>
CHANGE IN FUND BALANCE	670,351	2,202,138
	<u>670,351</u>	<u>2,202,138</u>
BEGINNING FUND BALANCE	15,578,957	13,376,819
	<u>15,578,957</u>	<u>13,376,819</u>
ENDING FUND BALANCE	\$ 16,249,309	\$ 15,578,957
	<u>\$ 16,249,309</u>	<u>\$ 15,578,957</u>

MUNICIPALITY OF THE DISTRICT OF EAST HANTS
EAST HANTS WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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, 2025

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 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 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

	2025	2024
Parts	\$11,784	\$5,314

3. DEPRECIATION FUND

	2025	2024
Cash, beginning of year	\$2,563,567	\$2,148,599
Add:		
Depreciation	522,744	500,016
Interest earned	147,881	158,944
Outstanding transfers		8,824
Deduct:		
Appropriations to Capital Fund	(391,851)	(241,929)
Outstanding transfers	(90,496)	(10,887)
Cash, end of year	<u>\$2,751,845</u>	<u>\$2,563,567</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, 2025

5. DEFERRED CONTRIBUTIONS

	2025	2024
Balance, beginning of year	\$10,900,575	\$10,471,657
Add: contributions received	157,581	604,709
Less: depreciation of contributions	(184,037)	(175,791)
Balance, end of year	<u><u>\$10,874,119</u></u>	<u><u>\$10,900,575</u></u>

6. RATE BASE & RATE OF RETURN

	2025	2024
Net operating revenue		
Operating revenue	\$3,213,558	\$2,979,797
Operating expenditures	(3,051,864)	(2,803,607)
Net operating revenue	<u><u>\$161,694</u></u>	<u><u>\$176,190</u></u>
Rate base		
Utility plant and equipment	38,220,370	37,518,117
Less: Accumulated depreciation	8,788,829	8,266,084
Less: contributed assets	<u><u>10,874,119</u></u>	<u><u>10,900,575</u></u>
Rate base	<u><u>\$18,557,422</u></u>	<u><u>\$18,351,458</u></u>
Rate of return on rate base	0.87%	0.96%

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, 2025

	<u>2025</u>	<u>2024</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>3,512,185</u>	<u>3,450,512</u>
	<u>3,550,758</u>	<u>3,489,085</u>
Structures and improvements		
Source of supply	690,712	404,556
Pumping	118,280	118,280
Water treatment	12,046,208	12,046,209
Distribution reservoirs	<u>2,960,915</u>	<u>2,145,054</u>
	<u>15,816,115</u>	<u>14,714,099</u>
Equipment		
Pumping	378,504	378,504
Water treatment	789,405	776,860
Transportation	74,405	74,405
Tools and work equipment	40,471	40,471
Other	<u>315,285</u>	<u>315,285</u>
	<u>1,598,071</u>	<u>1,585,525</u>
Water Utilities Contributed Buried Services	1,972,775	1,972,775
Mains		
Transmission	8,329,138	8,329,138
Distribution	<u>1,946,853</u>	<u>1,946,853</u>
	<u>10,275,991</u>	<u>10,275,991</u>
Services	294,879	294,879
Meters	1,513,047	1,479,530
Hydrants	1,004,930	989,287
Work In Progress	2,193,804	2,716,946
	<u>\$ 38,220,370</u>	<u>\$ 37,518,117</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, 2025

	<u>2025</u>	<u>2024</u>
Source of Supply		
Supplies and expenses	<u>\$ 34,387</u>	<u>\$ 28,027</u>
 Pumping		
Power	\$ 194,973	\$ 189,046
Maintenance	<u>173,352</u>	<u>163,634</u>
	<u>\$ 368,325</u>	<u>\$ 352,680</u>
 Water Treatment		
Supervision and engineering	\$ 26,553	\$ 24,669
Labour	<u>264,064</u>	<u>237,427</u>
Supplies and expenses	<u>330,832</u>	<u>370,819</u>
Maintenance of structures and improvements	<u>47,031</u>	<u>93,186</u>
	<u>\$ 668,480</u>	<u>\$ 726,101</u>
 Transmission and distribution		
Supervision and engineering	\$ 31,864	\$ 29,604
Labour	<u>337,787</u>	<u>289,271</u>
Maintenance of mains	<u>624,745</u>	<u>489,384</u>
Maintenance of other distribution plant	<u>6,955</u>	<u>7,758</u>
Store expenses	<u>70,759</u>	<u>56,981</u>
Transportation expenses	<u>11,750</u>	<u>10,152</u>
	<u>\$ 1,083,860</u>	<u>\$ 883,150</u>
 Administration and general		
Supervision	\$ 88,449	\$ 81,452
Consumer billing and accounting	<u>130,007</u>	<u>98,858</u>
Uncollectible accounts	<u>1,867</u>	<u>(2,234)</u>
General office expenses	<u>141,094</u>	<u>123,371</u>
Audit	<u>9,167</u>	<u>8,929</u>
Regulatory expenses	<u>3,484</u>	<u>3,257</u>
	<u>\$ 374,068</u>	<u>\$ 313,633</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, 2025

Date	Balance March 31/2024	Issued 2024/2025	Redeemed 2024/2025	Balance March 31/2025	Interest 2024/2025	Interest Rate
2011	\$ 223,077	\$ -	\$ 12,854	\$ 210,223	\$ 8,761	1.219 - 4.026%
2021	\$ 886,091	\$ -	\$ 110,762	\$ 775,329	\$ 14,708	0.5 - 2.259%
2022	\$ 971,272	\$ -	\$ 107,919	\$ 863,353	\$ 30,246	2.575 - 4.119%
2022	\$ 360,000	\$ -	\$ 40,000	\$ 320,000	\$ 13,636	3.847 - 4.177%
2023	\$ 130,730	\$ -	\$ 26,146	\$ 104,584	\$ 4,072	3.55 - 4.714%
2024	\$ -	\$ 3,300,000	\$ -	\$ 3,300,000	\$ 125,742	4.433%-4.94%
	\$ 2,571,170	\$ 3,300,000	\$ 297,681	\$ 5,573,489	\$ 197,165	