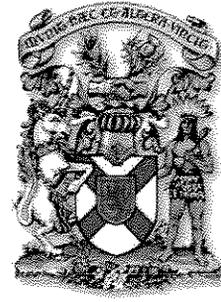


Nova Scotia Utility and Review Board

Financial Statements

March 31, 2009



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AUDITORS' REPORT

**TO THE CHAIR AND MEMBERS OF
NOVA SCOTIA UTILITY AND REVIEW BOARD:**

We have audited the statement of financial position of Nova Scotia Utility and Review Board as at March 31, 2009 and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2009 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Levy Casey Carter MacLean

Halifax, Nova Scotia
May 22, 2009

**LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS**

Nova Scotia Utility and Review Board

Statement of Operations

Year Ended March 31	Budget	2009	2008
Revenue			
Grant from the Province of Nova Scotia (Notes 2, 14 and 15)	\$ 3,843,000	\$ 3,566,190	\$ 3,503,135
Recoveries (Notes 2, 9 and 14)	475,000	2,571,482	2,375,955
Assessments to utilities (Note 2)	1,611,000	1,591,156	1,384,091
Amortization of deferred capital funding	-	166,849	233,019
Interest	32,000	43,612	57,848
	<u>5,961,000</u>	<u>7,939,289</u>	<u>7,554,048</u>
Expenses			
Salaries, wages and benefits	4,388,000	4,443,937	4,188,934
Consulting and legal fees	228,000	1,943,951	1,969,423
Rent and business taxes (Note 10)	553,000	516,673	491,908
Travel	262,000	216,807	267,898
Amortization	60,000	168,665	174,241
Office supplies and services	74,000	81,489	68,557
Equipment (Note 3)	39,000	77,532	41,538
Transcribing and printing	45,000	74,398	58,557
Maintenance	64,000	62,384	30,797
Staff training and development	73,000	62,307	48,696
Advertising	49,000	56,605	63,625
Sundry expenses	19,000	45,522	23,128
Dues and fees	38,000	34,551	35,072
Telecommunications	33,000	30,866	30,534
Books and reports	21,000	25,412	22,013
Postage and couriers	15,000	13,463	16,845
Loss on disposal of capital asset	-	-	58,778
	<u>5,961,000</u>	<u>7,854,562</u>	<u>7,590,544</u>
Operating surplus (deficit) for the year	\$ <u>-</u>	\$ <u>84,727</u>	\$ <u>(36,496)</u>

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board

Statement of Accumulated Surplus

Year Ended March 31

	2009		
	Province of Nova Scotia	Public Utilities	Total
Internally restricted (Note 12)			
Balance, beginning of year	\$ 100,365	\$ 29,635	\$ 130,000
Transferred from general	<u>34,575</u>	<u>15,425</u>	<u>50,000</u>
Balance, end of year	<u>134,940</u>	<u>45,060</u>	<u>180,000</u>
General			
Balance, beginning of year	208,615	96,466	305,081
Operating surplus	58,589	26,138	84,727
Transferred to internally restricted	<u>(34,575)</u>	<u>(15,425)</u>	<u>(50,000)</u>
Balance, end of year	<u>232,629</u>	<u>107,179</u>	<u>339,808</u>
Total accumulated surplus	\$ <u>367,569</u>	\$ <u>152,239</u>	\$ <u>519,808</u>
2008			
	Province of Nova Scotia	Public Utilities	Total
Internally restricted (Note 12)			
Balance, beginning of year	\$ 100,365	\$ 29,635	\$ 130,000
Transferred from general	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>100,365</u>	<u>29,635</u>	<u>130,000</u>
General			
Balance, beginning of year	234,509	107,068	341,577
Operating deficit	(25,894)	(10,602)	(36,496)
Transferred to internally restricted	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>208,615</u>	<u>96,466</u>	<u>305,081</u>
Total accumulated surplus	\$ <u>308,980</u>	\$ <u>126,101</u>	\$ <u>435,081</u>

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board

Statement of Financial Position

March 31

2009

2008

Assets

Current

Cash and cash equivalents (Notes 3, 5 and 13)	\$ 1,283,010		\$ 1,579,465
Receivables (Note 4 and 5)	1,461,139		1,149,472
Inventory (Note 3)	4,306		3,399
Prepaid expenses	<u>61,220</u>		<u>55,366</u>
	2,809,675		2,787,702

Capital assets (Page 5)

	<u>473,453</u>		<u>411,188</u>
	\$ 3,283,128		\$ 3,198,890

Liabilities

Current

Payables and accruals	\$ 524,658		\$ 601,452
Due to related parties, non-interest bearing, no set terms of repayment	57,535		202,455
Deferred revenue (Note 15)	631,400		442,502
Advances for working capital (Note 7)	<u>125,000</u>		<u>125,000</u>
	1,338,593		1,371,409

Deferred capital funding (Note 15)	351,695		411,188
Post retirement benefits liability (Note 8)	<u>1,073,032</u>		<u>981,212</u>
	2,763,320		2,763,809

Commitments (Note 10)

Surplus (Note 2)

Internally restricted (Note 12)	180,000		130,000
General	<u>339,808</u>		<u>305,081</u>
	519,808		435,081
	\$ 3,283,128		\$ 3,198,890

On behalf of the Board


 _____ Chair


 _____ Executive Director

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board

Statement of Capital Assets

Year Ended March 31

	Cost				Accumulated Depreciation				2009 Net Book Value	2008 Net Book Value
	Opening	Additions	Disposals	Closing	Opening	Expense	Disposals	Closing		
Furniture	\$ 196,267	\$ 12,610	\$	\$ 208,877	\$ 164,747	\$ 7,824	\$	\$ 172,571	\$ 36,306	\$ 31,520
Computer Equipment	196,011	2,101		198,112	157,893	24,883		182,776	15,336	38,118
Computer Software	124,726	6,550		131,276	70,713	30,291		101,004	30,272	54,013
Leaseholds	156,607	123,575		280,182	49,893	18,447		68,340	211,842	106,714
Vehicles	374,642	28,602		403,244	216,356	65,411		281,767	121,477	158,286
Equipment	126,312	57,492		183,804	103,775	21,809		125,584	58,220	22,537
Total	\$ 1,174,565	\$ 230,930	\$	\$ 1,405,495	\$ 763,377	\$ 168,665	\$	\$ 932,042	\$ 473,453	\$ 411,188

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board

Statement of Cash Flows

Year Ended March 31

2009

2008

Increase (decrease) in cash and cash equivalents

Operating		
Operating surplus (deficit)	\$ 84,727	\$ (36,496)
Amortization	<u>168,665</u>	<u>174,241</u>
	253,392	137,745
Change in non-cash working capital (Note 11)	<u>(351,244)</u>	<u>(127,604)</u>
	<u>(97,852)</u>	<u>10,141</u>
Financing		
Decrease in deferred capital funding	(59,493)	(105,665)
Increase in post retirement benefits	<u>91,820</u>	<u>110,810</u>
	<u>32,327</u>	<u>5,145</u>
Investing		
Disposal of capital assets	-	58,778
Purchase of capital assets	<u>(230,930)</u>	<u>(127,354)</u>
	<u>(230,930)</u>	<u>(68,576)</u>
Net decrease in cash and cash equivalents	(296,455)	(53,290)
Cash and cash equivalents (Note 13)		
Beginning of year	<u>1,579,465</u>	<u>1,632,755</u>
End of year	<u>\$ 1,283,010</u>	<u>\$ 1,579,465</u>

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 2009

1. Incorporation

The Nova Scotia Utility and Review Board (the Board) was created on December 14, 1992, through the proclamation of the *Utility and Review Board Act*, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Board has those functions, powers and duties conferred upon it through Section 4 of the *Utility and Review Board Act*. Section 15 of the *Public Utilities Act* requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Regulations made pursuant to Sections 41 and 42 of the *Gas Distribution Act* and Section 44 of the *Pipeline Act* allow the Board to recover certain expenses for activities relating to those Acts. On October 1, 2008 the duties of the Nova Scotia Insurance Review Board were transferred to the Nova Scotia Utility and Review Board. Regulations made pursuant to Section 16AA of the *Insurance Act* permit the Board to recover direct and indirect costs incurred for activities under that Act by way of levies against insurers. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

Financial Instruments

Assets available for sale

Financial instruments classified as assets or liabilities available for sale are reported at fair value at each balance sheet date. Cash and short term investments have been classified as available for sale.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Receivables have been designated as loans and receivables. Payables and accruals and deferred revenue and post retirement benefits liability have been designated as other financial liabilities.

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 2009

3. Summary of significant accounting policies (continued)

Capital assets

Assets purchased by the Board with a value greater than \$1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on the following basis:

Furniture	straight line over 10 years
Computer equipment	straight line over 3 years
Computer software	straight line over 3 years
Equipment	straight line over 5 years
Vehicles	35% declining balance
Leaseholds	straight line over remaining term of lease

Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Grant revenue is recognized when received. Recoveries revenue is recognized as the related expenditures occur. Assessment revenue is recognized when invoiced. Amortization of deferred capital funding revenue relates to grant and assessment funding provided for capital expenditures and is deferred and amortized at the same rate as the related capital asset.

Inventory

Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

4. Receivables	<u>2009</u>	<u>2008</u>
Due from related parties, non-interest bearing, no set terms of repayment	\$ 158,934	\$ 174,512
Trade	<u>1,302,205</u>	<u>974,960</u>
	<u>\$ 1,461,139</u>	<u>\$ 1,149,472</u>

5. Financial instruments

Credit facility

The Board has an authorized line of credit of \$250,000 with interest payable monthly at a rate of prime plus 0.50%. As security, the Board has pledged certain accounts receivable. None of the line of credit is outstanding at March 31, 2009.

Credit risk management

The Board is exposed to credit risk on the accounts receivable from its clients. In order to reduce its credit risk, the Board has adopted credit policies to monitor its accounts receivable.

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 2009

6. Pensions

Public Service Superannuation Fund

Pursuant to Section 10 of the *Utility and Review Board Act*, all full time employees of the Board are entitled to receive pension benefits under the *Public Service Superannuation Act*. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses and totalled \$283,731 (2008 - \$269,236). The Board is not responsible for any unfunded liability.

Supplementary Employee Retirement Plan

The Canadian *Income Tax Act* places limits on the amount of pension that can be paid from a defined benefit pension such as the Province's Public Service Superannuation Plan. In 2004 the Province passed legislation allowing payment of pension benefits for pension amounts exceeding the limit set under the *Income Tax Act*. These benefits are paid from the Supplementary Employee Retirement Plan (SERP). The Board is responsible for payment of the supplementary pensions at the time of the employee's retirement. This obligation has been included with other post retirement benefits.

7. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	<u>2009</u>	<u>2008</u>
Province of Nova Scotia	\$ <u>125,000</u>	\$ <u>125,000</u>

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the *Public Utilities Act*. The advance is non-interest bearing, with no set terms of repayment.

8. Post Retirement Benefits

The Board sponsors three defined benefits retirement programs, other than the Public Service Superannuation Plan, for substantially all of its employees. Public Service Awards are paid on similar conditions to those found in the *Civil Service Act* to employees retiring from service. The Board contributes 65% of the cost of medical plan premiums on behalf of retiring employees and their survivors. The Board is also responsible for payments to the Province's Supplementary Employee Retirement Plan (SERP) for employee's whose pension benefits exceed certain limits set by the Canadian *Income Tax Act*. The Board is responsible for funding and eventual payment of these benefits. The Board may fund post retirement benefit obligations through a combination of cash, investments and other assets. The liability is fully funded as at March 31, 2009.

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 2009

8. Post Retirement Benefits (continued)

Actuarial valuations for accounting purposes are performed triennially. The most recent actuarial report was prepared at March 31, 2008. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

Post retirement benefits fund assets, currently held in short term investments, are valued at market value.

Information about the post retirement obligations as at March 31, 2009 is as follows:

	<u>2009</u>	<u>2008</u>
Post retirement benefits liability		
Accrued benefit obligation, beginning of year	\$ 945,300	\$ 870,402
Retirement benefit service cost for the year	76,914	69,100
Interest on accrued benefit obligation	30,487	27,900
Past Service Cost incurred during the year	-	37,300
Actuarial (gains) / losses	93,581	(39,902)
Benefits payment	<u>(11,990)</u>	<u>(19,500)</u>
Accrued benefit obligation, end of year	\$ <u>1,134,292</u>	\$ <u>945,300</u>
Unamortized Gains		
Unamortized actuarial gain (loss) beginning of year	\$ 35,912	\$ -
Actuarial gain (loss) - accrued benefit obligation	(93,581)	39,902
Amortization recorded during the year	<u>(3,591)</u>	<u>(3,990)</u>
Unamortized actuarial gain (loss) end of year	\$ <u>(61,260)</u>	\$ <u>35,912</u>
Liability recorded on the Statement of Financial Position		
Accrued benefit obligation, closing balance	\$ 1,134,292	\$ 945,300
Add: Unamortized actuarial gain (loss)	<u>(61,260)</u>	<u>35,912</u>
Post retirement benefits liability	\$ <u>1,073,032</u>	\$ <u>981,212</u>
Post retirement benefits expense		
Retirement benefit service cost for the year	\$ 76,914	\$ 106,335
Interest on accrued benefit obligation	30,487	27,900
Amortization of actuarial gain	<u>(3,591)</u>	<u>(3,990)</u>
Post retirement benefits expense	\$ <u>103,810</u>	\$ <u>130,245</u>

The retirement benefit expense is included in the Statement of Operations as a component of salaries, wages and benefits expense.

The significant assumptions adopted in measuring the Board's accrued benefit obligations are as follows:

Liability discount rate	3.00% per year
General Inflation	2.50% per year

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 2009

8. Post Retirement Benefits (continued)

Increase in maximum pension in registered plan per year of service (SERP)	\$2,333 for 2008, \$2,444 for 2009 and \$2,444 indexed starting in 2010 at 3.00% per year
Extended health care cost increases	7.10% as at April 1, 2009; 9.25% as at April 1, 2010; decreasing at 0.85% per year to an ultimate rate of 4.50% per year
Rate of compensation increase	3.25% to 5.75% depending on age

9. Recoveries

Consultants are engaged by the Board to provide advice related to matters such as utility and natural gas operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved. Expenses and recoveries relating to large hearings cannot be reasonably predicted or estimated in advance. Accordingly, no provision is made for these activities in the budget figures shown in the Statement of Operations.

Certain direct and indirect expenses incurred by the Board in relation to its duties pursuant to the *Liquor Control Act*, *Gaming Control Act*, *Theatre and Amusements Act*, and *Consumer Protection Act* are recovered from the Province of Nova Scotia. Regulations made pursuant to Sections 41 and 42 of the *Gas Distribution Act* and Section 44 of the *Pipeline Act* allow the Board to recover certain expenses for activities relating to those Acts from permit holders and licensees. The Board recovers direct and indirect costs incurred for activities under the *Insurance Act* by way of levies against insurers.

The Board also recovers certain transcription, copying and other expenses from various sources.

Recoveries, by mandate are as follows:

	<u>2009</u>	<u>2008</u>
Public utilities	\$ 1,083,138	\$ 1,303,040
Natural gas	768,884	576,624
Automobile insurance	318,041	-
Alcohol, gaming and amusements	182,234	182,125
Payday loans	122,189	77,833
Motor carrier	34,721	134,156
Petroleum product pricing	-	40,443
All other recoveries	<u>62,275</u>	<u>61,734</u>
	<u>\$ 2,571,482</u>	<u>\$ 2,375,955</u>

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 2009

10. Commitments

The Board has entered into an agreement to lease its premises until October 31, 2014. The annual rent consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, including common costs, in aggregate and for each of the next five years is as follows:

2010	\$	473,808
2011		473,808
2012		473,808
2013		473,808
2014		<u>276,388</u>
	\$	<u>2,171,620</u>

11. Supplemental cash flow information

	<u>2009</u>	<u>2008</u>
Change in non-cash working capital		
Accounts receivable	\$ (311,667)	\$ 114,688
Inventory	(907)	1,677
Prepaid expenses	(5,854)	(10,066)
Deferred revenue	188,898	203,002
Payables, accruals and due to related parties	<u>(221,714)</u>	<u>(436,905)</u>
	<u>\$ (351,244)</u>	<u>\$ (127,604)</u>

12. Internally restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

		<u>Province of Nova Scotia</u>	<u>Public Utilities</u>	<u>2009 Total</u>	<u>2008 Total</u>			
Working capital	\$	<u>134,940</u>	\$	<u>45,060</u>	\$	<u>180,000</u>	\$	<u>130,000</u>

13. Cash and cash equivalents

Cash and cash equivalents included in the statements of financial position and cash flow are comprised of the following:

	<u>2009</u>	<u>2008</u>
Cash on hand and balances with banks	\$ 70,272	\$ 405,246
Short-term investments	<u>1,212,738</u>	<u>1,174,219</u>
	<u>\$ 1,283,010</u>	<u>\$ 1,579,465</u>

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 2009

13. Cash and cash equivalents (continued)

Short term investments consist of a cashable GIC with an interest rate of 3.1%, maturing on June 2, 2009. A total of \$1,072,633 (2008 - \$981,212) has been set aside to fund the post-retirement benefit obligation (Note 8).

14. Related party transactions

The Board is a quasi-judicial tribunal operating independently from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

For 2008 and part of 2009 the Department of Transportation and Public Works for the Province of Nova Scotia sublet approximately 1,326 square feet of the Board's premises on behalf of the Nova Scotia Police Complaints Commission. The Board recovered the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its duties pursuant to the *Liquor Control Act*, *Gaming Control Act* and *Theatre and Amusements Act* are recovered from the Province through the Alcohol and Gaming Division of the Department of Labour and Workforce Development.

Direct expenses incurred by the Board in relation to the regulation of petroleum product pricing under the *Petroleum Product Pricing Act* and payday loans under the *Consumer Protection Act* are recovered from Service Nova Scotia and Municipal Relations.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

The Board recovered \$394,123 for direct and indirect costs incurred by the Insurance Review Board from April 1, 2008 to September 30, 2008. These funds were subsequently remitted to the Department of Finance.

Transactions with the Province by financial statement category are as follows:

	<u>2009</u>	<u>2008</u>
Statement of Operations:		
Grant from the Province of Nova Scotia	\$ 3,566,190	\$ 3,503,135
Recoveries:		
Premises sublet to Province	45,175	37,847
Alcohol, gaming and amusements adjudicative costs	182,204	181,754
Petroleum product pricing mandate	-	40,443
Payday loans mandate	122,189	77,833
Other revenue	-	73,992
Amortization of deferred capital funding	140,801	149,052
Office supplies expense	9,971	9,335

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 2009

14. Related party transactions (continued)

	<u>2009</u>	<u>2008</u>
Statement of Financial Position:		
Receivables (Note 4)	158,934	174,512
Due to related parties	57,535	202,455
Deferred revenue	580,277	390,759
Advances for working capital (Note 7)	125,000	125,000
Deferred capital funding	289,971	343,480
Surplus	367,569	308,980

The transactions were recorded at the exchange amount which was the agreed upon amount by the parties.

15. Deferred Capital Funding and Deferred Revenue

The Board purchases capital assets from the funding provided by the Province of Nova Scotia and the utilities. Revenue relating to capital assets is deferred and amortized at the same rate as the related capital assets. Funding provided for planned capital asset acquisitions is also deferred until the year of acquisition and then amortized to revenue over the life of the related asset.

Total funding for the year provided by the Province of Nova Scotia by Public Service Vote was as follows:

	<u>2009</u> <u>Budget</u>	<u>2009</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>
Operating revenue	3,843,000	\$ 3,566,190	\$ 3,503,135
Capital asset funding	-	<u>276,810</u>	<u>236,865</u>
Total Public Service Vote	\$ <u>3,843,000</u>	\$ <u>3,843,000</u>	\$ <u>3,740,000</u>

Total funding for the year provided by the utilities by assessment was as follows:

	<u>2009</u> <u>Budget</u>	<u>2009</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>
Operating revenue	\$ 1,610,600	\$ 1,591,156	\$ 1,384,091
Capital asset funding	-	<u>19,444</u>	<u>93,491</u>
Total assessments	\$ <u>1,610,000</u>	\$ <u>1,610,000</u>	\$ <u>1,477,582</u>