

Financial Statements of

**MUNICIPALITY OF THE  
DISTRICT OF ST. MARY'S  
SHERBROOKE WATER  
UTILITY**

Year ended March 31, 2019

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

Financial Statements

Year ended March 31, 2019

---

	Page
<b>Management's Responsibility for the Financial Statements</b> .....	1
<b>Independent Auditors' Report</b> .....	2
<b>Operating Fund</b>	
Statement of Financial Position.....	3
Statement of Financial Activities.....	4
Statement of Cash Flows.....	5
<b>Capital Fund</b>	
Statement of Financial Position.....	6
Statement of Financial Activities.....	7
<b>Notes to Financial Statements</b> .....	8
<b>Schedules</b>	
Schedule A – Utility Plant and Equipment.....	12

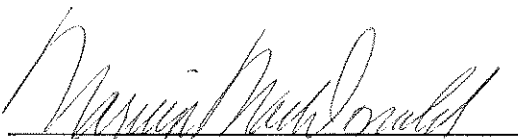
### **Management's Responsibility for the Financial Statements**

The accompanying financial statements of the Municipality of the District of St. Mary's Sherbrooke Water Utility (the "Water Utility") are the responsibility of the Water Utility's management and have been prepared in compliance with legislation and in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Water Utility's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by MGM & Associates, Chartered Accountants, independent external auditors appointed by the Water Utility. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Water Utility's financial statements.



Marvin MacDonald  
Chief Administrative Officer



**MGM & Associates**  
**Chartered Professional Accountants**  
Commerce Tower  
15 Dorchester Street Suite 500  
PO Box 1  
Sydney NS B1P 6G9

Telephone (902) 539-3900  
Fax (902) 564-6062  
Internet [www.mgm.ca](http://www.mgm.ca)

## INDEPENDENT AUDITORS' REPORT

To the Warden and Council of  
Municipality of the District of St. Mary's Sherbrooke Water Utility

### Opinion

We have audited the accompanying financial statements of Municipality of the District of St. Mary's Sherbrooke Water Utility which comprise the statement of financial position as at March 31, 2019 and the statements of financial activities and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Municipality of the District of St. Mary's Sherbrooke Water Utility as at March 31, 2019 and the results of its financial performance and its cash flows for the year then ended in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

### Basis for Opinion

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Water Utility in accordance with 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia 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 financial statements, management is responsible for assessing the Water 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 Water Utility or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Water Utility's financial reporting process.

### Auditors' Responsibility 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 generally accepted auditing standards 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

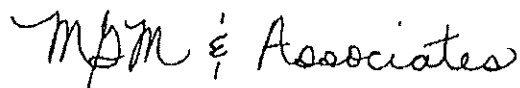
aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout 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 Water 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 Water 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 Water 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Professional Accountants  
Licensed Public Accountants

Sydney, Canada  
August 21, 2019

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

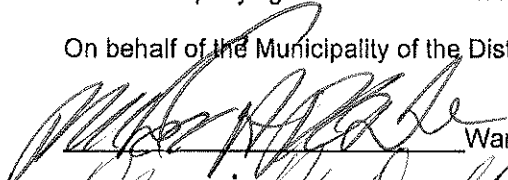
Statement of Financial Position - Operating Fund

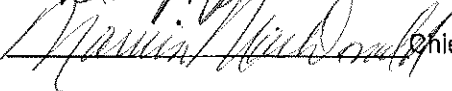
March 31, 2019, with comparative figures for 2018

	2019	2018
<b>ASSETS</b>		
Cash	\$ 65,401	\$ 40,504
Receivables	45,221	52,797
Prepaid expense	911	9,221
	<u>\$ 111,533</u>	<u>\$ 102,522</u>
<b>LIABILITIES</b>		
Trade payables	\$ 17,476	\$ 13,549
Due to Water Capital Fund	137,920	190,517
Due to Municipality of the District of St. Mary's, operating fund	32,345	60,775
	<u>187,741</u>	<u>264,841</u>
<b>DEFICIT</b>	<b>(76,208)</b>	<b>(162,319)</b>
	<u>\$ 111,533</u>	<u>\$ 102,522</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Municipality of the District of St. Mary's Sherbrooke Water Utility:

  
Warden

  
Chief Administrative Officer

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

Statement of Financial Activities - Operating Fund

Year ended March 31, 2019, with comparative figures for 2018

		2019	2018
	Budget (unaudited)	Actual	Actual
<b>OPERATING REVENUES</b>			
Operating			
Metered rate sales	\$ 134,308	\$ 120,040	\$ 118,362
Sherbrooke Village grant	20,000	21,914	22,180
	154,308	141,954	140,542
<b>NON-OPERATING REVENUES</b>			
Interest	650	2,757	1,435
	154,958	144,711	141,977
<b>OPERATING EXPENSES</b>			
Source of supply	12,000	14,922	15,368
Pumping	12,000	15,240	29,945
Water treatment	16,000	24,767	25,566
Transmission and distribution	39,477	39,771	36,559
Administration and general	38,086	16,497	15,740
Depreciation	33,758	28,494	21,304
Recovery of prior period depreciation	-	(64,828)	-
	151,321	74,863	144,482
<b>NON-OPERATING REVENUE</b>	3,637	69,848	(2,505)
<b>NON-OPERATING REVENUES (EXPENDITURES)</b>			
Amortization of capital contributions	-	16,263	7,655
<b>CHANGE IN FUND BALANCE</b>	3,637	86,111	5,150
<b>DEFICIT, BEGINNING OF YEAR</b>		(162,319)	(167,469)
<b>SURPLUS, END OF YEAR</b>	\$	\$ (76,208)	\$ (162,319)

See accompanying notes to non-consolidated financial statements.

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

Statement of Cash Flows – Operating Fund

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in fund balance	\$ 86,111	\$ 5,150
Change in non-cash operating working capital		
Decrease (increase) in receivables	7,576	(5,411)
Decrease (increase) in prepaid expenses	8,310	(6,746)
Increase in trade payables	3,927	6,464
	105,924	(543)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due from own funds	(81,027)	302
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	24,897	(241)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	40,504	40,745
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 65,401	\$ 40,504

See accompanying notes to non-consolidated financial statements.



# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

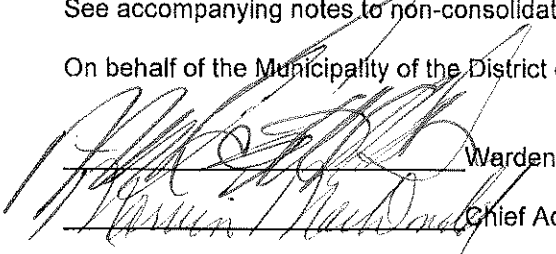
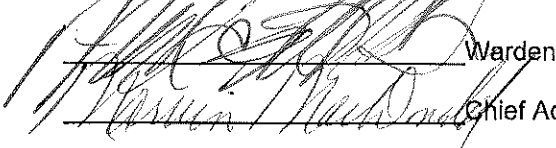
Statement of Financial Position - Capital Fund

March 31, 2019, with comparative figures for 2018

	2019	2018
<b>ASSETS</b>		
Restricted cash – depreciation fund	\$ 38,880	\$ 38,533
Due from Water Operating Fund	137,920	190,517
Tangible capital assets		
Utility plant and equipment (Schedule A)	2,784,423	2,447,843
	\$ 2,961,223	\$ 2,676,893
<b>LIABILITIES</b>		
Deferred contributions	\$ 1,348,140	\$ 946,871
Due to Municipality of the District of St. Mary's, operating fund	127,160	268,985
Accumulated depreciation	268,221	344,986
Long-term debt (note 2)	281,460	–
	2,024,981	1,560,842
<b>FUND BALANCE</b>	936,242	1,116,051
	\$ 2,961,223	\$ 2,676,893

See accompanying notes to non-consolidated financial statements.

On behalf of the Municipality of the District of St. Mary's Sherbrooke Water Utility:

  
 \_\_\_\_\_ Warden  
  
 \_\_\_\_\_ Chief Administrative Officer

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

Water Utility Section  
Statement of Accumulated Allowance for Depreciation

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 344,986	\$ 323,682
Depreciation for the year	28,494	21,304
Write off of capital assets	(105,259)	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 268,221</b>	<b>\$ 344,986</b>

## Statement of Investment in Capital Assets

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>FUND BALANCE, BEGINNING OF YEAR</b>	\$ 1,116,051	\$ 966,051
Transfers from capital reserve for capital projects	204,222	-
Transfer from Municipality of the District of St. Mary's, operating fund	-	150,000
Write off of capital assets	(383,977)	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 936,296</b>	<b>\$ 1,116,051</b>

## Statement of Depreciation Fund Cash

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>FUND, BEGINNING OF YEAR</b>	\$ 228,366	\$ 214,717
Depreciation	28,494	21,304
Deferred assistance transferred	(16,263)	(7,655)
Write off of unfunded amount	(64,828)	-
<b>FUND, END OF YEAR</b>	<b>175,769</b>	<b>228,366</b>
Amount unfunded	(136,889)	(189,833)
<b>CASH, END OF YEAR</b>	<b>\$ 38,880</b>	<b>\$ 38,533</b>

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

Notes to Financial Statements

Year ended March 31, 2019

---

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of presentation

These financial statements have been prepared in accordance with generally accepted accounting principles adopted for Water Utilities in Nova Scotia and are intended for the use of the Municipality of the District of St. Mary's Sherbrooke Water Utility (the Utility), Council and Service Nova Scotia and Municipal Relations.

The basis of accounting used in these financial statements differs materially from generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants Handbook (the CICA Handbook). The significant differences between generally accepted accounting principles for Water Utilities in Nova Scotia and the CICA Handbook are that the CICA Handbook requires the:

- Financial statements be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in net assets and in financial position of all organizations, commissions and agencies which are owned or controlled by the Water Utility. This would include, at a minimum, the individual funds represented in these March 31, 2016 financial statements – Operating Fund and Capital Fund. The consolidated financial statements prepared in accordance with the CICA Handbook would include a Statement of Financial Position, Statement of Financial Activities and a Statement of Changes in Financial Position;
- Revenues and expenses be recorded on a full accrual basis;
- The Utility capitalize all of its capital acquisitions rather than charging some to operations in the year acquired; and
- Principal debt repayments not be recorded as an expense of the Utility;

### (b) Cash and cash equivalents

Cash and cash equivalents of the operating fund is defined as cash on hand and on deposit at banks net of outstanding cheques and deposits.

### (c) Revenues and expenses

Major revenues and expenses items are recorded on an accrual basis. Resident billings of rates for subsequent periods are recorded as deferred revenues.

Certain sources of revenues, including forfeited discounts and interest on past due rates, are recorded on a cash basis.

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2019

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting consumer rates receivable outstanding.

### (d) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation of accounts receivable and carrying amount of capital assets. Actual results could differ from those estimates.

## 2. LONG-TERM DEBT

	2019	2018
Municipal Finance Corporation, repayable in annual principal payments of \$18,764 plus interest at 0 – 3.551%, maturing in 2033	\$ 281,460	\$ –

Principal payments required in each of the next five years on debt held as at March 31, 2019 are as follows:

2020	\$18,764
2021	18,764
2022	18,764
2023	18,764
2024	18,764

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2019

---

## 3. TRANSACTIONS WITH MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

- a) In general, and where identifiable, costs incurred by the Municipality on behalf of the Utility are charged to the Utility.
- b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the Utility.
- c) At March 31, 2019, the Utility operating fund owed \$32,345 to the Municipality (2018 – \$60,775) with respect to this inter-fund balance, no interest has been charged by the Municipality.
- d) At March 31, 2019, the Utility capital fund owed \$7,990 to the Municipality (2018 – \$149,869) with respect to this inter-fund balance, no interest has been charged by the Municipality.

## 4. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2019, the Municipality of the District of St. Mary's Sherbrooke Water Utility had a rate of return on rate base of .13% (2018 – .22%).

## 5. FINANCIAL INSTRUMENTS

The carrying value of cash (bank indebtedness), rates and other receivables and trade payables approximate their fair value due to the relatively short terms to maturity.

The carrying value of inter-fund balances and due to/from Municipality of the District of St. Mary's approximates its fair value due to special conditions attached thereto.

# MUNICIPALITY OF THE DISTRICT OF ST. MARY'S SHERBROOKE WATER UTILITY

Schedule A – Utility Plant and Equipment

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
Water system	\$ 205,118	\$ 629,526
Water treatment plant upgrade	646,570	646,570
Computer	2,673	2,673
New waterline	1,930,062	1,169,074
	<u>\$ 2,784,423</u>	<u>\$ 2,447,843</u>