

Financial Statements of

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

Year ended March 31, 2018

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

Financial Statements

Year ended March 31, 2018

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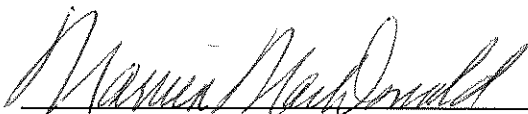
Management's Responsibility for the Financial Statements

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

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

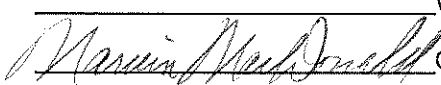
Statement of Financial Position - Operating Fund

March 31, 2018, with comparative figures for 2017

	2018	2017
ASSETS		
Cash	\$ 40,504	\$ 40,745
Receivables	52,797	47,386
Prepaid expense	9,221	2,475
	\$ 102,522	\$ 90,606
LIABILITIES		
Trade payables	\$ 13,549	\$ 7,085
Due to Water Capital Fund	190,517	176,868
Due to Municipality of the District of St. Mary's, operating fund	60,775	74,122
	264,841	258,075
DEFICIT	(162,319)	(167,469)
	\$ 102,522	\$ 90,606

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, 2018, with comparative figures for 2017

		2018	2017
	Budget (unaudited)	Actual	Actual
OPERATING REVENUES			
Operating			
Metered rate sales	\$ 109,000	\$ 118,362	\$ 108,137
Sherbrooke Village grant	21,000	22,180	21,722
	130,000	140,542	129,859
NON-OPERATING REVENUES			
Interest	700	1,435	1,042
	130,700	141,977	130,901
OPERATING EXPENSES			
Source of supply	14,000	15,368	14,566
Pumping	20,000	29,945	12,650
Water treatment	19,000	25,566	19,624
Transmission and distribution	37,062	36,559	36,454
Administration and general	14,930	15,740	16,117
Depreciation	20,827	21,304	21,649
	125,819	144,482	121,060
NON-OPERATING REVENUES (EXPENDITURES)			
Capital expenditure out of operations			
Amortization of capital contributions		7,655	7,655
		7,655	7,655
CHANGE IN FUND BALANCE	4,881	5,150	17,496
DEFICIT, BEGINNING OF YEAR	(167,469)	(167,469)	(184,965)
SURPLUS, END OF YEAR	\$ (162,588)	\$ (162,319)	\$ (167,469)

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, 2018, with comparative figures for 2017

	2018	2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ 5,150	\$ 17,496
Change in non-cash operating working capital		
Increase in receivables	(5,411)	(4,561)
Increase in prepaid expenses	(6,746)	
Increase (decrease) in trade payables	6,464	(12,387)
	(543)	548
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from own funds	302	6,963
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(241)	7,511
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,745	33,234
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 40,504	\$ 40,745

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, 2018, with comparative figures for 2017

	2018	2017 (Restated)
ASSETS		
Restricted cash – depreciation fund	\$ 38,533	\$ 37,849
Due from Water Operating Fund	190,517	176,868
Tangible capital assets		
Utility plant and equipment (Schedule A)	2,447,843	1,278,769
	\$ 2,676,893	\$ 1,493,486
LIABILITIES		
Deferred contributions	\$ 946,871	\$ 77,679
Due to Municipality of the District of St. Mary's, operating fund	149,869	6,958
Accumulated depreciation	344,986	323,682
	1,441,726	408,319
FUND BALANCE	1,235,167	1,085,167
	\$ 2,676,893	\$ 1,493,486

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, 2018, with comparative figures for 2017

	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 323,682	\$ 302,033
Depreciation for the year	21,304	21,649
BALANCE, END OF YEAR	\$ 344,986	\$ 323,682

Statement of Investment in Capital Assets

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
FUND BALANCE, AS PREVIOUSLY REPORTED	\$ 1,085,167	\$ 1,062,294
Restatement (note 5)		
As restated		1,062,294
Transfers from capital reserve for capital projects		22,873
Transfer from Municipality of the District of St. Mary's, operating fund	150,000	
BALANCE, END OF YEAR	\$ 1,235,167	\$ 1,085,167

Statement of Depreciation Fund Cash

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
FUND, BEGINNING OF YEAR	\$ 214,717	\$ 200,723
Depreciation	21,304	21,649
Deferred assistance transferred	(7,655)	(7,655)
Assets funded out of reserve		
FUND, END OF YEAR	228,366	214,717
Amount unfunded	(189,833)	(176,868)
CASH, END OF YEAR	\$ 38,533	\$ 37,849

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

Notes to Financial Statements

Year ended March 31, 2018

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, 2018

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. 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, 2018, the Utility operating fund owed \$60,775 to the Municipality (2017 – \$74,122) with respect to this inter-fund balance, no interest has been charged by the Municipality.
- d) At March 31, 2018, the Utility capital fund owed \$149,869 to the Municipality (2017 – \$6,958) with respect to this inter-fund balance, no interest has been charged by the Municipality.

3. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2018, the Municipality of the District of St. Mary's Sherbrooke Water Utility had a rate of return on rate base of _____% (2017 – .74%).

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

Notes to Financial Statements (Continued)

Year ended March 31, 2018

4. 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.

5. RESTATEMENT

Management has determined that the prior treatment of accounting for a prior year adjustment on capital assets was incorrectly recorded and the reporting of the Depreciation Cash Reserve was incorrect.

These financial statements have been adjusted retrospectively to record the capital asset adjustment as a contribution to the fund balance and a reduction in the Due to Municipality of the District of St. Mary's, operating fund. The financial statements have also been adjusted retrospectively to record the reduction in the Depreciation Cash Reserve fund and an offsetting increase in the Due from Water Operating Fund.

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

Schedule A – Utility Plant and Equipment

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
Water system	\$ 629,526	\$ 629,526
Water treatment plant upgrade	646,570	646,570
Computer	2,673	2,673
Work in progress	1,169,075	
	<u>\$ 2,447,843</u>	<u>\$ 1,278,769</u>