

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

**Financial Statements**

*March 31, 2020*

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

Financial Statements

Year ended March 31, 2020

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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

# Independent Auditors' Report

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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, 2020 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, 2020 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.

## Other Matter

The financial statements of Municipality of the District of St. Mary's Sherbrooke Water Utility for the year ended March 31, 2019 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed an unmodified opinion on those statements on August 21, 2019.

## 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.

Sydney, Nova Scotia  
September 14, 2020

*MNP LLP*

Chartered Professional Accountants

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


Statement of Financial Position - Operating Fund


March 31, 2020, with comparative figures for 2019

	2020	2019
<b>ASSETS</b>		
Cash	\$ 69,899	\$ 65,401
Receivables	46,595	45,221
Prepaid expense	10,857	911
	\$ 127,351	\$ 111,533
<b>LIABILITIES</b>		
Trade payables	\$ 13,315	\$ 17,476
Due to Water Capital Fund	22,818	10,813
Due to Municipality of the District of St. Mary's, operating fund	163,140	159,452
	199,273	187,741
<b>DEFICIT</b>	<b>(71,922)</b>	<b>(76,208)</b>
	\$ 127,351	\$ 111,533

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, 2020, with comparative figures for 2019

	2020	2019	
	Budget (unaudited)	Actual	Actual
<b>OPERATING REVENUES</b>			
Operating			
Metered rate sales	\$ 129,263	\$ 125,958	\$ 120,040
Sherbrooke Village grant	19,500	20,408	21,914
	<u>148,763</u>	<u>146,366</u>	<u>141,954</u>
<b>NON-OPERATING REVENUES (EXPENSE)</b>			
Interest	1,500	3,251	2,757
Amortization of deferred assistance	-	16,263	16,263
	<u>1,500</u>	<u>19,514</u>	<u>19,020</u>
	<u>150,263</u>	<u>165,880</u>	<u>160,974</u>
<b>OPERATING EXPENSES</b>			
Source of supply	9,500	13,623	14,922
Pumping	5,600	12,272	15,240
Transmission and distribution	41,032	40,473	39,771
Water treatment	16,500	28,055	24,767
Administration and general	13,630	15,006	12,905
Depreciation	33,754	28,909	28,494
Debt charges, principal	14,073	14,073	-
Debt charges, interest	9,183	9,183	3,592
Recovery of prior period depreciation	-	-	(64,828)
	<u>143,272</u>	<u>161,594</u>	<u>74,863</u>
<b>CHANGE IN FUND BALANCE</b>	6,991	4,286	86,111
<b>DEFICIT, BEGINNING OF YEAR</b>	(76,208)	(76,208)	(162,319)
<b>DEFICIT, END OF YEAR</b>	<u>\$ (69,217)</u>	<u>\$ (71,922)</u>	<u>\$ (76,208)</u>

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, 2020, with comparative figures for 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in fund balance	\$ 4,286	\$ 86,111
Change in non-cash operating working capital		
Decrease (increase) in receivables	(1,374)	7,576
Decrease (increase) in prepaid expenses	(9,946)	8,310
Increase in trade payables	(4,161)	3,927
	(11,195)	105,924
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due from own funds	15,693	(81,027)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,498	24,897
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	65,401	40,504
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 69,899</b>	<b>\$ 65,401</b>

See accompanying notes to non-consolidated financial statements.

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


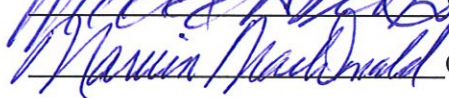
Statement of Financial Position - Capital Fund

March 31, 2020, with comparative figures for 2019

	2020	2019
<b>ASSETS</b>		
Restricted cash – depreciation fund	\$ 39,521	\$ 38,880
Due from Water Operating Fund	22,818	10,813
Tangible capital assets		
Utility plant and equipment (Schedule A)	2,805,178	2,784,423
	\$ 2,867,517	\$ 2,834,116
<b>LIABILITIES</b>		
Deferred contributions	\$ 1,352,631	\$ 1,348,139
Accumulated depreciation	297,130	268,221
Long-term debt (note 2)	267,387	281,460
	1,917,148	1,897,820
<b>FUND BALANCE</b>	950,369	936,296
	\$ 2,867,517	\$ 2,834,116

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, 2020, with comparative figures for 2019

	2020	2019
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 268,221	\$ 344,986
Depreciation for the year	28,909	28,494
Write off of capital assets	-	(105,259)
<b>BALANCE, END OF YEAR</b>	<b>\$ 297,130</b>	<b>\$ 268,221</b>

## Statement of Investment in Capital Assets

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
<b>FUND BALANCE, BEGINNING OF YEAR</b>	\$ 936,296	\$ 1,116,051
Transfers from capital reserve for capital projects	-	204,222
Write off of capital assets	-	(383,977)
Long-term debt retired	14,073	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 950,369</b>	<b>\$ 936,296</b>

## Statement of Depreciation Fund Cash

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
<b>FUND, BEGINNING OF YEAR</b>	\$ 49,693	\$ 102,290
Depreciation	28,909	28,494
Deferred assistance transferred	(16,263)	(16,263)
Write off of unfunded amount	-	(64,828)
<b>FUND, END OF YEAR</b>	<b>62,339</b>	<b>49,693</b>
Amount unfunded	(22,818)	(10,813)
<b>CASH, END OF YEAR</b>	<b>\$ 39,521</b>	<b>\$ 38,880</b>

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

Notes to Financial Statements

Year ended March 31, 2020

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## 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, 2020

## 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

	2020	2019
Municipal Finance Corporation, repayable in annual principal payments of \$18,764 plus interest at 0 – 3.551%, maturing in 2033	\$ 267,387	\$ 281,460

Principal payments required in each of the next five years on debt held as at March 31, 2020 are as follows:

2021	\$ 18,764
2022	18,764
2023	18,764
2024	18,764
2025	18,764

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

Notes to Financial Statements (Continued)

Year ended March 31, 2020

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### 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, 2020, the Utility operating fund owed \$163,140 to the Municipality (2019 – \$159,452) 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, 2020, the Municipality of the District of St. Mary's Sherbrooke Water Utility had a rate of return on rate base of .21% (2019 – .13%).

### 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, 2020, with comparative figures for 2019

	2020	2019
Water system	\$ 205,118	\$ 205,118
Water treatment plant upgrade	667,325	646,570
Computer	2,673	2,673
New waterline	1,930,062	1,930,062
	<u>\$ 2,805,178</u>	<u>\$ 2,784,423</u>