

**Municipality of the District of
St. Mary's Sherbrooke Water Utility
Financial Statements**

March 31, 2022

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, 2022 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, 2022 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.

Sydney, Nova Scotia

September 12, 2022 Chartered Professional Accountants

MNP LLP

Chartered Professional Accountants

Those charged with

MNP

Municipality of the District of St. Mary's Sherbrooke Water Utility
Financial Statements

For the year ended March 31, 2022

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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 MNP LLP, 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.



Marissa Jordan
Chief Administrative Officer


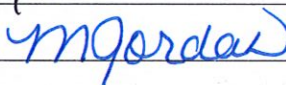
Municipality of the District of St. Mary's Sherbrooke Water Utility
Statement of Financial Position - Operating Fund

As at March 31, 2022 with comparative figures for 2021

	2022	2021
ASSETS		
Cash	\$ 44,779	\$ 44,832
Receivables	47,889	45,450
Prepaid expense	3,017	5,410
Due from Water Capital Fund	7,149	-
	\$ 102,834	\$ 95,692
LIABILITIES		
Trade payables	\$ 8,323	\$ 11,351
Due to Water Capital Fund	-	881
Due to Municipality of the District of St. Mary's, operating fund	182,818	162,123
	191,141	174,355
DEFICIT	(88,307)	(78,663)
	\$ 102,834	\$ 95,692

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

Maria Jordan
 Chief Administrative Officer

Municipality of the District of St. Mary's Sherbrooke Water Utility
Statement of Financial Activities - Operating Fund

For the year ended March 31, 2022 with comparative figures for 2021

	2022	2021
	Budget (unaudited)	Actual
OPERATING REVENUES		
Operating		
Metered rate sales	\$ 126,000	\$ 133,625
Sherbrooke Village grant	19,500	21,187
	<u>145,500</u>	<u>152,445</u>
OPERATING EXPENSES		
Source of supply	11,500	16,295
Pumping	3,890	15,061
Transmission and distribution	41,370	41,360
Water treatment	20,500	51,671
Administration and general	12,730	10,175
Depreciation	33,754	29,199
Amortization of deferred assistance	-	(17,229)
	<u>123,744</u>	<u>146,532</u>
Excess of operating revenues over expenses before the following	21,756	10,029
NON-OPERATING REVENUES (EXPENSE)		
Interest	1,500	2,021
Grant revenue	-	5,000
Debt charges, principal	(14,073)	(14,073)
Debt charges, interest	(9,183)	(8,882)
	<u>(21,756)</u>	<u>(16,770)</u>
CHANGE IN FUND BALANCE	-	(9,644)
DEFICIT, BEGINNING OF YEAR	(78,663)	(71,922)
DEFICIT, END OF YEAR	<u>\$ (78,663)</u>	<u>\$ (88,307)</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

For the year ended March 31, 2022 with comparative figures for 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ (9,644)	\$ (6,741)
Change in non-cash operating working capital		
Decrease (increase) in receivables	(2,439)	1,145
Decrease (increase) in prepaid expenses	2,393	5,447
Decrease in trade payables	(3,028)	(1,964)
	<u>(12,713)</u>	<u>(2,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due from own funds	12,665	(22,954)
	<u>(48)</u>	<u>(25,067)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	44,832	69,899
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 44,779	\$ 44,832

See accompanying notes to non-consolidated financial statements.

NON-OPERATING REVENUES (EXPENSE)

Interest

Grant revenue

Debt charges (expense)

Expenses

CHANGE IN FUND BALANCE

NET RESULT OF OPERATING ACTIVITIES

CHANGE IN FUND BALANCE

See accompanying notes to non-consolidated financial statements.

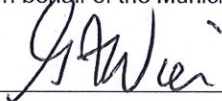
Municipality of the District of St. Mary's Sherbrooke Water Utility
Statement of Financial Position - Capital Fund

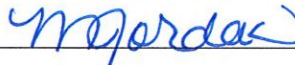
As at March 31, 2022 with comparative figures for 2021

	2022	2021
ASSETS		
Restricted cash – depreciation fund	\$ 93,275	\$ 73,275
Due from Water Operating Fund	–	881
Tangible capital assets		
Utility plant and equipment (Schedule A)	2,832,762	2,819,633
	\$ 2,926,037	\$ 2,893,789
LIABILITIES		
Due to Water Operating Fund	\$ 7,149	\$ –
Deferred contributions	1,345,604	1,349,704
Accumulated depreciation	355,528	326,329
Long-term debt (note 2)	239,241	253,314
	1,947,522	1,929,347
FUND BALANCE	978,515	964,442
	\$ 2,926,037	\$ 2,893,789

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

For the year ended March 31, 2022 with comparative figures for 2021

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 326,329	\$ 297,130
Depreciation for the year	29,199	29,199
BALANCE, END OF YEAR	\$ 355,528	\$ 326,329

Statement of Investment in Capital Assets

For the year ended March 31, 2022 with comparative figures for 2021

	2022	2021
FUND BALANCE, BEGINNING OF YEAR	\$ 964,442	\$ 950,369
Long-term debt retired	14,073	14,073
BALANCE, END OF YEAR	\$ 978,515	\$ 964,442

Statement of Depreciation Fund Cash

For the year ended March 31, 2022 with comparative figures for 2021

	2022	2021
FUND, BEGINNING OF YEAR	\$ 74,156	\$ 62,339
Depreciation	29,199	29,199
Deferred assistance transferred	(17,229)	(17,382)
FUND, END OF YEAR	86,126	74,156
Amount in excess (unfunded)	7,149	(881)
CASH, END OF YEAR	\$ 93,275	\$ 73,275

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

Notes to Financial Statements

For the year ended March 31, 2022

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 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

For the year ended March 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Allowance for doubtful accounts

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

(e) 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

	2022	2021
Municipal Finance Corporation, repayable in annual principal payments of \$14,073 plus interest at 0 – 3.551%, maturing in 2033	\$ 239,241	\$ 253,314

Principal payments required in each of the next five years on debt held as at March 31, 2022 are as follows:

2023	\$	14,073
2024		14,073
2025		14,073
2026		14,073
2027		14,073

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, 2022, the Utility operating fund owed \$182,818 to the Municipality (2021 – \$162,123) with respect to this inter-fund balance, no interest has been charged by the Municipality.

Municipality of the District of St. Mary's Sherbrooke Water Utility
Notes to Financial Statements

For the year ended March 31, 2022

4. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2022, the Municipality of the District of St. Mary's Sherbrooke Water Utility had a rate of return on rate base of 0.52% (2021 – 0.88%).

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

For the year ended March 31, 2022 with comparative figures for 2021

	2022	2021
Water system	\$ 205,118	\$ 205,118
Water treatment plant upgrade	694,909	681,780
Computer	2,673	2,673
New waterline	1,930,062	1,930,062
	<hr/>	<hr/>
	\$ 2,832,762	\$ 2,819,633
