



NOTICE

Meeting: Special Council Meeting
Date: Monday September 28th, 2026
Time: 5:00pm
Place: Council Chambers, 8296 Highway 7,
Sherbrooke

Please Advise If Unable To Attend



Municipality of the District of St. Mary's

Special Council Meeting
Monday September 28th, 2026

We acknowledge that we are gathering in Mi'kmaq the traditional unceded territory of the Mi'kmaq people.

1. Call to Order
2. Roll Call
3. Approval of the Agenda
4. Approval of 2025-26 Audited Financial Statements

Adjournment



Municipality of the District of St. Mary's

Monday, September 28th, 2026

Special Council Meeting

Recommendations from Internal Committees of Council

St. Mary's Audit Committee - September 23rd, 2026

On Recommendation of Deputy Warden Malloy, seconded by Councillor O'Connell, the St. Mary's Audit Committee recommend that Council accept the 2025-2026 Audited Financial Statements for the Municipality of the District of St. Mary's and the Sherbrooke Water Utility with non-substantive changes to the non-consolidated financial statements on pages 5, 6 and 7 for clarification of expense category wording.

Recommendation approved.

The non-substantive changes to the non-consolidated financial statements on pages 5, 6 and 7 for clarification of expense category wording have been completed in the attached statements.

The revised motion below is proposed:

Council accept the 2025-2026 Audited Financial Statements for the Municipality of the District of St. Mary's and the Sherbrooke Water Utility as presented.

**Municipality of the District of
St Mary's**
Non-Consolidated Financial Statements
(Unaudited)
March 31, 2026

Draft

Municipality of the District of St Mary's Non-Consolidated Financial Statements

(Unaudited)

For the year ended March 31, 2026

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Municipality of the District of St Mary's
General Section
Statement of Financial Position - Operating Fund
(Unaudited)
As at March 31, 2026

	2026	2025
ASSETS		
Cash and cash equivalents	\$ 2,633,348	\$ 2,926,804
Receivables		
Taxes, net of valuation allowance	313,908	261,484
Other receivables	430,855	416,165
	744,763	677,649
Prepaid expenses	5,423	20,049
Vested properties	21,299	21,299
	\$ 3,404,833	\$ 3,645,801
LIABILITIES AND OPERATING SURPLUS		
Due to general public	\$ 302,127	\$ 378,024
Deferred revenue	543,743	562,911
Due to own funds	2,174,139	2,320,042
Tax sale surplus	384,824	384,824
	\$ 3,404,833	\$ 3,645,801

Municipality of the District of St Mary's
General Section
Statement of Operations - Operating Fund

(Unaudited)

For the year ended March 31, 2026

	2026		2025
	Budget	Actual	Actual
REVENUE (Schedule A)			
Taxes	\$ 2,673,691	\$ 2,685,866	\$ 2,627,152
Grants in lieu of taxes	165,465	170,915	162,950
Revenue from own sources	410,000	304,046	322,094
Unconditional transfers from other governments	185,799	186,668	188,060
Conditional transfers from other governments	362,345	126,033	112,116
	3,797,300	3,473,528	3,412,372
EXPENDITURE (Schedule B)			
General government services	899,098	1,018,939	921,217
Protective services	859,944	894,132	754,050
Transportation services	120,000	112,134	113,106
Environmental health services	923,448	805,472	790,642
Environmental development services	477,987	171,555	222,647
Recreational and cultural services	516,823	396,981	327,096
Financing and transfers	—	74,315	283,614
	3,797,300	3,473,528	3,412,372
EXCESS OF REVENUE OVER EXPENDITURES	\$ —	\$ —	\$ —

Municipality of the District of St Mary's
General Section
Statement of Surplus - Operating Fund

(Unaudited)

For the year ended March 31, 2026

	2026	2025
SURPLUS, BEGINNING OF YEAR	\$ —	\$ —
Excess of revenue over expenditures	—	—
SURPLUS, END OF YEAR	\$ —	\$ —

Draft

Municipality of the District of St Mary's
General Section
Schedule A - Details of Revenue - Operating Fund

(Unaudited)

For the year ended March 31, 2026

	2026		2025
	Budget	Actual	Actual
Taxes			
Assessable property			
Residential	\$ 1,924,860	\$ 1,916,495	\$ 1,759,832
Commercial			
Based on taxable assessments	609,062	607,562	607,334
Resource			
Taxable assessments	299,106	297,051	282,220
Forest property tax less than 50,000	13,687	13,456	13,687
Forest property tax more than 50,000	28,624	26,616	28,624
Area rates			
Street lighting	86,020	82,232	81,048
Sherbrooke sewer	87,215	85,604	86,249
Solid waste	230,181	229,198	219,274
Assessment Act, farm property acreage	11,093	11,112	11,093
Business property			
Based on revenue – Aliant	19,508	18,497	19,508
Other			
Deed transfer tax	132,000	164,129	207,372
Fire Protection Levy	170,115	236,823	173,999
Transfer of Fire Protection Levy	(170,115)	(235,244)	(173,999)
	3,441,356	3,453,531	3,316,241
Expenditures as a reduction of tax revenue			
Appropriations to Regional School Board	(767,665)	(767,665)	(702,980)
Deficit of Regional Housing Authority	–	–	13,891
	\$ 2,673,691	\$ 2,685,866	\$ 2,627,152
Grants in lieu of taxes			
Federal government	\$ 19,200	\$ 21,954	\$ 19,171
Provincial property	145,500	148,961	143,779
CBC	765	–	–
	\$ 165,465	\$ 170,915	\$ 162,950

Municipality of the District of St Mary's
General Section
Schedule A - Details of Revenue - Operating Fund

(Unaudited)
For the year ended March 31, 2026

	2026		2025
	Budget	Actual	Actual
Revenue from own sources			
Licences and permits	\$ 3,000	\$ 3,842	\$ 1,698
Fines	11,000	6,065	10,701
Interest on taxes	75,000	84,027	82,141
Interest on investments	132,000	100,268	176,751
Recreation/Community grants	82,100	—	—
St Mary's Recplex	33,400	46,262	43,514
Miscellaneous	3,000	13,642	7,289
Transfer station revenue	70,500	49,940	—
	<u>\$ 410,000</u>	<u>\$ 304,046</u>	<u>\$ 322,094</u>
Unconditional transfers from other governments			
Provincial government			
Equalization grant	\$ 175,432	\$ 175,430	\$ 177,978
HST offset program	6,000	7,111	5,715
Nova Scotia Power Corp	4,367	4,127	4,367
	<u>\$ 185,799</u>	<u>\$ 186,668</u>	<u>\$ 188,060</u>
Conditional transfers from other governments			
Province of Nova Scotia			
Civic addressing	\$ 1,227	\$ 1,201	\$ 1,214
I&I Study Funding	—	24,274	—
Housing Accelerator Funding	323,618	17,213	—
Community works grant	25,000	(2,246)	—
Other PNS	12,500	85,591	110,902
	<u>\$ 362,345</u>	<u>\$ 126,033</u>	<u>\$ 112,116</u>

Municipality of the District of St Mary's
General Section
Schedule B - Details of Expenditure - Operating Fund

(Unaudited)

For the year ended March 31, 2026

	2026		2025
	Budget	Actual	Actual
General government services			
Legislative			
Warden remuneration and expenses	\$ 40,306	\$ 40,221	\$ 30,992
Council remuneration and expenses	97,846	88,941	108,022
General administrative			
Administration and employee benefits	184,263	218,869	182,851
Financial management	171,183	182,425	163,840
Audit fees	17,500	28,595	17,836
Property valuation services	94,500	96,493	93,615
Low-income rebates	25,000	15,980	9,900
Tax exemptions	39,000	45,558	46,693
General insurance	61,000	78,741	67,127
Solicitor expense	30,000	34,032	36,503
Computer/office expense	63,000	68,047	68,635
Building utilities and janitorial	51,000	69,321	63,592
Common services	14,500	39,635	18,004
Municipal Election expense	-	-	1,842
Other general government services			
Valuation allowances	10,000	12,081	11,765
Debenture interest	-	-	-
	\$ 899,098	\$ 1,018,939	\$ 921,217
Protective services			
Police protection			
R.C.M.P. policing	\$ 677,027	\$ 684,550	\$ 641,732
Law enforcement and corrections			
Public prosecutions	5,800	259	3,757
DNA testing	2,000	2,222	1,949
Fire protection			
Workmen's compensation insurance	8,500	12,012	8,849
Fire department grants	95,500	150,556	52,394
EMO	42,617	18,856	20,653
Other-property inspection and animal control	28,500	25,677	24,716
	\$ 859,944	\$ 894,132	\$ 754,050

Municipality of the District of St Mary's
General Section
Schedule B - Details of Expenditure - Operating Fund

(Unaudited)

For the year ended March 31, 2026

		2026	2025
	Budget	Actual	Actual
Transportation services			
Road transport	\$ 34,000	\$ 32,733	\$ 32,058
Street lighting	86,000	79,401	81,048
	\$ 120,000	\$ 112,134	\$ 113,106
Environmental health services			
Sewer and public works			
Sewer maintenance	\$ 52,170	\$ 43,733	\$ 59,791
Public works maintenance	59,000	44,678	43,286
Public works salaries/benefits	222,979	250,121	200,143
Major repairs	7,500	—	—
Solid waste			
Transfer station and collection	560,635	466,940	474,759
Transfer station salaries/benefits	21,164	—	12,663
	\$ 923,448	\$ 805,472	\$ 790,642
Environmental development services			
Planning and subdivision services	\$ 6,000	\$ 41,705	\$ 6,722
Economic development and tourism	453,633	129,850	215,925
Project management	18,354	—	—
	\$ 477,987	\$ 171,555	\$ 222,647
Recreational and cultural			
Community development and recreation	\$ 379,410	\$ 238,936	\$ 190,983
St Mary's Recplex	102,413	118,632	102,364
Sherbrooke Library	10,000	13,151	9,352
Eastern Counties Regional Library	25,000	26,262	24,397
	\$ 516,823	\$ 396,981	\$ 327,096
Financing and transfers			
Transfer to capital reserve fund	—	37,158	208,614
Transfer to fire services reserve fund	—	37,157	75,000
	\$ —	\$ 74,315	\$ 283,614

Municipality of the District of St Mary's
General Section
Statement of Financial Position - Capital Fund

(Unaudited)
As at March 31, 2026

	2026	2025
Assets		
Capital assets	\$ 4,267,189	\$ 4,065,899
Liabilities		
Due to own funds	\$ 37,931	\$ 31,451
Asset retirement obligation	19,049	19,049
	56,980	50,500
Equity		
Investment in capital assets	4,210,209	4,015,399
	\$ 4,267,189	\$ 4,065,899

Municipality of the District of St Mary's
General Section
Statement of Investment in Capital Assets - Capital Fund

(Unaudited)

For the year ended March 31, 2026

	2026	2025
BALANCE, BEGINNING OF YEAR	\$ 4,015,399	\$ 3,616,962
Transfer from capital reserve for capital projects	254,210	160,799
Transfer from Build Communities Strong fund for capital projects	88,349	120,051
Capital grant, Province of Nova Scotia	67,639	80,000
Capital grant, Sustainable Service Growth Fund	—	20,836
Capital grant, ACOA	—	110,502
Capital grant, Municipal Capital Growth Fund	—	55,662
Capital grant, Employment and Social Development Canada	37,785	54,492
Amortization of tangible capital assets	(253,173)	(203,905)
BALANCE, END OF YEAR	\$ 4,210,209	\$ 4,015,399

Municipality of the District of St Mary's
Reserve Section
Reserve Fund Statement of Financial Position - Capital and Operating Reserves
(Unaudited)
As at March 31, 2026

	2026	2025
ASSETS		
Capital reserve fund		
Due from own funds	\$ 629,940	\$ 779,710
Operating reserve fund		
Due from own funds	1,751,192	1,751,192
Fire services reserve fund		
Due from own funds	112,157	75,000
	<u>\$ 2,493,289</u>	<u>\$ 2,605,902</u>
RESERVES		
Capital Reserve		
Capital reserve, beginning of year	\$ 779,710	\$ 752,526
PNS reimbursement of funds for capital	76,380	—
Funds transferred for operating expenditures	—	—
Funds transferred for capital projects	(263,308)	(181,430)
Funds transferred from operating fund	37,158	208,614
	<u>629,940</u>	<u>779,710</u>
Operating Reserve		
Operating reserve, beginning of year	1,751,192	1,751,192
Transfer from operating fund surplus	—	—
	<u>1,751,192</u>	<u>1,751,192</u>
Fire Services Reserve		
Fire services reserve, beginning of year	75,000	—
Funds transferred from operating fund	37,157	75,000
	<u>112,157</u>	<u>75,000</u>
	<u>\$ 2,493,289</u>	<u>\$ 2,605,902</u>

Municipality of the District of St Mary's
Reserve Section
Reserve Fund Statement of Financial Position – Build Communities Strong
Fund

(Unaudited)
As at March 31, 2026

	2026	2025
ASSETS		
Cash and cash equivalents	\$ 168,444	\$ 146,544
Due to own funds	5,734	8,490
	\$ 174,178	\$ 155,034
RESERVE		
Capital reserve, beginning of year	\$ 155,034	\$ 134,046
Grant – Build Communities Strong fund	150,614	145,160
Interest revenue	3,633	–
Funds transferred for water capital projects	(46,754)	–
Funds transferred for general capital projects	(88,349)	(124,172)
	\$ 174,178	\$ 155,034

Municipality of the District of St Mary's
Water Utility Section
Statement of Financial Position - Operating Fund
(Unaudited)
As at March 31, 2026

	2026	2025
ASSETS		
Cash and cash equivalents	\$ 50,077	\$ 42,015
Receivables	68,076	51,537
Prepaid expense	16,618	24,177
	\$ 134,771	\$ 117,729
LIABILITIES		
Trade payables	\$ 16,646	\$ 10,424
Due to water capital fund	33,987	10,169
Due to general operating fund	288,320	264,266
	338,953	284,859
DEFICIT	(204,182)	(167,130)
	\$ 134,771	\$ 117,729

Municipality of the District of St Mary's
Water Utility Section
Statement of Operations and Surplus - Operating Fund

(Unaudited)

For the year ended March 31, 2026

	2026		2025
	Budget	Actual	Actual
OPERATING REVENUES			
Operating			
Metered rate sales	\$ 173,863	\$ 151,872	\$ 127,616
Sherbrooke Village grant	16,214	20,585	17,057
	190,077	172,457	144,673
NON-OPERATING REVENUES			
Interest	1,500	2,231	3,960
Amortization of deferred assistance	-	-	20,598
	1,500	2,231	24,558
	191,577	174,688	169,231
OPERATING EXPENSES			
Source of supply	14,000	24,985	18,586
Pumping	13,477	28,186	22,890
Transmission and distribution	38,509	27,657	38,500
Water treatment	37,500	44,445	36,167
Administration and general	14,480	20,659	18,626
Depreciation	53,181	48,326	33,978
Debt charges, principal	14,073	14,073	14,073
Debt charges, interest	6,366	3,409	7,261
	191,577	211,740	190,081
CHANGE IN FUND BALANCE	-	(37,052)	(20,850)
DEFICIT, BEGINNING OF YEAR		(167,130)	(146,280)
DEFICIT, END OF YEAR		\$ (204,182)	\$ (167,130)

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

(Unaudited)
As at March 31, 2026

	2026	2025
ASSETS		
Restricted cash – depreciation fund	\$ 140,845	\$ 117,921
Due from general operating fund	1,367	1,367
Due from water operating fund	33,987	10,169
Tangible capital assets		
Utility plant and equipment	3,168,283	3,065,647
	\$ 3,344,482	\$ 3,195,104
LIABILITIES		
Long-term debt	182,949	197,022
Deferred assistance	1,488,029	1,457,205
Accumulated depreciation	499,650	451,324
	2,170,628	2,105,551
FUND BALANCE	1,173,854	1,089,553
	\$ 3,344,482	\$ 3,195,104

Municipality of the District of St Mary's
Water Utility Section
Statement of Accumulated Depreciation of Utility Plant and Equipment - Capital Fund

(Unaudited)
For the year ended March 31, 2026

	2026	2025
BALANCE, BEGINNING OF YEAR	\$ 451,324	\$ 417,346
Depreciation	48,326	33,978
BALANCE, END OF YEAR	\$ 499,650	\$ 451,324

Statement of Investment in Capital Assets - Capital Fund

(Unaudited)
For the year ended March 31, 2026

	2026	2025
BALANCE, BEGINNING OF YEAR	\$ 1,989,553	\$ 1,047,753
Capital debt retired	14,073	14,073
Transfer from capital reserve	9,098	20,631
Transfer from Municipality of the District of St. Mary's, Build Communities Strong fund	—	4,121
Interest income	—	2,975
Capital funding	32,700	—
Amortization of deferred assistance	28,430	—
BALANCE, END OF YEAR	\$ 1,173,854	\$ 1,089,553

Statement of Depreciation Fund Cash

(Unaudited)
For the year ended March 31, 2026

	2026	2025
FUND, BEGINNING OF YEAR	\$ 117,921	\$ 111,735
Depreciation	48,326	33,978
Deferred assistance transferred	—	(20,598)
Interest income	—	2,975
FUND, END OF YEAR	166,247	128,090
Amount in excess (unfunded)	(25,402)	(10,169)
CASH, END OF YEAR	\$ 140,845	\$ 117,921

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

March 31, 2026

DRAFT

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

Financial Statements

For the year ended March 31, 2026

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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.

Lesley McFarlane
Chief Administrative Officer

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

As at March 31, 2026

	2026	2025
ASSETS		
Cash	\$ 50,077	\$ 42,015
Receivables	68,076	51,537
Prepaid expenses	16,618	24,177
	\$ 134,771	\$ 117,729
LIABILITIES		
Trade payables	\$ 16,646	\$ 10,424
Due to water capital fund	33,987	10,169
Due to Municipality of the District of St. Mary's, operating fund	288,320	264,266
	338,953	284,859
DEFICIT	(204,182)	(167,130)
	\$ 134,771	\$ 117,729

See accompanying notes to 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

For the year ended March 31, 2026

	2026		2025
	Budget (Note 6)	Actual	Actual
OPERATING REVENUES			
Operating			
Metered rate sales	\$ 173,863	\$ 151,872	\$ 127,616
Sherbrooke Village grant	16,214	20,585	17,057
	190,077	172,457	144,673
OPERATING EXPENSES			
Source of supply	14,000	24,985	18,586
Pumping	13,477	28,186	22,890
Transmission and distribution	38,500	27,657	38,500
Water treatment	37,500	44,445	36,167
Administration and general	14,480	20,659	18,626
Depreciation	53,181	48,326	33,978
Amortization of deferred assistance	-	-	(20,598)
	171,138	194,258	148,149
Excess (deficiency) of operating revenues over expenses before the following	18,939	(21,801)	(3,476)
NON-OPERATING REVENUES (EXPENSE)			
Interest	1,500	2,231	3,960
Debt charges, principal	(14,073)	(14,073)	(14,073)
Debt charges, interest	(6,366)	(3,409)	(7,261)
	(18,939)	(15,251)	(17,374)
CHANGE IN FUND BALANCE	-	(37,052)	(20,850)
DEFICIT, BEGINNING OF YEAR	(167,130)	(167,130)	(146,280)
DEFICIT, END OF YEAR	\$ (167,130)	\$ (204,182)	\$ (167,130)

See accompanying notes to 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, 2026

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ (37,052)	\$ (20,850)
Change in non-cash operating working capital		
Receivables	(16,539)	(4,836)
Prepaid expenses	7,559	(22,827)
Trade payables	6,222	(4,174)
	(39,810)	(52,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from own funds	47,872	31,354
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,062	(21,333)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,015	63,348
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 50,077	\$ 42,015

See accompanying notes to financial statements.

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

As at March 31, 2026

	2026	2025
ASSETS		
Restricted cash – depreciation fund	\$ 140,845	\$ 117,921
Due from Municipality of the District of St. Mary's, operating fund	1,367	1,367
Due from water operating fund	33,987	10,169
Tangible capital assets		
Utility plant and equipment (Schedule A)	3,168,283	3,065,647
	\$ 3,344,482	\$ 3,195,104
LIABILITIES		
Deferred contributions	1,488,029	1,457,205
Accumulated depreciation	499,650	451,324
Long-term debt (Note 2)	182,949	197,022
	2,170,628	2,105,551
FUND BALANCE	1,173,854	1,089,553
	\$ 3,344,482	\$ 3,195,104

See accompanying notes to 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, 2026

	2026	2025
BALANCE, BEGINNING OF YEAR	\$ 451,324	\$ 417,346
Depreciation for the year	48,326	33,978
BALANCE, END OF YEAR	\$ 499,650	\$ 451,324

Statement of Investment in Capital Assets

For the year ended March 31, 2026

	2026	2025
FUND BALANCE, BEGINNING OF YEAR	\$ 1,089,553	\$ 1,047,753
Long-term debt retired	14,073	14,073
Transfer from Municipality of the District of St Mary's, capital reserve	9,098	20,631
Transfer from Municipality of the District of St Mary's, Build Communities Strong fund	—	4,121
Interest income	—	2,975
Capital funding	32,700	—
Amortization of deferred assistance	28,430	—
BALANCE, END OF YEAR	\$ 1,173,854	\$ 1,089,553

Statement of Depreciation Fund Cash

For the year ended March 31, 2026

	2026	2025
FUND, BEGINNING OF YEAR	\$ 117,921	\$ 111,735
Depreciation	48,326	33,978
Deferred assistance transferred	—	(20,598)
Interest income	—	2,975
FUND, END OF YEAR	166,247	128,090
Amount in excess (unfunded)	(25,402)	(10,169)
CASH, END OF YEAR	\$ 140,845	\$ 117,921

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

Notes to Financial Statements

For the year ended March 31, 2026

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 "Water Utility"), Council and Service Nova Scotia and Municipal Relations.

The basis of accounting used in these financial statements differs materially from Canadian public sector accounting standards as prescribed by the Chartered Professional Accountants Handbook (the CPA Handbook). The significant differences between generally accepted accounting principles for Water Utilities in Nova Scotia and the CPA Handbook are that the CPA 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 CPA 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 Water 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 Water 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 revenue and expense 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.

(d) Allowance for doubtful accounts

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

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

Notes to Financial Statements

For the year ended March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles adopted for Water Utilities in Nova Scotia 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 period.

Amortization is based on the estimated useful lives of capital assets.

Receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenses in the years in which they become known.

(f) Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Financial instruments consist of cash and cash equivalents, receivables, trade payables and long-term debt.

Subsequent measurement

At each reporting date, the Water Utility measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Water Utility uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of financial activities. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, trade payables and long-term debt.

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

Notes to Financial Statements

For the year ended March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Impairment

For financial assets measured at cost or amortized cost, the Water Utility regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Water Utility determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of financial activities. Any reversals of previously recognized impairment losses are recognized in activities in the year the reversal occurs.

Unless otherwise noted, it is management's opinion that the Water Utility is not exposed to significant interest or credit risks arising from financial instruments.

2. LONG-TERM DEBT

	2026	2025
Municipal Finance Corporation, repayable in annual principal payments of \$14,073 plus interest at 3.048 – 3.551%, maturing in 2033	\$ 182,949	\$ 197,022

Principal payments required in each of the next five years on debt held as at March 31, 2026 are as follows:

2027	\$ 14,073
2028	14,073
2029	14,073
2030	14,073
2031	14,073
Thereafter	112,584

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 Water Utility are charged to the Water Utility.
- b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the Water Utility.
- c) At March 31, 2026, the Water Utility owed \$286,953 to the Municipality (2025 – \$262,899) 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, 2026

4. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2026, the Water Utility had a rate of return on rate base of (1.85)% (2025 – (0.30%)).

5. FINANCIAL INSTRUMENTS

The Water Utility as part of its operations carries a number of financial instruments. It is management's opinion that the Water Utility is not exposed to significant interest or currency risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. The carrying amount of the Water Utility's financial instruments best represents the maximum exposure to credit risk. The Water Utility manages its credit risk by providing allowances for potentially uncollectible accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Water Utility will encounter difficulty in meeting its obligations associated with financial liabilities. The Water Utility enters into transactions to borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. The Water Utility manages liquidity risk by monitoring forecasted and actual cash flows.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Water Utility's interest rate risk arises from long-term borrowings at a fixed rate that creates fair value interest rate risk. Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net income, as the Water Utility's long-term debt is carried at amortized cost and the carrying value does not change as the interest rate changes. The Water Utility's future obligations with respect to debt repayment are disclosed in Note 2.

6. BUDGET INFORMATION

The disclosed budget information has been approved by the Warden and Council at the council meeting on April 2, 2025.

Municipality of the District of St. Mary's Sherbrooke Water Utility
Schedule A – Utility Plant and Equipment

For the year ended March 31, 2026

	2026	2025
Water system	\$ 2,275,937	\$ 2,173,301
Water treatment plant upgrade	889,673	889,673
Computer	2,673	2,673
	\$ 3,168,283	\$ 3,065,647

DRAFT

**Municipality of the District of
St. Mary's
Consolidated Financial Statements**
March 31, 2026

Draft

Municipality of the District of St. Mary's
Consolidated Financial Statements

For the year ended March 31, 2026

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Municipality of the District of St. Mary's (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated 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 Municipality'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 consolidated financial statements. These systems are monitored and evaluated by management.

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

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Lesley McFarlane
Chief Administrative Officer

Municipality of the District of St. Mary's
Consolidated Statement of Financial Position

As at March 31, 2026

	2026	2025
FINANCIAL ASSETS		
Cash (Note 2)	\$ 2,607,890	\$ 2,848,460
Restricted cash (Note 2)	384,824	384,824
Taxes receivable (Note 3)	313,908	261,484
Other accounts receivable	498,931	467,702
	<u>3,805,553</u>	<u>3,962,470</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	309,377	379,052
Asset retirement obligation (Note 4)	19,049	19,049
Tax sale surplus	384,824	384,824
Deferred revenue	543,743	562,911
Long-term debt (Note 5)	182,949	197,022
	<u>1,439,942</u>	<u>1,542,858</u>
NET FINANCIAL ASSETS	<u>2,365,611</u>	<u>2,419,612</u>
NON-FINANCIAL ASSETS		
Properties acquired at tax sale	21,299	21,299
Tangible capital assets (Note 6)	6,935,822	6,680,222
Inventory, prepaid expenses and other	22,041	44,226
	<u>6,979,162</u>	<u>6,745,747</u>
ACCUMULATED SURPLUS (Note 7)	<u>\$ 9,344,773</u>	<u>\$ 9,165,359</u>

Commitment (Note 9)

See accompanying notes to consolidated financial statements.

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

Warden

Chief Administrative Officer

Municipality of the District of St. Mary's Consolidated Statement of Operations

For the year ended March 31, 2026

	Budget (Note 11)	2026	2025
REVENUES			
Taxes	\$ 2,673,691	\$ 2,685,866	\$ 2,627,152
Grants in lieu of taxes	165,465	170,915	162,950
Revenue from own sources	410,000	306,277	329,029
Conditional transfers from other governments	362,345	126,033	112,116
Unconditional transfers from other governments	185,799	186,668	188,060
Capital grants	—	227,004	410,078
Build Communities Strong fund	154,247	154,247	145,160
Water Utility revenue	191,577	172,457	144,673
	4,143,124	4,029,467	4,119,218
EXPENSES			
General government services	988,627	1,108,468	985,602
Protective services	859,944	894,132	754,050
Transportation services	120,000	112,134	113,106
Environmental health services	969,040	851,064	832,952
Environmental development services	477,987	171,555	222,647
Recreation and cultural services	634,875	515,033	424,306
Water Utility expenses	229,903	197,667	176,008
	4,290,376	3,850,053	3,508,671
ANNUAL SURPLUS (DEFICIT)	(147,252)	179,414	610,547
ACCUMULATED SURPLUS, BEGINNING OF YEAR		9,165,359	8,554,812
ACCUMULATED SURPLUS, END OF YEAR		\$ 9,344,773	\$ 9,165,359

See accompanying notes to consolidated financial statements.

Municipality of the District of St. Mary's
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2026

	Budget (Note 11)	2026	2025
ANNUAL SURPLUS (DEFICIT)	\$ (147,252)	\$ 179,414	\$ 610,547
Other non-financial assets			
Amortization of tangible capital assets	301,499	301,499	237,882
Additions to tangible capital assets	—	(557,099)	(715,679)
Change in tangible capital asset related to estimate of asset retirement obligation	—	—	—
Change in inventory, prepaid expenses and other	—	22,185	80,680
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	154,247	(54,001)	213,430
NET FINANCIAL ASSETS, BEGINNING OF YEAR		2,419,612	2,206,182
NET FINANCIAL ASSETS, END OF YEAR		\$ 2,365,611	\$ 2,419,612

See accompanying notes to consolidated financial statements.

Municipality of the District of St. Mary's
Consolidated Statement of Cash Flows

For the year ended March 31, 2026

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 179,414	\$ 610,547
Items not involving cash		
Amortization of tangible capital assets	301,499	237,882
Change in non-cash items		
Taxes receivable	(52,424)	(53,255)
Other accounts receivable	(31,229)	69,315
Accounts payable and accrued liabilities	(69,675)	(582,039)
Deferred revenue	(19,168)	639
Inventory, prepaid expenses and other	22,185	80,680
	330,602	363,769
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on long-term debt	(14,073)	(14,073)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Additions to tangible capital assets	(557,099)	(715,679)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(240,570)	(365,983)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,233,284	3,599,267
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,992,714	\$ 3,233,284
Cash and cash equivalents consist of the following:		
Cash	\$ 2,607,890	\$ 2,848,460
Restricted cash	384,824	384,824
	\$ 2,992,714	\$ 3,233,284

See accompanying notes to consolidated financial statements.

Municipality of the District of St. Mary's

Notes to Consolidated Financial Statements

For the year ended March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements of Municipality of the District of St. Mary's (the "Municipality") have been prepared, in all material respects, in accordance with Canadian public sector accounting standards.

(b) Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenue, expenses and changes in fund balances of all resources of the Municipality. The Municipality is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and that are owned or controlled by the Municipality. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

- General Operating and Capital Funds
- Water Operating and Capital Funds
- Reserve Funds

(c) Segment information

The Municipality is a diversified entity that provides a wide range of services to its residents. For management reporting purposes, the Municipality's operations and activities are organized and reported by fund. This presentation is in accordance with the Provincial Financial Reporting and Accounting Manual and was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipality services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

General government services

This segment is responsible for the overall local government administration. Its tasks include direction for Municipality services, such as planning, engineering, finance, and information technology in adherence to the Municipal Government Act.

Protective services

This segment is primarily responsible for police, fire protection and bylaw administration for its residents. The Municipality engages the services of the volunteer fire department in order to fulfill its fire protection role. The Municipality collects a rate for the fire department.

Transportation services

The Municipality is responsible for the maintenance of certain local roads, sidewalks and street lights within its jurisdiction.

Municipality of the District of St. Mary's Notes to Consolidated Financial Statements

For the year ended March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment information (continued)

Environmental health services

This segment is responsible for the maintenance and operations of waste and sewer services provided to residents and other customers. Its tasks include the provision of waste collection through contract, recycling and composting.

Recreation and cultural services

This segment is responsible for promoting and offering recreation opportunities and activities to the Municipality's residents, specializing in maintaining and assisting recreational facilities within the Municipality such as recreation facilities and the library.

Environmental development services

This segment is responsible for the issuance of development permits and approving subdivision applications.

Water treatment and distribution

This segment manages water treatment and distribution facilities and services within the Municipality and includes activities such as plant operation and pumping, water treatment, transmission and distribution.

(d) School boards

The assets, liabilities, taxation and other revenue and expenses with respect to the operations of the school boards are not reflected in these consolidated financial statements as they are provincial government entities.

School boards in Nova Scotia were created by the Province under provisions in the Education Act, and, under provincial statute, every Municipality is required to make a mandatory contribution to its school board. The mandatory contribution is set at the value of the Education Rate, set by the Province each year, multiplied by the previous year's Uniform Assessment.

(e) Fund accounting

The resources and operations of the Municipality are comprised of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and change in the balance of each fund.

(f) Basis of accounting

Revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Municipality of the District of St. Mary's

Notes to Consolidated Financial Statements

For the year ended March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand and on deposit at banks net of any outstanding cheques or deposits.

(h) Short-term investments

Short-term investments are recorded at the lower of cost and net realizable value. A permanent decline in value would result in a write down.

(i) Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Financial instruments consist of cash and cash equivalents, other accounts receivable, accounts payable and accrued liabilities and long-term debt.

Subsequent measurement

At each reporting date, the Municipality measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Municipality uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, taxes receivable, other accounts receivable, accounts payable and accrued liabilities and long-term debt.

Impairment

For financial assets measured at cost or amortized cost, the Municipality regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Municipality determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest or credit risks arising from financial instruments.

Municipality of the District of St. Mary's

Notes to Consolidated Financial Statements

For the year ended March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- a) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- b) The past transaction or event giving rise to the liability has occurred;
- c) It is expected that future economic benefits will be given up; and
- d) A reasonable estimate of the amount can be made.

The liability associated with the remediation of contaminants present within a number of buildings owned by the Municipality has been recognized based on estimated future expenses of remediation.

(k) Tangible capital assets

Tangible capital assets are reported in the consolidated statement of financial position at cost net of accumulated amortization. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

	Basis	Rate
Buildings	Straight-line	40 years
Rink complex	Straight-line	20 years
Equipment	Straight-line	5 - 10 years
Sewer collection and disposal	Straight-line	50 years
Transfer station	Straight-line	20 years
Paving and sidewalks	Straight-line	40 years
Water system	Straight-line	75 years
Water treatment plant	Straight-line	50 years

The amortization in the water capital fund is required to be transferred to a special bank account which is used to help fund replacement of existing equipment, or subject to approval by the Utility and Review Board, to repay principal of capital debt.

(l) Government transfers

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Municipality of the District of St. Mary's **Notes to Consolidated Financial Statements**

For the year ended March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Deferred revenue

Deferred revenue represents user charges, prepayment of taxes, and other fees that have been collected, for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(n) Reserve funds

Certain amounts, as approved by Council of the Municipality, are set aside in reserve funds for future operating and capital purposes. Transfers to and or from reserves funds are an adjustment to the respective fund when approved.

(o) Taxation and other revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Property Valuation Services Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services and the requisition made by the Province in respect of education taxes and other mandatory contributions. Taxation revenues are recorded at the time tax billings are due. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known. An allowance for unresolved assessment appeals is also provided.

Revenue from services to other governments, sale of services and other revenues are recognized at the time when services are performed and/or when earned as long as amounts can be reasonably estimated, and collection is reasonably assured.

(p) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Amortization is based on the estimated useful lives of capital assets.

Taxes and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Asset retirement obligations are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the consolidated financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the years in which they become known.

Municipality of the District of St. Mary's
Notes to Consolidated Financial Statements

For the year ended March 31, 2026

2. CASH

	2026	2025
Cash		
General operating fund	\$ 2,248,524	\$ 2,541,980
Water capital fund	140,845	117,921
Water operating fund	50,077	42,015
Build Communities Strong fund	168,444	146,544
	2,607,890	2,848,460
Restricted cash		
Tax sale surplus	384,824	384,824
	\$ 2,992,714	\$ 3,233,284

3. TAXES RECEIVABLE

	2026	2025
Balance, beginning of year	\$ 392,475	\$ 330,615
Current year's levy of property taxes	2,861,179	2,691,697
Subtotal	3,253,654	3,022,312
Less		
Current year's collections	2,788,379	2,618,072
Bad debts and reduced taxes	12,081	11,765
	2,800,460	2,629,837
Gross taxes receivable, end of year	453,194	392,475
Less		
Allowance for uncollectible taxes	139,286	130,991
Taxes receivable, net	\$ 313,908	\$ 261,484

Municipality of the District of St. Mary's

Notes to Consolidated Financial Statements

For the year ended March 31, 2026

4. ASSET RETIREMENT OBLIGATION

The Municipality's asset retirement obligation consists of the liability for remediation of contaminants present within a number of buildings owned by the Municipality. These contaminants represent a health hazard upon demolition and therefore there is a legal obligation for removal of these contaminants on decommissioning. These buildings have expected useful lives of 15 years. Estimated costs have been discounted to the present value using discount rates ranging of 4.33% per annum.

	2026	2025
	\$ 19,049	\$ 19,049

5. LONG-TERM DEBT

	2026	2025
Municipal Finance Corporation, repayable in annual principal payments of \$14,073, plus interest at 3.21% to 3.55% maturing in 2033	\$ 182,949	\$ 197,022

Principal payments required in each of the next five years on debt held as of March 31, 2026 are as follows:

2027	\$ 14,073
2028	14,073
2029	14,073
2030	14,073
2031	14,073
Thereafter	112,584

Municipality of the District of St. Mary's
Notes to Consolidated Financial Statements
For the year ended March 31, 2026

6. TANGIBLE CAPITAL ASSETS

	2025				2026				2025			
	Cost Beginning of Year	Additions and Transfers	Disposals Write-downs	Cost End of Year	Amortization Beginning of Year	Additions	Disposals	Amortization End of Year	Net Book Value	Net Book Value	Net Book Value	Net Book Value
Land	\$ 99,196	\$ —	\$ —	\$ 99,196	\$ —	\$ —	\$ —	\$ —	\$ 99,196	\$ 99,196	\$ 99,196	\$ 99,196
Lighthouse	137,250	—	—	137,250	287	378	—	665	136,585	136,585	136,963	136,963
Buildings	2,082,512	213,677	—	2,296,189	647,403	54,370	—	701,773	1,594,416	1,594,416	1,435,109	1,435,109
Rink complex	1,875,655	109,097	—	1,984,752	976,575	106,354	—	1,082,929	901,823	901,823	899,080	899,080
Equipment	470,138	—	—	470,138	356,553	37,539	—	394,092	76,046	76,046	113,585	113,585
Sewer collection and disposal	2,039,105	131,668	—	2,170,793	1,091,498	42,310	—	1,134,208	1,036,585	1,036,585	947,207	947,207
Transfer station	72,682	—	—	72,682	72,062	620	—	72,682	—	—	620	620
Paving and sidewalks	464,080	—	—	464,080	29,339	11,602	—	41,541	422,539	422,539	434,141	434,141
Water Utility assets	3,065,646	102,637	—	3,168,283	451,325	48,326	—	499,651	2,668,632	2,668,632	2,614,321	2,614,321
	\$ 10,306,264	\$ 557,099	\$ —	\$ 10,863,363	\$ 3,626,042	\$ 301,499	\$ —	\$ 3,927,541	\$ 6,935,822	\$ 6,935,822	\$ 6,680,222	\$ 6,680,222

Municipality of the District of St. Mary's

Notes to Consolidated Financial Statements

For the year ended March 31, 2026

7. ACCUMULATED SURPLUS

	2026	2025
Water operating fund	\$ (204,182)	\$ (167,130)
Capital funds	6,881,488	6,571,553
	6,677,306	6,404,423
Operating reserve fund	1,751,192	1,751,192
Capital reserve fund	629,940	779,710
Build Communities Strong fund	174,178	155,034
Fire services reserve fund	112,157	75,000
	2,667,467	2,760,936
	\$ 9,344,773	\$ 9,165,359

8. FINANCIAL INSTRUMENTS

The Municipality as part of its operations carries a number of financial instruments. It is management's opinion that the Municipality is not exposed to significant interest or currency risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. The carrying amount of the Municipality's financial instruments best represents the maximum exposure to credit risk. The Municipality manages its credit risk by providing allowances for potentially uncollectible accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting its obligations associated with financial liabilities. The Municipality enters into transactions to borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. The Municipality manages liquidity risk by monitoring forecasted and actual cash flows.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Municipality's interest rate risk arises from long-term borrowings at a fixed rate that creates fair value interest rate risk. Changes in market interest rates cause the fair value of these long-term debt with fixed interest rates to fluctuate but do not affect net income, as the Municipality's long-term debt is carried at amortized cost and the carrying value does not change as the interest rate changes. The Municipality's future obligations with respect to debt repayment are disclosed in Note 5.

Municipality of the District of St. Mary's Notes to Consolidated Financial Statements

For the year ended March 31, 2026

9. CONTINGENCIES

The Municipality has agreed to provide the Sherbrooke and Area Volunteer Fire Department with a loan guarantee on a 5-year term for \$125,000 to purchase a 2013 pumper truck.

10. TRANSFERS TO BOARDS AND COMMISSIONS

The Municipality is required to share in financing the operations of various Boards and Commissions. In addition to any budgeted contributions, the Municipality shares in the deficits or surpluses of these Boards based on their sharing percentages. The Municipality's share of the deficit is to be paid in the next fiscal year, while a surplus is to be taken into the next year's estimates.

	2026 Contribution	2025 Contribution
Eastern Counties Regional Library	26,262	24,397

11. BUDGET INFORMATION

The disclosed budget information has been approved by the Warden and Council at the council meeting on April 2, 2025.

The Municipality budgets for rate setting purposes. These budgeted amounts do not include amortization or revenue from Build Communities Strong Fund. The following adjustments to the annual surplus reconcile the operating budgets to the financial reporting presentation under Canadian Public Sector Accounting Standards ("PSAB").

	2026
Approved budgeted surplus for the year	
General operations	\$ —
Water Utility operations	—
Approved budget surplus	—
Adjusted for:	
Build Communities Strong fund	154,247
Amortization of tangible capital assets	(301,499)
Net PSAB adjustments	(147,252)
	\$ (147,252)

Municipality of the District of St. Mary's
Schedule of Remuneration and Expenses of Members of Council and Chief
Administrative Officer

For the year ended March 31, 2026

Name	Title	Remuneration	Expenses
James Fuller	Warden	28,856	11,365
Beulah Malloy	Deputy Warden	20,611	4,358
Emma Tibbo	Councillor	17,321	4,715
Dana O'Connell	Councillor	17,321	3,018
Scott Beaver	Councillor	17,321	2,097
Doug Patterson	Chief Administrative Officer	55,361	—
Marian Fraser	Interim Chief Administrative Officer	35,117	—
Lesley McFarlane	Chief Administrative Officer	58,414	573

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Municipality of the District of St. Mary's
Schedule of Segment Disclosure
For the year ended March 31, 2026

Segment reporting is designed to assist users in identifying the resources allocated to support the major activities of the Municipality and to better understand the performance of segments.

The following schedule provides segment information for the 2026 fiscal year. Segment results represent the activities of that segment and are based on the same accounting policies as described in the Significant Accounting Policies in Note 1. The Municipality has determined that the following segments represent the major activities of government.

Year ended March 31, 2026	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Environmental Development Services	Recreation and Cultural Services	Water Utility	Total
REVENUES								
Taxation	\$ 2,288,832	\$ -	\$ 82,232	\$ 314,802	\$ -	\$ -	\$ -	\$ 2,685,866
Grants in lieu of taxes	170,915	-	-	-	-	-	-	170,915
Revenue from own sources	250,940	-	-	-	-	-	-	306,277
Conditional transfers from other governments	126,033	-	-	-	-	55,337	-	126,033
Unconditional transfers from other governments	186,668	-	-	-	-	-	-	186,668
Capital grants	227,004	-	-	-	-	-	-	227,004
Build Communities Strong Fund revenue	154,247	-	-	-	-	-	-	154,247
Water utility revenue	-	-	-	-	-	-	172,457	172,457
	3,404,639	-	82,232	314,802	-	55,337	172,457	4,029,467
EXPENSES								
Salaries, wages and benefits	451,025	21,808	-	230,789	81,889	188,365	27,657	1,001,533
Contracted services	96,493	-	-	-	-	-	-	96,493
Purchased goods from public sector	-	690,900	-	-	-	-	-	690,900
External transfers and grants	-	150,556	-	-	-	-	-	150,556
Interest on long-term debt	-	30,868	-	-	-	-	-	30,868
Other operating expenses	447,297	-	112,134	577,965	89,666	229,458	121,684	1,578,204
Amortization	113,653	-	-	42,310	-	97,210	48,326	301,499
	1,108,468	894,132	112,134	851,064	171,555	515,033	197,667	3,850,053
ANNUAL SURPLUS (DEFICIT)	\$ 2,296,171	\$ (894,132)	\$ (29,902)	\$ (536,262)	\$ (171,555)	\$ (459,696)	\$ (25,210)	\$ 179,414
Year ended March 31, 2025	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Environmental Development Services	Recreation and Cultural Services	Water Utility	Total
REVENUES								
Taxation	\$ 2,240,581	\$ -	\$ 81,048	\$ 305,523	\$ -	\$ -	\$ -	\$ 2,627,152
Grants in lieu of taxes	162,960	-	-	-	-	-	-	162,960
Revenue from own sources	270,864	-	-	-	-	-	-	329,029
Conditional transfers from other governments	112,116	-	-	-	-	58,175	-	112,116
Unconditional transfers from other governments	188,060	-	-	-	-	-	-	188,060
Capital grants	410,078	-	-	-	-	-	-	410,078
Canada Community Building Fund revenue	145,160	-	-	-	-	-	-	145,160
Water utility revenue	-	-	-	-	-	-	144,673	144,673
	3,529,799	-	81,048	305,523	-	58,175	144,673	4,119,218
EXPENSES								
Salaries, wages and benefits	430,459	20,406	-	217,488	48,476	135,023	38,500	890,352
Contracted services	93,615	-	-	-	-	-	-	93,615
Purchased goods from public sector	-	651,748	-	-	-	-	-	651,748
External transfers and grants	-	52,394	-	-	-	-	-	52,394
Interest on long-term debt	-	29,502	-	-	-	-	-	29,502
Other operating expenses	397,144	-	113,106	573,154	174,171	192,073	103,530	1,553,178
Amortization	64,384	-	-	42,310	-	97,210	33,978	237,882
	985,602	754,050	113,106	832,952	222,647	424,306	176,008	3,508,671
ANNUAL SURPLUS (DEFICIT)	\$ 2,544,197	\$ (754,050)	\$ (32,058)	\$ (527,429)	\$ (222,647)	\$ (366,131)	\$ (31,335)	\$ 610,547