

INTERLAKE REGIONAL WATER BOARD
Financial Statements
Year Ended December 31, 2019

INTERLAKE REGIONAL WATER BOARD

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Year Ended December 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


The financial statements of Interlake Regional Water Board have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Interlake Regional Water Board's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is composed of elected officials who are not employees of Interlake Regional Water Board. The board is responsible for overseeing management in the performance of its financial reporting responsibilities. The board fulfills these responsibilities by reviewing the financial information prepared by the administration and discussing relevant matters with the external auditors. The Board is also responsible for recommending the appointment of Interlake Regional Water Board's external auditors.

The financial statements have been audited on behalf of the members by Cogent Chartered Professional Accountants LLP, in accordance with Canadian public sector accounting standards.



David Stillar, Chairperson

Amber Loeppky, Administrator

Cochin, SK
June 29, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Interlake Regional Water Board

Opinion

We have audited the financial statements of Interlake Regional Water Board (the Utility), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Utility as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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 Utility in accordance with the 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

The financial statements of Interlake Regional Water Board the year ended December 31, 2018, were audited by Cogent Chartered Professional Accountants LLP who expressed an modified opinion on those statements on [insert date of prior report]. The partners and staff of Cogent Chartered Professional Accountants LLP joined Grant Thornton LLP on November 1, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

Independent Auditor's Report to the Members of Interlake Regional Water Board (continued)

In preparing the financial statements, management is responsible for assessing the Utility's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Utility or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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 decisions 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 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 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 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.

Saskatoon, Canada
June 16, 2020

Grant Thornton LLP

Chartered Professional Accountants

INTERLAKE REGIONAL WATER BOARD

Statement of Financial Position

December 31, 2019

FINANCIAL ASSETS

Cash (Note 3)	\$ 79,973	\$ 60,688
Accounts receivable (Note 4)	75,668	87,068
Goods and services tax recoverable	12,501	13,927
	<u>168,142</u>	<u>161,683</u>

LIABILITIES

Accounts Payable	21,104	8,896
Deposits	200	17,651
Deferred Revenue (Note 6)	-	30,000
Long term debt (Note 5)	-	105,000
	<u>21,304</u>	<u>161,547</u>

NET FINANCIAL ASSETS

<u>146,838</u>	<u>136</u>
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NON-FINANCIAL ASSETS

Prepayments and Deferred Charges	4,973	4,973
Tangible capital assets (Note 8)	1,882,513	1,985,236
	<u>1,887,486</u>	<u>1,990,209</u>

ACCUMULATED SURPLUS

<u>\$ 2,034,324</u>	<u>\$ 1,990,345</u>
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Approved by the Board of Directors

_____ Chairperson

_____ Director

INTERLAKE REGIONAL WATER BOARD
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2019

	Budget (unaudited)	Total 2019	Total 2018
REVENUES			
Water service fees	\$ -	\$ 270,079	\$ 242,327
Infrastructure Levy	-	100,035	100,757
Water usage levy	-	79,435	86,597
Water connections	-	30,000	24,000
Water Meters Capital Payment	-	17,451	68,714
Bulk water	-	16,545	14,456
Interest	-	4,944	6,334
Miscellaneous Income	-	500	1,827
Expense recoveries	-	100	1,749
	-	519,089	546,761
EXPENSES			
Administration	-	52,519	38,169
Operating	-	422,591	474,764
	-	475,110	512,933
ANNUAL SURPLUS	-	43,979	33,828
ACCUMULATED SURPLUS - BEGINNING OF YEAR	2,034,324	1,990,345	1,956,517
ACCUMULATED SURPLUS - END OF YEAR	\$ 2,034,324	\$ 2,034,324	\$ 1,990,345

INTERLAKE REGIONAL WATER BOARD
Statement of Changes in Net Financial Assets
Year Ended December 31, 2019

	Budget 2019	2019	2018
ANNUAL SURPLUS	\$ -	\$ 43,979	\$ 33,828
Amortization of tangible capital assets	-	102,723	102,723
Decrease (increase) in prepayments and deferred charges	-	-	(426)
	-	102,723	102,297
INCREASE IN NET FINANCIAL ASSETS	-	146,702	136,125
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	136	136	(135,989)
NET FINANCIAL ASSETS - END OF YEAR (Note 3)	\$ 136	\$ 146,838	\$ 136

See notes to financial statements

INTERLAKE REGIONAL WATER BOARD

Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
surplus	\$ 43,979	\$ 33,828
Item not affecting cash:		
Amortization of property, plant and equipment	102,723	102,723
	<u>146,702</u>	<u>136,551</u>
Changes in non-cash working capital:		
Accounts receivable	11,400	(29,448)
Accounts Payable	12,208	330
Deferred Revenue	(30,000)	-
Prepayments and Deferred Charges	-	(426)
Goods and services tax payable	1,426	(7,753)
Deposits	(17,451)	(68,714)
	<u>(22,417)</u>	<u>(106,011)</u>
Cash flow from operating activities	<u>124,285</u>	<u>30,540</u>
FINANCING ACTIVITY		
Repayment of long term debt	(105,000)	(105,000)
Cash flow used by financing activity	<u>(105,000)</u>	<u>(105,000)</u>
INCREASE (DECREASE) IN CASH FLOW	<u>19,285</u>	<u>(74,460)</u>
Cash - beginning of year	<u>60,688</u>	<u>135,148</u>
CASH - END OF YEAR (Note 3)	<u>\$ 79,973</u>	<u>\$ 60,688</u>

INTERLAKE REGIONAL WATER BOARD

Notes to Financial Statements

Year Ended December 31, 2019

1. PURPOSE OF THE UTILITY

Interlake Regional Water Board (the "Utility") was incorporated as a Public Utility Board under The Municipalities Act of Saskatchewan on June 12, 2008. The organization is operated by its two member municipalities, the Rural Municipality of Meota No. 468 and the Resort Village of Cochin. The organization's objective is to build, maintain and operate a water distribution system for its member municipality's residents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the utility are prepared by management in accordance with the Canadian public sector accounting standards established by the Public Sector Accounting Board of the Accounting Standards Oversight Council. Significant aspects of the accounting policies are as follows:

Basis of accounting: The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

Revenue recognition

Revenues are accounted for in the period in which the transactions or events occur that give rise to the revenues.

The Utility derives a portion of its revenues from the sale of water to its subscribers. The revenue from the sale of this water is billed based on consumption and is recognized in the period in which the water is provided.

The Utility derives a portion of its revenues from installing water connections to new subscribers. The revenue from the new connections is recognized in the period in which the connection was completed.

Subscriber loan interest revenue is accrued monthly per the terms of the contract.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(continues)

INTERLAKE REGIONAL WATER BOARD

Notes to Financial Statements

Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates and methods:

Land	Indefinite
Land improvements	15 years
Buildings	50%
Equipment	10 years
Vehicles	10 years
Water lines	50 years
Wells	25 years
Water treatment plant	25 years

The Utility regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use. The organization does not capitalize interest incurred while a tangible capital asset is under construction.

Net Financial Assets:

Net Financial Assets at the end of an accounting period are the net amount of financial assets less liabilities outstanding. Financial assets represent items such as cash and those other assets on hand which could provide resources to discharge existing liabilities or finance future operations. These include realizable assets which are convertible to cash and not intended for consumption in the normal course of operations.

Non-financial assets:

Tangible capital and other non-financial assets are accounted for as assets by the government because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

Appropriated Reserves:

Reserves are established at the discretion of the board of directors to designate surplus for future operating and capital transactions. Amounts so designated are described on Schedule 2.

Basis of segmented disclosure

The Utility follows the Public Sector Accounting Board's recommendations requiring financial information to be provided on a segmented basis. The Utility's services have been segmented by grouping activities that have similar service objectives (by function).

The segments (functions) are as follows:

Administration: provides administrative support for operations

Operating: provides the deliver of water

All revenues are directly related to operating.

INTERLAKE REGIONAL WATER BOARD

Notes to Financial Statements

Year Ended December 31, 2019

3. CASH

	2019	2018
BMO - savings account	\$ 82,182	\$ 80,516
Petty cash	200	200
BMO - operating account	(2,409)	(20,027)
	<u>\$ 79,973</u>	<u>\$ 60,689</u>

4. ACCOUNTS RECEIVABLE

	2019	2018
Water Account Receivable	\$ 56,480	\$ 66,571
Infrastructure Levy Receivable	19,188	20,497
Total accounts receivable	<u>75,668</u>	<u>87,068</u>
Less: allowance for doubtful accounts	-	-
	<u>\$ 75,668</u>	<u>\$ 87,068</u>

5. LONG TERM DEBT

	2019	2018
Bank of Montreal loan repaid in full on December 31, 2019	\$ -	\$ 40,000
Bank of Montreal loan repaid in full on December 31, 2019	-	65,000
Amounts payable within one year	-	-
	<u>\$ -</u>	<u>\$ 105,000</u>

6. DEFERRED REVENUE

	2019	2018
<u>Land Sale</u>		
Balance, beginning of year	\$ 30,000	\$ 30,000
Sales during the year	(30,000)	-
Balance, end of year	<u>-</u>	<u>30,000</u>

INTERLAKE REGIONAL WATER BOARD

Notes to Financial Statements

Year Ended December 31, 2019

7. COMMITMENTS

The organization had previously signed a five year contract with Sask Water to control and monitor the Interlake water treatment plant. This term ended December 31, 2017. The contract has a provision to continue unless terminated by either party. Minimum payments total \$113,124 per annum.

8. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 72,662	\$ -	\$ 72,662	\$ 72,662
Land improvements	158,289	77,493	80,796	87,287
Equipment	5,610	4,488	1,122	1,683
Computer equipment	11,246	11,246	-	-
Water lines	762,758	167,806	594,952	610,208
Water treatment plant	2,010,364	877,383	1,132,981	1,213,396
	\$ 3,020,929	\$ 1,138,416	\$ 1,882,513	\$ 1,985,236

9. Significant Supplier

The Utility obtains all of its water for distribution from the Sask Water. The Utility has a contract with and is in compliance with the terms of that contract.

10. BUDGET INFORMATION

The budget figures, provided for comparison purposes only, are those approved by the Board. In accordance with the terms of the engagement, they have not been subjected to audit or review.

11. SUBSEQUENT EVENTS

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

It is unknown to what extent these factors will impact the Utility, however they could play a significant factor on the community in their ability to pay and service their utilities and loans. The Utility has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Utility for future periods.

INTERLAKE REGIONAL WATER BOARD

Notes to Financial Statements

Year Ended December 31, 2019

12. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants.

INTERLAKE REGIONAL WATER BOARD
Schedule of Segment Disclosure by Function
Year Ended December 31, 2019

(Schedule 1)

	2019			2018		
	Administration	Operating	Total	Administration	Operating	Total
Revenues						
Water service fees	\$ -	\$ 270,079	\$ 270,079	\$ -	\$ 242,327	\$ 242,327
Infrastructure Levy	-	100,035	100,035	-	100,757	100,757
Water usage levy	-	79,435	79,435	-	86,597	86,597
Water connections	-	30,000	30,000	-	24,000	24,000
Water Meters Capital Payment	-	17,451	17,451	-	68,714	68,714
Bulk water	-	16,545	16,545	-	14,456	14,456
Interest from other sources	-	4,944	4,944	-	6,334	6,334
Miscellaneous Income	-	500	500	-	1,827	1,827
Expense recoveries	-	100	100	-	1,749	1,749
Revenues total	-	519,089	519,089	-	546,761	546,761
Expenses						
Plant Operations	-	178,400	178,400	-	152,178	152,178
Amortization	-	102,723	102,723	-	102,723	102,723
Repairs and Maintenance	-	39,812	39,813	-	90,625	90,625
Utilities	-	34,500	34,500	-	38,739	38,739
Wages and Benefits	31,500	-	31,500	26,451	-	26,451
Contract work	-	20,846	20,846	-	34,642	34,642
Supplies	-	19,851	19,851	-	18,198	18,198
Rent	13,570	40	13,610	3,595	(595)	3,000
Insurance	-	9,936	9,936	-	9,575	9,575
Office supplies	5,264	1,181	6,445	5,885	3,574	9,458
Professional fees	-	5,819	5,819	-	-	-
Interest on long term debt	-	5,183	5,183	-	9,653	9,653
Interest and Bank Charges	2,185	1,620	3,806	2,238	934	3,173
Professional/Contractual Services	-	2,680	2,680	-	15,318	15,318
Bad debts	-	-	-	-	(1,040)	(1,040)
Advertising	-	-	-	-	240	240
Expenses total	52,519	422,591	475,112	38,169	474,764	512,933
ANNUAL SURPLUS	\$ (52,519)	\$ 96,498	\$ 43,977	\$ (38,169)	\$ 71,997	\$ 33,828

See notes to financial statements

INTERLAKE REGIONAL WATER BOARD

Schedule of Accumulated Surplus

(Schedule 2)

Year Ended December 31, 2019

	2018	Changes	2019
Unappropriated Surplus total	\$ 110,109	\$ 41,702	\$ 151,811
Appropriated Reserves			
Appropriated Reserves total	-	-	-
Net Investment in Tangible Capital Assets			
Tangible Capital Assets	1,985,236	(102,723)	1,882,513
Less: Related Debt	(105,000)	105,000	-
Net Investment in Tangible Capital Assets total	1,880,236	2,277	1,882,513
Total Accumulated Surplus	\$ 1,990,345	\$ 43,979	\$ 2,034,324