

INTERLAKE REGIONAL WATER BOARD
Financial Statements
Year Ended December 31, 2018

INTERLAKE REGIONAL WATER BOARD
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Year Ended December 31, 2018

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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.

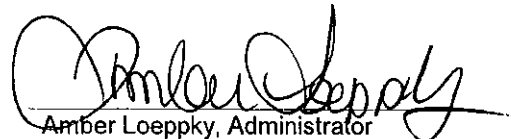
The integrity and reliability of Interlake Regional Water Board's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial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

Cogent

CHARTERED PROFESSIONAL
ACCOUNTANTS LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of Interlake Regional Water Board

Qualified Opinion

We have audited the financial statements of Interlake Regional Water Board (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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 Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the existence and completeness of capital accounts receivable. Consequently, we were unable to determine whether adjustments, if any, were necessary to capital accounts receivable, interest revenue and accumulated surplus. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

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 Organization 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 qualified audit opinion.

Other Matter

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed a qualified opinion on those financial statements on June 20, 2018.

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.

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

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Battleford, SK
June 29, 2019

Cogent Chartered Professional Accountants LLP
Chartered Professional Accountants

Cogent
CHARTERED PROFESSIONAL
ACCOUNTANTS LLP

INTERLAKE REGIONAL WATER BOARD

Statement of Financial Position

December 31, 2018

FINANCIAL ASSETS

Cash and Temporary Investments	\$ 60,688	\$ 135,148
Accounts receivable	87,068	57,620
Goods and services tax recoverable	13,927	6,174
	<u>161,683</u>	<u>198,942</u>

LIABILITIES

Accounts Payable	8,896	8,567
Deposits	17,651	86,365
Deferred Revenue	30,000	30,000
Long term debt (Note 6)	105,000	210,000
	<u>161,547</u>	<u>334,932</u>

NET FINANCIAL ASSETS (DEBT)

136 (135,990)

NON-FINANCIAL ASSETS

Prepayments and Deferred Charges	4,973	4,547
Tangible capital assets (Note 8)	1,985,236	2,087,959
	<u>1,990,209</u>	<u>2,092,506</u>

ACCUMULATED SURPLUS

\$ 159,309 \$ 125,480

Approved by the Board of Directors

_____ Chairperson

_____ Director

INTERLAKE REGIONAL WATER BOARD
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2018

	Total 2018	Total 2017
REVENUES		
Bulk water	\$ 14,456	\$ 13,016
Infrastructure Levy	100,757	99,642
Expense recoveries	1,749	858
Water Meters Capital Payment	68,714	13,400
Water connections	24,000	32,270
Water service fees	242,327	239,382
Water usage levy	86,597	81,806
Interest	6,334	4,555
Miscellaneous Income	1,827	-
	546,761	484,929
EXPENSES		
Advertising	240	488
Amortization	102,723	102,722
Bad debts	(1,040)	(2,463)
Interest and Bank Charges	3,172	1,816
Contract work	34,642	20,191
Insurance	9,575	8,268
Interest on long term debt	9,653	12,240
Office supplies	9,458	17,436
Professional/Contractual Services	15,318	10,871
Rent	3,000	3,000
Repairs and Maintenance	90,625	23,212
Saskatchewan Water Corporation - plant operations	152,178	159,977
Supplies	18,198	17,673
Wages and Benefits	26,451	42,162
Utilities	38,739	24,239
	512,932	441,832
ANNUAL SURPLUS	33,829	43,097
ACCUMULATED SURPLUS - BEGINNING OF YEAR	125,480	82,383
ACCUMULATED SURPLUS - END OF YEAR	\$ 159,309	\$ 125,480

See notes to financial statements

INTERLAKE REGIONAL WATER BOARD
Statement of Changes in Net Financial Assets (Debt)
Year Ended December 31, 2018

	Budget 2018	2018	2017
ANNUAL SURPLUS	\$ -	\$ 33,829	\$ 43,097
Amortization of property, plant and equipment	-	102,723	102,722
Decrease (increase) in prepayments and deferred charges	-	(426)	(528)
Capitalized interest	-	-	-
Capitalized overhead	-	-	-
	-	102,297	102,194
INCREASE IN NET FINANCIAL ASSETS	-	136,126	145,291
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	-	(135,990)	(281,281)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ -	\$ 136	\$ (135,990)

See notes to financial statements

INTERLAKE REGIONAL WATER BOARD
Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
surplus	\$ 33,829	\$ 43,097
Item not affecting cash:		
Amortization of property, plant and equipment	102,723	102,722
	<u>136,552</u>	<u>145,819</u>
Changes in non-cash working capital:		
Accounts receivable	(29,448)	29,648
Accounts Payable	329	(313)
Deferred Revenue	-	24,000
Prepayments and Deferred Charges	(426)	(526)
Goods and services tax payable	(7,753)	258
Deposits	(68,714)	(13,635)
	<u>(106,012)</u>	<u>39,432</u>
Cash flow from operating activities	<u>30,540</u>	<u>185,251</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	(74,460)	80,251
Cash - beginning of year	<u>135,148</u>	<u>54,897</u>
CASH - END OF YEAR	<u>60,688</u>	<u>135,148</u>
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	<u>\$ (6,334)</u>	<u>\$ (4,555)</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes recovered	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

INTERLAKE REGIONAL WATER BOARD

Notes to Financial Statements

Year Ended December 31, 2018

1. PURPOSE OF THE ORGANIZATION

Interlake Regional Water Board (the "organization") 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 were prepared in accordance with Canadian public sector accounting standards (GAAP) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Inventory

Inventories of materials and supplies expected to be used by the organization are valued at the lower of cost or replacement cost. Cost is determined by the average cost method.

Tangible capital assets

Tangible capital assets are stated at cost or deemed 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 organization 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.

Revenue recognition

Interlake Regional Water Board follows the deferral method of accounting for fees and charges. Revenue is recognized in the period in which the related expenses are incurred or the services have been performed.

Investment income is recognized as revenue when earned.

Government transfers

Government transfers are recorded when there is a reasonable assurance that the organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

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INTERLAKE REGIONAL WATER BOARD

Notes to Financial Statements

Year Ended December 31, 2018

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

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.

3. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Water Account Receivable	\$ 66,571	\$ 42,673
Infrastructure Levy Receivable	20,497	14,948
Total accounts receivable	<u>87,068</u>	<u>57,621</u>
Less: allowance for doubtful accounts	-	-
	<u>\$ 87,068</u>	<u>\$ 57,621</u>

4. CAPITAL PROJECT NOTES RECEIVABLE

	<u>2018</u>	<u>2017</u>
Capital projects notes receivable	\$ 21,909	\$ 22,949
Less: Allowance for doubtful accounts	(21,909)	(22,949)
Net Capital projects notes receivable	<u>\$ -</u>	<u>\$ -</u>

The capital project notes receivable are promissory notes signed by residents for long term financing for the construction of the water treatment plant, well and water lines. The promissory notes are to be repaid during the next year with interest at prime plus 1% per annum. Residents have the option of prepaying their share of the costs of the project.

5. BANK INDEBTEDNESS

The organization has an authorized line of credit in the amount of \$100,000, of which nil has been drawn at year end.

6. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Bank of Montreal loan bearing interest at prime plus 1% per annum, repayable in annual principal payments of \$40,000 plus interest payable monthly. The loan matures on and is secured by water treatment plant and general security agreement.	\$ 40,000	\$ 80,000

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INTERLAKE REGIONAL WATER BOARD

Notes to Financial Statements

Year Ended December 31, 2018

6. LONG TERM DEBT *(continued)*

	2018	2017
Bank of Montreal loan bearing interest at prime plus 1% per annum, repayable in annual principal payments of \$65,000 plus interest payable monthly. The loan matures on and is secured by water treatment plant and general security agreement.	65,000	130,000

Amounts payable within one year

-	-
\$ 105,000	\$ 210,000

Principal repayment terms are approximately:

2019	\$ 105,000
	\$ 105,000

The organization has a credit facility agreement with its financial institution that covers its long term debt facilities. Financial covenants exist in the credit facility agreement covering all facilities including:

- a) Furnishing the Bank of Montreal with a detailed copy of the annual independent auditor's report within 90 days of the close of the organization's fiscal year. This covenant was not met.

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	2018 Net book value	2017 Net book value
Land	\$ 72,662	\$ -	\$ 72,662	\$ 72,662
Land improvements	158,289	71,002	87,287	93,778
Equipment	5,610	3,927	1,683	2,244
Computer equipment	11,246	11,246	-	1
Water lines	762,758	152,550	610,208	625,463
Water treatment plant	2,010,364	796,968	1,213,396	1,293,811
	\$ 3,020,929	\$ 1,035,693	\$ 1,985,236	\$ 2,087,959

9. COMPARATIVE FIGURES

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