

NORTHERN MUNICIPAL TRUST ACCOUNT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Northern Municipal Trust Account, which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, change in net financial assets, and cash flow 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 Northern Municipal Trust Account as at December 31, 2018, and the results of its operations, changes in its net financial assets, 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 Northern Municipal Trust Account 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restated Comparative Information

We draw attention to information in Note 19 Prior Period Adjustment of the financial statements. This note explains certain information for the year ended December 31, 2017 (comparative information), and adjustments applied to restate that information. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or any knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Northern Municipal Trust Account'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 Northern Municipal Trust Account'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 Northern Municipal Trust Account'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 Northern Municipal Trust Account 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 identified during the audit.

Regina, Saskatchewan
February 26, 2020

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Financial Position
As at December 31
(thousands of dollars)

	2018	2017
		<i>(Restated)</i>
		<i>(note 19)</i>
Financial Assets		
Cash	9,326	9,850
Temporary investments	31,608	31,781
Accounts receivable <i>(note 4)</i>	8,922	10,623
Inventory for resale	324	605
Total Financial Assets <i>(schedule 1)</i>	50,180	52,859
Liabilities		
Grants payable	6,395	6,233
Unearned revenue <i>(note 5)</i>	1,719	1,821
Advance payments <i>(note 6)</i>	2,327	1,278
Accounts payable	1,052	976
Accrued landfill decommissioning <i>(note 7)</i>	290	284
Accrued contaminated site remediation <i>(note 16)</i>	72	72
Revenues collected for others <i>(note 8)</i>	168	138
Total Liabilities <i>(schedule 1)</i>	12,023	10,802
Net Financial Assets <i>(schedule 1)</i>	38,157	42,057
Non-financial Assets		
Tangible capital assets <i>(note 9)</i>	5,286	5,537
Prepaid expenses	13	18
Inventory held for consumption	9	10
Total Non-financial Assets <i>(schedule 1)</i>	5,308	5,565
Accumulated Surplus <i>(schedule 1)</i>	43,465	47,622

Contractual obligations *(note 13)*
Contractual rights *(note 14)*

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2018		2017
	Budget <i>(note 10)</i>	Actual	Actual <i>(Restated)</i> <i>(note 19)</i>
Revenue <i>(schedule 1)</i>			
Transfers			
Northern revenue sharing	18,044	17,938	19,198
Water and sewer	14,568	4,722	5,748
Other transfers	1,898	180	183
Lease fees	4,300	4,126	3,747
Taxation	6,202	6,222	6,185
Utility and fuel sales	617	712	664
Portfolio investment income <i>(note 2bii)</i>	90	44	99
Interest and penalties	350	931	505
Land sales	120	308	417
Other	669	27	(39)
Total Revenue	46,858	35,210	36,707
Expense <i>(schedule 1 and note 15)</i>			
Transfers			
Northern revenue sharing	15,210	15,912	16,201
Water and sewer	20,169	15,424	9,194
Northern capital	3,456	2,220	246
New North	360	324	337
Northern residential subdivision	1,000	158	2
Waste management	100	142	13
Municipal services <i>(note 11)</i>	5,116	4,367	3,898
Fuel operating costs	450	537	518
Bad debt expense	72	278	246
Landfill decommissioning <i>(note 7)</i>	45	5	5
Total Expense	45,978	39,367	30,660
(Deficit) Surplus <i>(schedule 1)</i>	880	(4,157)	6,047
Accumulated surplus, beginning of year	-	47,271	41,575
Prior period adjustment <i>(note 19)</i>	-	351	-
Restated accumulated surplus, beginning of year	-	47,622	-
Accumulated Surplus, End of Year <i>(schedule 1)</i>	-	43,465	47,622

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Change in Net Financial Assets
For the year ended December 31
(thousands of dollars)

	2018		2017
	Budget <i>(note 10)</i>	Actual	Actual <i>(Restated)</i> <i>(note 19)</i>
Surplus	880	(4,157)	6,047
Tangible Capital Assets			
Acquisition of tangible capital assets <i>(note 9)</i>	(3,827)	(207)	(1,085)
Amortization of tangible capital assets <i>(note 9)</i>	485	458	439
Disposals/write-downs of tangible capital assets <i>(note 9)</i>	-	-	21
Net (Addition) Reduction of Tangible Capital Assets	(3,342)	251	(625)
Other Non-Financial Assets			
Decrease in prepaid expenses	5	5	5
Decrease in inventory held for consumption	-	1	1
Net Decrease of Other Non-Financial Assets	5	6	6
(Decrease) increase in net financial assets	(2,457)	(3,900)	5,428
Net financial assets, beginning of year	42,057	42,057	36,629
Net Financial Assets, End of Year	39,600	38,157	42,057

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Cash Flow
For the year ended December 31
(thousands of dollars)

	2018	2017 <i>(Restated)</i> <i>(note 19)</i>
Operating Activities		
(Deficit) Surplus	(4,157)	6,047
Non-cash items		
Landfill decommissioning costs	6	5
Amortization expense	458	439
Gain on disposal of assets	-	(5)
Credit Unions – member equity	(1)	50
Change in Working Capital Balances		
Accounts receivable	1,700	(4,085)
Inventory for resale	281	(112)
Inventory held for consumption	1	1
Grants payable	162	987
Unearned revenue	(102)	39
Advance payments	1,050	(422)
Accounts payable	76	477
Contaminated site remediation <i>(note 16)</i>	-	(18)
Revenue collected for others	30	(212)
Prepaid expenses	5	5
Cash (Used for) Provided by Operating Activities	(491)	3,196
Capital Activities		
Cash used to acquire tangible capital assets	(207)	(1,085)
Proceeds from disposal of tangible capital assets and tax title properties	-	26
Cash (Used for) Capital Activities	(207)	(1,059)
Investing Activities		
Proceeds from disposal of temporary investments	39,771	26,540
Purchase of temporary investments	(39,597)	(31,771)
Cash Provided by (Used for) Investing Activities	174	(5,231)
(Decrease) in Cash	(524)	(3,094)
Cash, beginning of year	9,850	12,944
Cash, End of Year	9,326	9,850

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Notes to the Financial Statements
December 31, 2018

1. Authority and Organization Description

The Northern Municipal Trust Account (NMTA) was established by Section 426 of *The Northern Municipalities Act, 2010 (Act)*. NMTA is administered by the Northern Municipal Services Branch of the Ministry of Government Relations (GR). NMTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Municipalities Regulations*. NMTA also acts as a municipal operating fund for the unincorporated area in the district (i.e., northern settlements and resort subdivisions).

The Northern Water and Sewer Program provides funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grant Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and GR, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

The Northern Residential Subdivision Development Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision.

Pursuant to the Act, NMTA collects taxes for northern hamlets and the Ministry of Government Relations. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NMTA and are not reflected in the Statement of Operations and Accumulated Surplus. These taxes are remitted to the respective entities when received.

The Ministry of Environment has the legislative responsibility for crown land dispositions within the Province of Saskatchewan, including those within the NSAD, and is the government billing agency for all crown land dispositions. Revenues, net of GST, that are received from dispositions, either by leases, land sales, permits, royalties, etc., are remitted to NMTA per section 426(3)(d) of the Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Standards Board.

Significant aspects of the accounting policies adopted by NMTA are as follows:

a) Inventory for resale

Fuel held for resale, by the northern settlement of Uranium City, is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

b) Investments

i) Temporary

Temporary investments are term deposits that have maturity dates less than 1 year from year end. They are recorded at cost, which approximates their market value.

ii) Portfolio

Portfolio investments are investments that are not controlled by NMTA. These investments are recorded at cost (\$0), and revenue from these investments is recorded as investment income when receivable. The NMTA has an 18% interest in the Athabasca Basin Development Limited Partnership (ABDLP).

ABDLP was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston Lake, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP. First Nations in the far north hold the remaining interest.

c) Landfill decommissioning and post decommissioning care

The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on the total estimated landfill capacity and the accumulated capacity used at year end.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

d) Contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- a. An environmental standard exists;
- b. Contamination exceeds the environmental standard;
- c. NMTA:
 - i. is directly responsible; or
 - ii. accepts responsibility
- d. NMTA expects that future economic benefits will be given up; and
- e. A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management of remediation of contaminated sites where NMTA is obligated or likely to be obligated to incur such costs. The liability estimate includes costs that are directly attributable to the remediation activities and reflects the costs required to bring the site up to the current environmental standard for its use prior to contamination. The liability is recorded net of any expected recoveries.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

Details of the accrued liability for contaminated sites is included in Note 16 – Contaminated site remediation.

e) Tangible capital assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NMTA's tangible capital asset policy requires items with a cost of \$2,500 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are capitalized. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Machinery and equipment	10 years
Office furniture and equipment	3 – 5 years
Water and sewer infrastructure	25 years
Other	10 years

Tangible capital assets are written down when the asset no longer contributes to NMTA's ability to provide goods and services.

Information regarding the value of roads and infrastructure contributed upon formation of the settlements and recreational subdivisions is not available. These assets are considered to be fully amortized with an insignificant residual value.

f) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and eligibility criteria are met.

Lease fees are recognized over the term of the lease.

Revenue from fuel sales are recognized upon point of sale to a third party.

Property tax revenue is based on assessments determined in accordance with Saskatchewan legislation and the formulas, principles and rules in the Saskatchewan Assessment Manual. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued.

g) Transfer payments

Transfer payments, such as entitlements, grants, and shared cost agreements, are recognized as expenses in the period when the transfer is authorized, the eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

h) Northern Residential Subdivision Development Program – land development costs

NMTA incurs land development costs for the Northern Residential Subdivision Development Program. Under the program, NMTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. Expenses are reported on an accrual basis.

Land sales revenue is recognized upon completion of the developed lots. Revenue is considered earned when the official date of completion is received along with the final development cost summary from the SaskWater project manager.

i) Change in municipal administration

NMTA serves in a municipal function in the administration of the northern settlements and resort subdivisions.

Pursuant to sections 71 or 72 of the Act an application by petition may be submitted to the Minister to establish a northern municipality. For a northern settlement or resort subdivision under the administration of NMTA, the related assets, liabilities, non-financial assets and accumulated surplus are transferred from NMTA to the municipality as of the date it is established as a separate entity.

Pursuant to section 73 of the Act, a northern settlement may be dissolved. On dissolution of the northern settlement, the related assets, liabilities, non-financial assets and accumulated surplus are transferred to NMTA from the northern settlement as of the date it is no longer recognized as a municipality. There were no establishments or dissolutions of municipalities during 2018.

j) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Accounts subject to significant estimates include lease revenue from the Ministry of Environment, accrued landfill decommissioning costs, and accrued contaminated site remediation. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

k) Adoption of New Accounting Standards

The following new standards and amendments to standards, effective for annual periods beginning on or after April 1, 2017, have been analyzed in preparing these financial statements:

- i. PS 2200 Related Party Disclosures
- ii. PS 3210 Assets
- iii. PS 3320 Contingent Assets
- iv. PS 3380 Contractual Rights
- v. PS 3420 Inter-Entity Transactions

The adoption of these standards and changes to standards has had no material impact on NMTA's financial statements except for Contractual Rights (see Note 14).

3. Financial Instruments

NMTA's financial instruments include cash, temporary investments, portfolio investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 280 days (2017 – 280 days) and bear weighted average interest of 2.25% per annum (2017 – 1.49%).

4. Accounts Receivable

<i>(thousands of dollars)</i>	2018	2017
Water and sewer infrastructure	3,573	5,049
Lease fees receivable	805	793
Accrued interest	160	126
Fuel sales receivable	39	185
Receivable from federal government (GST)	942	1,124
Taxes	114	99
Northern Residential Subdivision Development Program	714	1,299
Other	2,575	1,948
Total Accounts Receivable	8,922	10,623

NMTA's accounts receivable above are net of a provision of \$1,035,749 for taxes and \$1,267,710 for leases that are considered doubtful. The total provision in 2018 is \$2,303,459 (2017 – \$2,243,777).

5. Unearned Revenue

Unearned revenue of \$1,718,610 (2017 – \$1,820,802) represents Crown land leases collected by the Ministry of Environment from third parties and paid to NMTA relating to future periods.

6. Advance Payments

NMTA entered into various agreements to fund the Northern Water and Sewer program. Many water and sewer municipal projects are jointly funded between the Provincial and Federal Government (Aboriginal Affairs and Northern Development Canada), NMTA, and the community itself whereby advance payments are received by NMTA for future water and sewer project costs. Advance payments represent the balance of the payments received to be allocated against future expenditures.

7. Accrued Landfill Decommissioning

The Environmental Management and Protection Act, 2010 (Saskatchewan) sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. Decommissioning and the post decommissioning requirements include the covering and landscaping of the landfill, ongoing environmental monitoring, and maintenance.

At December 31, 2018, NMTA has accrued an estimated amount of \$290,226 (2017 - \$284,827) for decommissioning and post decommissioning care for 15 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2018. Management estimates that the total cost to decommission landfill sites in NSAD will amount to \$650,000 (2017 - \$650,000) based on future cash flow discounted at three per cent.

The estimated remaining capacity of the 15 landfills in NSAD ranges from 0 to 36 years. On average these landfills have 1.5 hectares available for use.

8. Revenues Collected for Others

<i>(thousands of dollars)</i>	2018	2017
School taxes due to the Ministry of Government Relations	158	133
Municipal taxes collected due to hamlets	10	5
Total Revenues Collected for Others	168	138

9. Tangible Capital Assets

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

<i>(thousands of dollars)</i>	2018						2017
	Buildings	Machinery & Equipment	Other	Water & Sewer	Capital Works in Progress	Total	Total
Opening Net Book Value	878	331	235	3,464	629	5,537	4,912
Opening cost	3,160	2,517	834	10,497	629	17,637	17,130
Additions during year	3	94	27	60	23	207	1,085
Transfers during year	27	-	-	591	(618)	-	-
Disposals/write-downs during year	-	-	-	-	-	-	(578)
Closing cost	3,190	2,611	861	11,148	34	17,844	17,637
Opening accumulated amortization	2,282	2,186	599	7,033	-	12,100	12,218
Annual amortization	63	71	45	279	-	458	439
Disposals/write-downs during year	-	-	-	-	-	-	(557)
Closing accumulated amortization	2,345	2,257	644	7,312	-	12,558	12,100
Net Book Value of Tangible Capital Assets	845	354	217	3,836	34	5,286	5,537

10. Budget

NMTA's 2018 budget was approved on December 29, 2017 by the Minister of Government Relations.

11. Municipal Services

<i>(thousands of dollars)</i>	2018		2017
	Budget	Actual	Actual
General government	2,011	1,768	1,335
Utilities operating cost	1,160	1,036	964
Recreation and cultural	294	253	477
Environmental and public health	577	419	284
Transportation services	889	734	671
Planning and development	25	14	-
Protective services	160	143	167
Total Municipal Services	5,116	4,367	3,898

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, Ministries, agencies, boards and commissions related to NMTA by virtue of common control by the Government of Saskatchewan (collectively referred to as “related parties”). Related parties of the NMTA also include key management personnel, close family members of its key management personnel, and entities controlled by, or under shared control of any of these individuals.

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

<i>(thousands of dollars)</i>	2018	2017
Expense		
Water and sewer transfers	836	611
General government	389	402
Accounts Receivable		
Water and sewer infrastructure	3,573	5,049
Ministry of Environment (lease fees, land sales, interest)	2,072	2,138

In addition, NMTA pays provincial sales tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

Transfers from related parties during the year:

<i>(thousands of dollars)</i>	2018	2017
Ministry of Government Relations	22,750	25,036
Ministry of Advanced Education	-	3
Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation	11	11
Grants in lieu from Saskatchewan ministries and agencies	61	64
	<hr/>	<hr/>
	22,822	25,114

The Ministry of Environment is responsible for administering Crown land within NSAD. Thus, Crown land is not reflected on the Statement of Financial Position. In accordance with *The Northern Municipalities Regulations* and the Act, NMTA receives all proceeds from Crown land sales and leases within the NSAD.

13. Contractual Obligations

As at December 31, 2018, NMTA has entered into contracts to fund northern water and sewer, capital grant and northern subdivision projects through 2019. These obligations total \$13,400,538 (2017 – \$13,753,653).

14. Contractual Rights

a) Transfers

The NMTA’s contractual rights arise from two programs the Clean Water and Wastewater Fund (CWWF) and the New Building Canada fund – Small Communities Fund (NBCF-SCF). The Government of Saskatchewan provides 25% and the Government of Canada provides 50% of the CWWF program expenditures. The Government of Saskatchewan and the Government of Canada provide 33% each of the NBCF-SCF program expenditures.

Both the CWWF and NBCF-SCF target projects that will contribute to the rehabilitation of both water treatment and distribution infrastructure and existing wastewater and storm water treatment systems.

The Government of Saskatchewan, in turn, enters into agreements with eligible recipients to manage projects. In terms of the NMTA, the eligible recipients were the Town of Creighton, La Ronge, the Northern Villages of Green Lake, Ile a la Crosse, La Loche, Pinehouse, Stony Rapids and the Northern Hamlet of Michel Village.

Revenues expected in 2019 under both programs total \$472,993.

b) Lease fees

The Ministry of Environment assesses and collects lease and permit fees based on signed agreements, and proceeds from Crown land sales in the Northern Saskatchewan Administration District (NSAD) under the authority of *The Provincial Lands Act, 2016*, and *The Crown Resource Land Regulations, 2017*. In addition, per Section 426 of *the Northern Municipalities Act, 2010*, the Northern Municipal Trust Account is continued consisting of proceeds from the sale of Crown land and of lease and permit fees in the NSAD. Thus, the Ministry of Environment transfers those collected funds to the NMTA in accordance with *The Northern Crown Land Disposition Regulations*. NMTA records these lease revenues and permit fees received from the Ministry of Environment.

These revenues are estimated to total \$65.980 million based on signed lease agreements with expiry dates up to 2099.

(thousands of dollars)

2019	\$ 3,864
2020	3,766
2021	3,674
2022	3,603
<u>2023 and thereafter</u>	<u>51,073</u>
Total	\$65,980

15. Expense by Object

(thousands of dollars)

	2018		2017
	Budget	Actual	Actual
Transfers	39,195	33,880	25,978
Northern subdivision development	1,000	158	2
Waste management	100	142	13
Wages and benefits	999	873	805
Administration	155	151	121
Maintenance, materials and supplies	1,157	1,024	1,068
Contractual services	2,126	1,374	1,242
Utilities	496	424	420
Amortization	425	458	439
Bad debt expense	74	278	246
Other expenses	251	605	326
Total Expense by Object	45,978	39,367	30,660

16. Contaminated site remediation

A contaminated site has been identified for which NMTA is responsible. In 2016, NMTA estimated the cost of remediation to be \$90,000. Remediation costs of \$18,000 incurred in 2017 reduced this liability to \$72,000. There were no remediation costs incurred in 2018. The liability for the contaminated site relates to estimated costs to remediate impacted soil from a fuel spill at the Uranium City Water Treatment Facility. The liability was based on a remediation cost estimate prepared by an engineering consulting firm in 2010.

NMTA does not expect any financial recoveries from completing remediation. Additional expenditures to complete the remediation are expected to occur through 2020.

17. New Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada are not yet effective and have not been applied in preparing these financial statements. The following standards for governments will become effective as follows:

PS 3430 Restructuring Transactions (effective for fiscal years beginning on or after April 1, 2018), a new standard defining a restructuring transaction and establishing guidance on recognition and measurement of assets and liabilities transferred in a restructuring transaction.

PS 3450 Financial Instruments (effective for fiscal years beginning on or after April 1, 2021), a new standard establishing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

PS 2601 Foreign Currency Translation (effective for fiscal years beginning on or after April 1, 2021), replaces PS 2600 with revised guidance on the recognition, presentation and disclosure of transactions that are denominated in a foreign currency.

PS 1201 Financial Statement Presentation (effective in the period PS 3450 and PS 2601 are adopted), replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements.

PS 3041 Portfolio Investments (effective in the period PS 3450, PS 2601 and PS 1201 are adopted), replaces PS 3040 with revised guidance on accounting for, and presentation and disclosure of, portfolio investments.

PS 3280 Asset Retirement Obligations (effective for fiscal years beginning on or after April 1, 2021), a new standard that replaces PS 3270 providing specific guidance on accounting for asset retirement obligations including landfills.

PS 3400 Revenue (effective for fiscal years beginning on or after April 1, 2022), a new standard providing additional guidance for exchange and unilateral (non-exchange) transactions.

NMTA plans to adopt these new and amended standards on the effective date and is currently analyzing the impact this will have on these financial statements.

18. Change in Accounting Policy

Prior to 2018, NMTA's tangible capital asset policy required items with a cost of \$500 or more and a useful life of greater than a year to be capitalized. However, in 2018, NMTA has increased this requirement to \$2,500. The reason for this change was due to practicality as items costing less than \$2,500 will usually have a life expectancy of less than 1 year. Due to the difficulty in obtaining the necessary financial data to enable the change to be applied retroactively, the change in accounting policy is applied prospectively.

19. Prior Period Adjustment

The Ministry of Environment has the legislative responsibility to assess and collect lease and permit fees, and collect proceeds from Crown land sales in the *Northern Saskatchewan Administration District* under the authority of *The Provincial Lands Act, 2016*, and *The Crown Resource Land Regulations, 2017*. Per Section 426 of *the Northern Municipalities Act, 2010*, revenues collected for the listed activities belong to NMTA. Thus, the Ministry of Environment transfers those collected funds to the NMTA in accordance with *The Northern Crown Land Disposition Regulations*. NMTA records these lease revenues and permit fees received from the Ministry of Environment. During 2018, it was determined from the years 2005 to 2017, \$360,116 of lease revenues and permit fees from the Ministry of Environment were not recognized as payable to individual northern municipalities. As a result, the effect of the error correction is an increase to accounts payable and a decrease to opening surplus of \$360,116 (2017 – decrease to lease fees revenue of \$360,116). The prior year numbers have been restated.

In October 2019, NMTA determined that it incorrectly recorded certain 2014-2018 expenses related to two water and sewer projects in the communities of Creighton and La Ronge. For those projects, NMTA did not reduce its expenses to reflect certain amounts being funded 100% by the communities. As a result, the effect of the error correction is an increase to accounts receivable from those communities of \$1,006,907 in 2018 (2017 - \$710,625), a decrease to water and sewer transfer expenses of \$369,063 in

2018 (2017 - \$710,625), a decrease in advance payments of \$72,781 (2017 - \$72,781), and an increase to opening accumulated surplus of \$710,625. The prior year numbers have been restated.

20. Comparative Figures

Certain 2017 comparative figures have been reclassified to conform with the current year's presentation.

Schedule 1

NORTHERN MUNICIPAL TRUST ACCOUNT

Segmented and Restricted Assets

NMTA functions as a consolidated fund, and provides operating grants, capital grants, and other program funding to northern municipalities. It also serves in a municipal function in the administration of the northern settlements and resort subdivisions. Revenues collected during the year and the accumulated surplus of \$15.1 million (2017 – \$13.1 million) of the northern settlements and resort subdivisions is restricted for their use only and is not available for use by the general account. In addition to the \$15.1 million, the general account also has \$2.5 million in restricted funds derived from sale of Crown land within boundaries of resort subdivisions. The restricted funds are to be expended on capital work projects in resort subdivisions.

Statement of Financial Position As at December 31

(thousands of dollars)

	2018				2017
	General Account	Northern Settlements	Resort Subdivisions	Total	(Restated) (Note 19) Total
Financial Assets					
Cash & temporary investments	31,013	7,150	2,771	40,934	41,631
Other financial assets	8,747	483	16	9,246	11,228
Total Financial Assets	39,760	7,633	2,787	50,180	52,859
Liabilities					
Grants payable	6,395	-	-	6,395	6,233
Unearned revenue	1,719	-	-	1,719	1,821
Other liabilities	3,350	430	129	3,909	2,748
Total Liabilities	11,464	430	129	12,023	10,802
Net financial Assets	28,296	7,203	2,658	38,157	42,057
Non-financial Assets	30	5,004	274	5,308	5,565
Accumulated Surplus	28,326	12,207	2,932	43,465	47,622

Statement of Operations and Accumulated Surplus For the year ended December 31

(thousands of dollars)

	2018				2017
	General Account	Northern Settlements	Resort Subdivisions	Total	(Restated) (Note 19) Total
Revenue					
Transfers	20,940	1,858	42	22,840	25,129
Lease fees	2,256	57	1,813	4,126	3,747
Taxation	5,756	136	330	6,222	6,185
Utility and fuel sales	1	711	-	712	664
Interest and investment	732	221	22	975	604
Land sales	303	5	-	308	417
Other	11	12	4	27	(39)
Total Revenue	29,999	3,000	2,211	35,210	36,707
Expense					
Transfers	33,880	-	-	33,880	25,978
Northern residential subdivision	158	-	-	158	2
Solid Waste Management Program	142	-	-	142	13
Municipal services	1,813	2,205	349	4,367	3,898
Fuel operating costs	-	537	-	537	518
Bad debt expense	199	75	4	278	246
Landfill decommissioning	-	4	1	5	5
Total Expense	36,192	2,821	354	39,367	30,660
(Deficit) Surplus	(6,193)	179	1,857	(4,157)	6,047
Accumulated surplus, beginning of year	34,168	12,028	1,075	47,271	41,575
Prior period adjustment (note 19)	351	-	-	351	-
Restated accumulated surplus, beginning of year	34,519	12,028	1,075	47,622	41,575
Accumulated Surplus, End of Year	28,326	12,207	2,932	43,465	47,622